

City of Beaumont

Beaumont, California

Annual Financial Report and Independent Auditors' Report

For the Year Ended June 30, 2017



City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

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Annual Financial Report
For the Year Ended June 30, 2017

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaumont, California (the "City"), as of and for the year ended June 30, 2017, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

Tel: 949-777-8800 • Fax: 949-777-8850

www.pungroup.com

Emphasis of Matters

Change in CalPERS Discount Rate

As discussed in Note 10, on December 21, 2017, the CalPERS Board of Administration approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent to 7.00 percent over the next three years. Lowering the discount rate means plans will see increases in normal costs and the accrued liabilities, which will result in higher required contributions. The actual impact cannot be determined at this time, but is expected to be significant. Our opinion is not modified with respect to this matter.

Asset and Infrastructure Capitalization

As discussed in Note 13, the City has restated its beginning net position of the government-wide governmental and business-type activities, and its enterprise funds in order correct the capital assets balances that were omitted in the previously reported financial statements and to comply with the GASB Statement No. 34. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

To the Honorable Mayor and Members
of the City Council of the City of Beaumont
Beaumont, California
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The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2018 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Santa Ana, California
June 15, 2018

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2017

This is management's discussion and analysis of the City of Beaumont's financial activities and performance for the fiscal year ended June 30, 2017 and comparison to June 30, 2016 (as audited by other auditors). Please read this in conjunction with the City's financial statements, which follow this discussion and analysis. Where June 30, 2016 amounts have been restated in the basic financial statements, the restated amounts have not been considered in our analysis on a comparative basis. All statements have been condensed for purposes of the MD&A.

FINANCIAL HIGHLIGHTS

- Revenues are relatively stable, with minor increases supporting the improved economic condition of the region.
- The City was managed in compliance with the adopted budget.
- Significant subsequent events include settlement with the U.S. Securities and Exchange Commission.
- The City fully complies with all governmental reporting standards effective with this fiscal reporting year.
- Full compliance with State Controller's Office Review Report for Administrative and Internal Accounting Controls issued in November 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017

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

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

Fund Financial Statements

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

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

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

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

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

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017

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 Community Facilities Capital Projects Fund.

Supplementary Information includes the Budgetary Comparison Schedules and the Combining statements and Schedules of the non-major governmental 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, 2017.

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's overall financial position. For the City, assets, including deferred outflows of resources, exceeded liabilities, including deferred inflows of resources by \$410.7 million at the end of the fiscal year.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017

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

Statement of Net Position						
(Dollars in Thousands)						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets:						
Current and other assets	\$ 295,529	\$ 48,226	\$ 3,729	\$ 2,038	\$ 299,258	\$ 50,264
Capital Assets	<u>235,260</u>	<u> </u>	<u>127,029</u>	<u>50,743</u>	<u>362,289</u>	<u>50,743</u>
Total Assets	<u>530,789</u>	<u>48,226</u>	<u>130,758</u>	<u>52,781</u>	<u>661,547</u>	<u>101,007</u>
Deferred outflows:						
Deferred outflows related to pension	<u>6,347</u>	<u>4,535</u>	<u>461</u>	<u>305</u>	<u>6,808</u>	<u>4,840</u>
Liabilities:						
Current and other liabilities	31,674	5,242	701	401	32,375	5,643
Noncurrent liabilities	<u>222,703</u>	<u>19,363</u>	<u>1,242</u>	<u>908</u>	<u>223,945</u>	<u>20,271</u>
Total liabilities	<u>254,377</u>	<u>24,605</u>	<u>1,944</u>	<u>1,309</u>	<u>256,320</u>	<u>25,914</u>
Deferred inflows:						
Deferred inflows related to pension	<u>1,368</u>	<u>2,154</u>	<u>-</u>	<u>137</u>	<u>1,368</u>	<u>2,291</u>
Net position:						
Net investment in capital assets	41,036		127,029	50,743	168,065	50,743
Restricted	253,985	48,233			253,985	48,233
Unrestricted	<u>(13,630)</u>	<u>(22,231)</u>	<u>2,246</u>	<u>897</u>	<u>(11,384)</u>	<u>(21,334)</u>
Total net position	<u>\$ 281,391</u>	<u>\$ 26,002</u>	<u>\$ 129,275</u>	<u>\$ 51,640</u>	<u>\$ 410,666</u>	<u>\$ 77,642</u>

The largest asset classification is capital assets which are utilized to provide services to citizens and, therefore, these assets are not available for future spending. The City's net position reflects the investment in its capital assets, net of related debt. It should be noted that the balance of related debt at June 30, 2017, is comprised of vehicle lease payable of \$79 thousand and Community Facilities Debt issuances (CFD) of \$205.7 million.

The portion of the City's net position of \$253.9 million represents resources that are subject to external restrictions on how they may be used. The restrictions include CFD Projects, Capital Projects, Street Projects, Public Safety, Public-access Television and amounts held for future debt service.

The last portion of the City's net position is a deficit, caused by Noncurrent Liabilities. Noncurrent liabilities are comprised of balances related to staff compensated absence calculations, capital lease liability, the AB1484 Due Diligence Review payable to the State, claims payable for incurred but not reported claims as well as processed claims outstanding at year end, and the net pension liability calculation.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017

Net Position			
(Dollars in thousands)			
	Government Activities	Business-type Activities	Totals
Net Position, Beginning of Year	\$ 26,002	\$ 51,640	\$ 77,642
Restatements of Net Position	243,592	81,433	325,025
Net Position, Restated Beginning of Year	269,594	133,073	402,667
Change in Net Position	11,797	(3,798)	7,999
Net Position, End of Year	\$ 281,391	\$ 129,275	\$ 410,666

Net assets have a significant adjustment to the beginning balance related to an adjustment to record the GASB 68 pension related liability accruals and the recognition of capital and infrastructure assets in the governmental and business type and proprietary activities in accordance with GASB 34. Restatement adjustments are addressed in Note 13.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017

Analysis of Statement of Activities

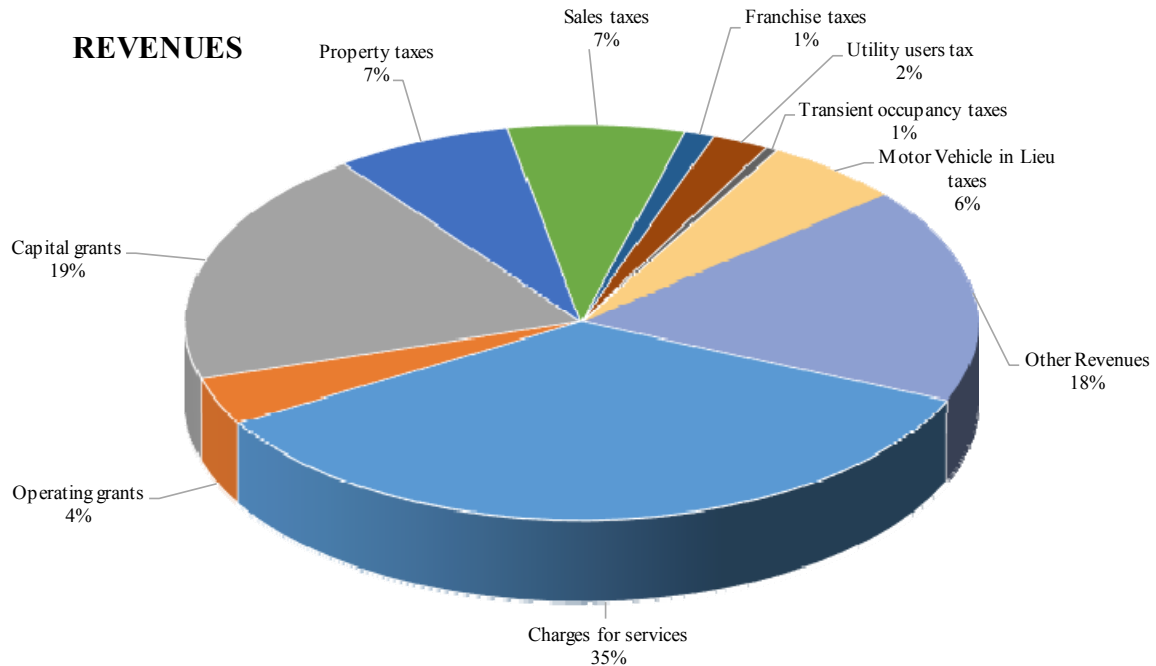
The following table indicates the changes in net position for governmental and business-type activities:

	Statement of Activities					
	(Dollars in Thousands)					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 15,940	\$ 9,561	\$ 7,644	\$ 7,363	\$ 23,584	\$ 16,924
Operating grants	286	9,449	2,262	2,063	2,548	11,512
Capital grants	12,450	5,305	474	1,480	12,924	6,785
General Revenues:						
Property taxes	4,852	3,762	-	-	4,852	3,762
Sales taxes	4,853	4,967	-	-	4,853	4,967
Franchise taxes	805	929	-	-	805	929
Utility users tax	1,546	1,804	-	-	1,546	1,804
Transient occupancy taxes	326	284	-	-	326	284
Other taxes	880	77	-	-	880	77
Business licenses	232	196	-	-	232	196
Motor Vehicle in Lieu taxes	3,768	3,507	-	-	3,768	3,507
Investment earnings	10,490	13	5	3	10,495	16
Miscellaneous	98	360	-	-	98	360
Total revenues	<u>56,526</u>	<u>40,214</u>	<u>10,385</u>	<u>10,909</u>	<u>66,911</u>	<u>51,123</u>
Expenses:						
General government	7,593	3,397	-	-	7,593	3,397
Public safety	13,526	11,237	-	-	13,526	11,237
Public works	5,031	1,976	-	-	5,031	1,976
Community development	4,442	1,368	-	-	4,442	1,368
Community services	2,529	3,051	-	-	2,529	3,051
Refuse	4,239	4,138	-	-	4,239	4,138
Interest on long term liabilities	10,369	-	-	-	10,369	-
Waste water	-	-	11,193	6,044	11,193	6,044
Transit	-	-	2,990	2,479	2,990	2,479
Total expenses	<u>47,729</u>	<u>25,167</u>	<u>14,183</u>	<u>8,523</u>	<u>61,912</u>	<u>33,690</u>
Extraordinary / Special Items:						
Successor Agency debt reversal	-	4,235	-	-	-	4,235
WRCOG judgment settlement	-	58,099	-	-	-	58,099
Settlement	3,000	-	-	-	3,000	-
Change in net position	<u>\$ 11,797</u>	<u>\$ 77,381</u>	<u>\$ (3,798)</u>	<u>\$ 2,386</u>	<u>\$ 7,999</u>	<u>\$ 79,767</u>

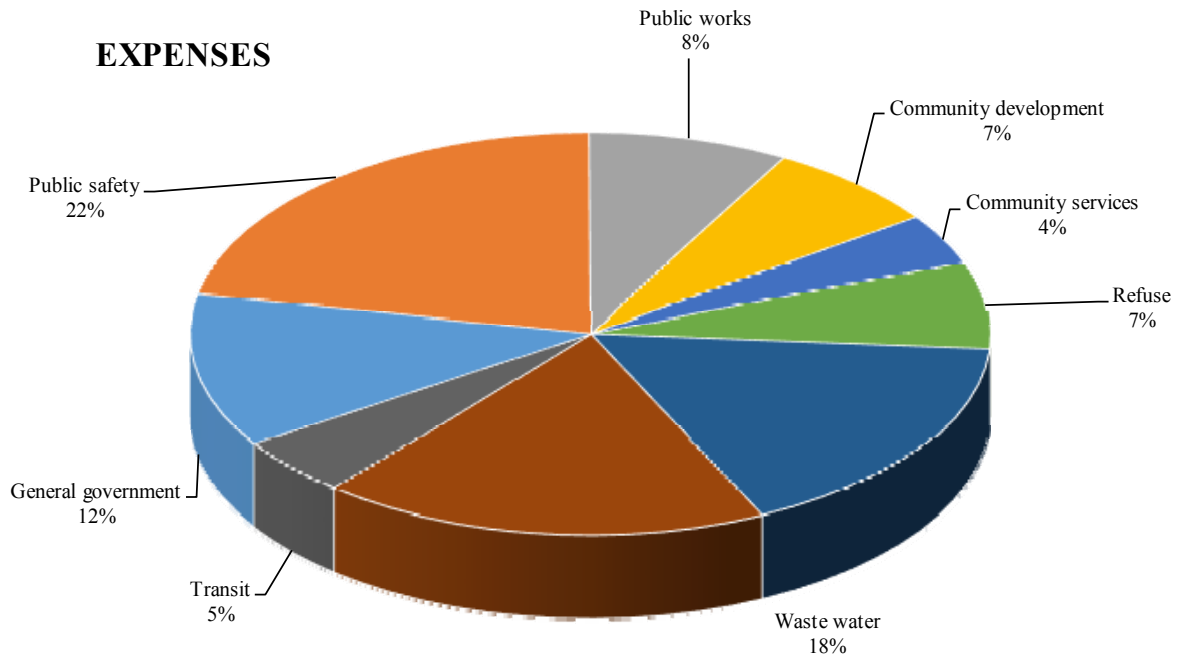
The City's overall net position increased by approximately \$8.0 million during the current fiscal year. This increase is due to proper budgeting and management of City business and activities, discussed in Note 10.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017

Analysis of total revenues indicates that the largest revenue source is from charges for services, primarily related to CFDs.



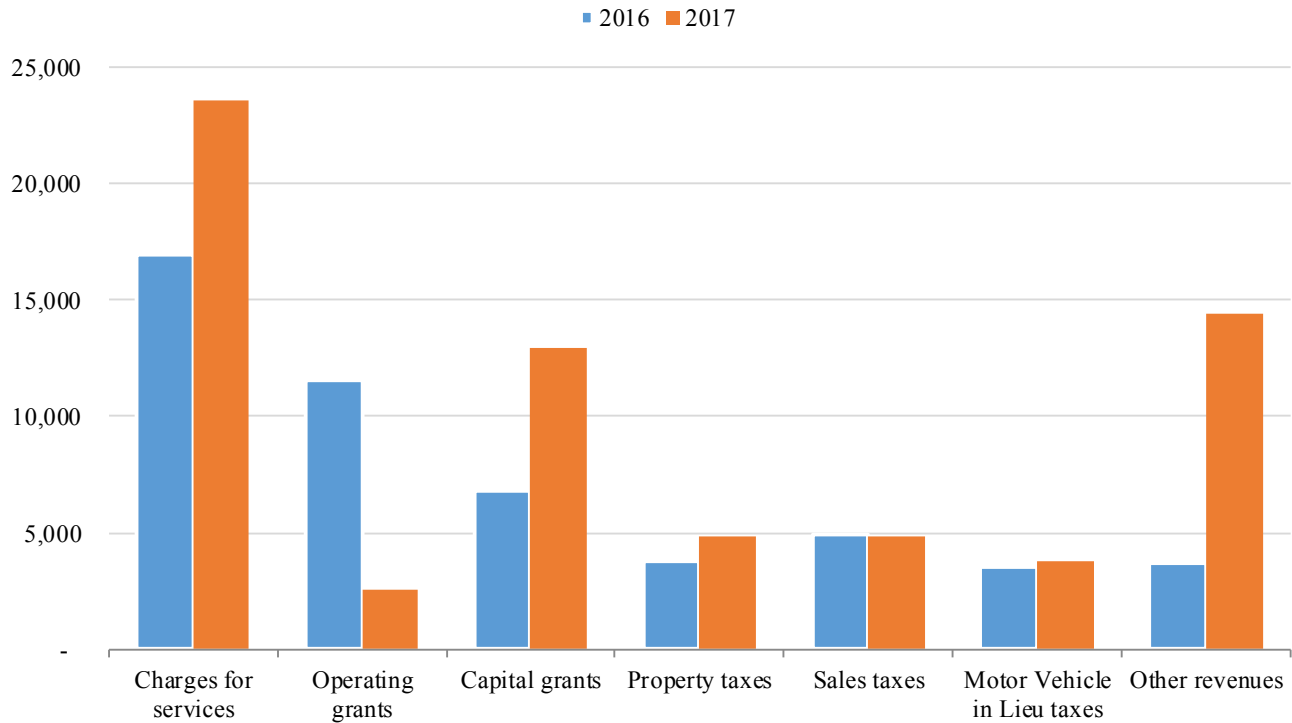
Analysis of total expense indicates that the largest functional cost is for public safety services.



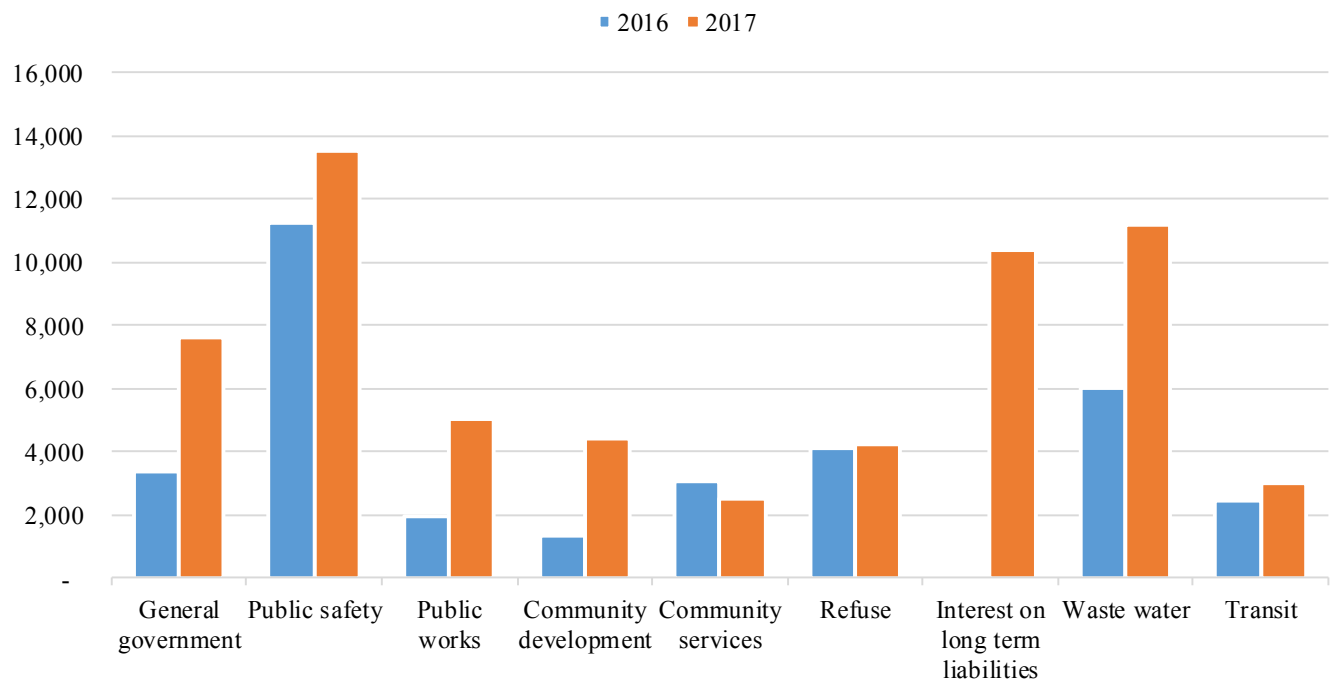
City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017

Comparison of revenue and expense groupings from fiscal year 2016 to 2017 has been charted below:

REVENUES



EXPENSES



City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017

Governmental activities increased the City's net position by \$11.8 million. The key factor relates to an increase in construction activity in the city resulting in a significant increase in fees.

Total revenues have increased by \$16.3 million due to the recognition of assessments for administration and maintenance, charges for services, capital contributions revenues and increases in development related permits and fees.

Total expenses increased by \$22.5 million, with dramatic effects in various areas. General government costs increased by \$4.2 million, public safety increased by \$2.3 million, public works increased by \$3 million, and community development increased by \$3 million. Costs were cut drastically in the previous fiscal year while the financial status of the City was fully investigated and a plan for financial recovery was established. Fiscal year 2016 – 17 is the first year reflecting effective budgeting, fiscal responsibility and revitalization of public maintenance and services.

Business-type activities decreased the City's net position by \$3.8 million. Revenues were steady, but costs incurred in 2017 for the proactive maintenance and correction of wastewater management cost \$4.6 million more than the minimum level of operations in year 2016.

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 2017. The budget was established as revenue neutral, and no extraordinary items were taken into consideration.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

With fiscal year 2017, the City fully conformed to GASB 34 related to the recognition and reporting of governmental and business-type activities capital assets and infrastructure assets. The lack of compliance in prior years was viewed as a serious shortcoming and has been fully addressed by management. While not fully comparable, as prior years have not been restated, a summary and comparison of all capital assets have been included in the table below:

Capital Assets
(Dollars in thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
GOVERNMENT						
Land	\$ 11,941	\$ -	\$ -	\$ -	\$ 11,941	\$ -
Infrastructure	414,959	-	-	-	414,959	-
Buildings	16,395	-	-	-	16,395	-
Machinery and equipment	6,385	-	-	-	6,385	-
Vehicles	2,671	-	-	-	2,671	-
Less accumulated depreciation	(217,091)	-	-	-	(217,091)	-
	<u>\$ 235,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,260</u>	<u>\$ -</u>
WASTE WATER FUND						
Construction in Progress	\$ -	\$ -	\$ 1,041	\$ -	\$ 1,041	\$ -
Land	-	-	503	503	503	503
Infrastructure	-	-	133,023	-	133,023	-
Buildings	-	-	83	83	83	83
Machinery and equipment	-	-	87,810	76,159	87,810	76,159
Vehicles	-	-	124	124	124	124
Less accumulated depreciation	-	-	(97,341)	(27,979)	(97,341)	(27,979)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,243</u>	<u>\$ 48,890</u>	<u>\$ 125,243</u>	<u>\$ 48,890</u>
TRANSIT FUND						
Construction in Progress	\$ -	\$ -	\$ 14	\$ 3	\$ 14	\$ 3
Buildings	-	-	538	525	538	525
Machinery and equipment	-	-	689	477	689	477
Vehicles	-	-	3,754	3,474	3,754	3,474
Less accumulated depreciation	-	-	(3,210)	(2,627)	(3,210)	(2,627)
	<u>-</u>	<u>-</u>	<u>1,785</u>	<u>1,852</u>	<u>1,785</u>	<u>1,852</u>
Total	<u>\$ 235,260</u>	<u>\$ -</u>	<u>\$ 127,028</u>	<u>\$ 50,742</u>	<u>\$ 362,288</u>	<u>\$ 50,742</u>

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017

Debt Administration

As of June 30, 2017, the City had \$228.7 million of outstanding obligations related to governmental activities and \$1.3 million related to business-type activities, for a total of \$230 million. Debt outstanding as of June 30, 2017 with a comparison to prior year and the net change follows:

Debt Outstanding			
(Dollars in thousands)			
	<u>2017</u>	<u>2016</u>	<u>Net Change</u>
Governmental Activities			
Claims payable	\$ 2,331	\$ 1,523	\$ 808
Net pension liability	13,791	11,078	2,713
Compensated absences	1,869	1,807	62
AB1484 Due Diligence Review	1,976	2,276	(300)
Capital lease	79	-	79
WRCOG TUMF Settlement	4,100	4,100	-
Beaumont Financing Authority	205,669		205,669
	<u>\$ 229,815</u>	<u>\$ 20,784</u>	<u>\$ 209,031</u>
Business-type Activities			
Net pension liability	\$ 1,030	\$ 690	\$ 340
Compensated absences	236	240	(4)
	<u>\$ 1,266</u>	<u>\$ 930</u>	<u>\$ 336</u>

The most significant change in the governmental activities debt is related to the reclassification and inclusion of the Beaumont Public Financing Authority component unit (BFA) in the governmental activities. The BFA debt of \$205.7 million is directly related to CFD debts and is discussed in Note 7. Additional increases were recognized in claims payable and the net pension liability.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

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

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017

Moreover, the City's cost cutting strategies, including re-negotiation of employment agreements, limitations on supplies, and the suspension and review of large-scale projects, resulted in the significant savings. With a fresh focus on the future, progress is being made on fiscally sound footing to invest in projects that can have a benefit to the City as a whole.

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

- The City continues to prioritize management of its budget and financial controls.
- The settlement of numerous litigation matters against the City has provided relief and encouragement for the City's financial future. However, the City will continue to defend itself against those matters which it believes are unwarranted.
- Significant subsequent events are disclosed in Note 16.

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@beaumontcares.com, or finance@ci.beaumont.ca.us .

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

Basic Financial Statements

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For the Year Ended June 30, 2017

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

Government-Wide Financial Statements

City of Beaumont
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 55,013,816	\$ 2,921,853	\$ 57,935,669
Restricted cash and investments	-	142,708	142,708
Receivables:			
Accounts	2,997,850	-	2,997,850
Interest	83,180	-	83,180
Intergovernmental	2,249,712	594,669	2,844,381
Internal balances	(69,568)	69,568	-
Total current assets	<u>60,274,990</u>	<u>3,728,798</u>	<u>64,003,788</u>
Noncurrent assets:			
Cash and investments with fiscal agent	29,371,451	-	29,371,451
Investment in CFDs	205,668,880	-	205,668,880
Loans receivable	213,399	-	213,399
Capital assets:			
Nondepreciable	11,940,820	1,557,295	13,498,115
Depreciable, net	223,318,767	125,471,386	348,790,153
Total capital assets, net	<u>235,259,587</u>	<u>127,028,681</u>	<u>362,288,268</u>
Total noncurrent assets	<u>470,513,317</u>	<u>127,028,681</u>	<u>597,541,998</u>
Total assets	<u>530,788,307</u>	<u>130,757,479</u>	<u>661,545,786</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	6,347,237	461,331	6,808,568
Total deferred outflows of resources	<u>6,347,237</u>	<u>461,331</u>	<u>6,808,568</u>

City of Beaumont
Statement of Net Position (Continued)
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	3,869,367	486,137	4,355,504
Salaries payable and related liabilities	878,924	48,952	927,876
Due to Agency Fund	28,677	-	28,677
Deposits payable	278,887	-	278,887
Unearned revenue	19,506,248	142,707	19,648,955
Compensated absences - due within one year	1,121,118	23,563	1,144,681
Claims payable - due within one year	1,567,484	-	1,567,484
Long-term debt - due within one year	10,639,626	-	10,639,626
Total current liabilities	37,890,331	701,359	38,591,690
Long-term liabilities:			
Compensated absences - due in more than one year	747,412	212,070	959,482
Claims payable - due in more than one year	763,707	-	763,707
Long-term debt - due in more than one year	201,184,489	-	201,184,489
Aggregate net pension liability	13,790,602	1,030,174	14,820,776
Total long-term liabilities	216,486,210	1,242,244	217,728,454
Total liabilities	254,376,541	1,943,603	256,320,144
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	1,368,187	-	1,368,187
Total deferred inflows of resources	1,368,187	-	1,368,187
NET POSITION			
Net investment in capital assets	41,036,317	127,028,681	168,064,998
Restricted for:			
Special projects	9,997,459	-	9,997,459
Debt service	223,515,398	-	223,515,398
Capital projects	20,471,944	-	20,471,944
Total restricted	253,984,801	-	253,984,801
Unrestricted (deficit)	(13,630,302)	2,246,526	(11,383,776)
Total net position	\$ 281,390,816	\$ 129,275,207	\$ 410,666,023

City of Beaumont
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 7,593,312	\$ 373,351	\$ -	\$ -	\$ 373,351
Public safety	13,526,022	1,017,570	60,854	100,000	1,178,424
Public works	5,030,993	6,334,949	-	12,350,382	18,685,331
Community development	4,441,655	2,230,707	225,514	-	2,456,221
Community services	2,528,668	173,522	-	-	173,522
Refuse	4,239,048	5,809,411	-	-	5,809,411
Interest and fiscal charges	10,369,211	-	-	-	-
Total governmental activities	47,728,909	15,939,510	286,368	12,450,382	28,676,260
Business-Type activities:					
Sewer	11,192,584	7,424,915	-	-	7,424,915
Transit	2,990,218	219,492	2,262,277	473,715	2,955,484
Total business-type activities	14,182,802	7,644,407	2,262,277	473,715	10,380,399
Total primary government	\$ 61,911,711	\$ 23,583,917	\$ 2,548,645	\$ 12,924,097	\$ 39,056,659

City of Beaumont
Statement of Activities (Continued)
For the Year Ended June 30, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (7,219,961)	\$ -	\$ (7,219,961)
Public safety	(12,347,598)	-	(12,347,598)
Public works	13,654,338	-	13,654,338
Community development	(1,985,434)	-	(1,985,434)
Community services	(2,355,146)	-	(2,355,146)
Refuse	1,570,363	-	1,570,363
Interest and fiscal charges	(10,369,211)	-	(10,369,211)
Total governmental activities	(19,052,649)	-	(19,052,649)
Business-Type activities:			
Sewer	-	(3,767,669)	(3,767,669)
Transit	-	(34,734)	(34,734)
Total business-type activities	-	(3,802,403)	(3,802,403)
Total primary government	(19,052,649)	(3,802,403)	(22,855,052)
General revenues:			
Taxes:			
Property taxes	4,852,263	-	4,852,263
Sales taxes	4,851,947	-	4,851,947
Vehicle in lieu tax	3,768,042	-	3,768,042
Utility users tax	1,545,893	-	1,545,893
Franchise tax	805,244	-	805,244
Transient occupancy tax	325,874	-	325,874
Other taxes	880,255	-	880,255
Total taxes	17,029,518	-	17,029,518
Business licenses	231,688	-	231,688
Investment earnings	10,490,307	4,475	10,494,782
Miscellaneous	55,710	30	55,740
Gain on sale of assets	42,237	-	42,237
Total general revenues and transfers	27,849,460	4,505	27,853,965
Special Item:			
Settlement	3,000,000	-	3,000,000
Total special item	3,000,000	-	3,000,000
Change in net position	11,796,811	(3,797,898)	7,998,913
Net position - beginning of year, as restated (Note 13)	269,594,005	133,073,105	402,667,110
Net position - end of year	\$ 281,390,816	\$ 129,275,207	\$ 410,666,023

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Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

Fund Financial Statements

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

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Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

Governmental Fund Financial Statements

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental Funds of the City are outlined below:

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

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

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

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

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

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

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds			
	General Fund	Community Facilities District (CFD) Special Revenue Fund	Community Facilities District (CFD) Capital Projects Fund	General Capital Projects Fund
ASSETS				
Cash and investments	\$ 3,996,907	\$ 8,487,044	\$ 13,875,363	\$ 6,746,625
Cash and investments with fiscal agent	-	-	11,524,933	-
Investment in CFDs	-	-	-	-
Receivables:				
Accounts	2,985,941	-	-	-
Interest	83,180	-	-	-
Due from other governments	1,340,268	236,708	-	204,000
Loans	213,399	-	-	-
Due from other funds	373,221	-	-	-
Total assets	\$ 8,992,916	\$ 8,723,752	\$ 25,400,296	\$ 6,950,625
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,569,203	\$ 98,473	\$ 242,694	\$ 111,350
Accrued payroll and related liabilities	878,924	-	-	-
Due to other funds	69,568	-	-	-
Due to Agency fund	28,677	-	-	-
Deposits payable	29,077	200,887	-	-
Unearned revenue	-	-	-	-
Total liabilities	3,575,449	299,360	242,694	111,350
Deferred Inflows of Resources:				
Unavailable revenue	169,927	-	-	-
Total deferred inflows of resources	169,927	-	-	-
Fund Balances:				
Nonspendable	213,399	-	-	-
Restricted	-	8,424,392	25,157,602	-
Committed	-	-	-	6,839,275
Unassigned	5,034,141	-	-	-
Total fund balances	5,247,540	8,424,392	25,157,602	6,839,275
Total liabilities, deferred inflows of resources and fund balances	\$ 8,992,916	\$ 8,723,752	\$ 25,400,296	\$ 6,950,625

City of Beaumont
Balance Sheet (Continued)
Governmental Funds
June 30, 2017

	Major Fund			Total Governmental Funds
	Development Impact Fees (DIF) Capital Projects Fund	Beaumont Financing Authority Debt Service Fund	Other Governmental Funds	
ASSETS				
Cash and investments	\$ 20,246,668	\$ -	\$ 1,661,209	\$ 55,013,816
Cash and investments with fiscal agent	-	17,846,518	-	29,371,451
Investment in CFDs	-	205,668,880	-	205,668,880
Receivables:				-
Accounts	-	-	11,909	2,997,850
Interest	-	-	-	83,180
Due from other governments	-	-	468,736	2,249,712
Loans	-	-	-	213,399
Due from other funds	-	-	-	373,221
Total assets	\$ 20,246,668	\$ 223,515,398	\$ 2,141,854	\$ 295,971,509
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 802,621	\$ -	\$ 45,026	\$ 3,869,367
Accrued payroll and related liabilities	-	-	-	878,924
Due to other funds	-	-	373,221	442,789
Due to Agency fund	-	-	-	28,677
Deposits payable	6,997	-	41,926	278,887
Unearned revenue	19,437,050	-	69,198	19,506,248
Total liabilities	20,246,668	-	529,371	25,004,892
Deferred Inflows of Resources:				
Unavailable revenue	-	-	39,416	209,343
Total deferred inflows of resources	-	-	39,416	209,343
Fund Balances:				
Nonspendable	-	-	-	213,399
Restricted	-	223,515,398	1,573,067	258,670,459
Committed	-	-	-	6,839,275
Unassigned	-	-	-	5,034,141
Total fund balances	-	223,515,398	1,573,067	270,757,274
Total liabilities, deferred inflows of resources and fund balances	\$ 20,246,668	\$ 223,515,398	\$ 2,141,854	\$ 295,971,509

City of Beaumont
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2017

Total Fund Balances - Total Governmental Funds	<u>\$ 270,757,274</u>
Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.	
Capital assets, nondepreciable	11,940,820
Capital assets, depreciable	<u>223,318,767</u>
	<u>235,259,587</u>
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Compensated absences - due within one year	(1,121,118)
Compensated absences - due in more than one year	(747,412)
Claims payable - due within one year	(1,567,484)
Claims payable - due in more than one year	(763,707)
Long-term debt - due within one year	(10,639,626)
Long-term debt - due in more than one year	<u>(201,184,489)</u>
	<u>(216,023,836)</u>
Aggregate net pension liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds.	
	<u>(13,790,602)</u>
Actuarially determined pension deferred outflows of resources are reported in the government-wide statements:	
Pension contributions made after the measurement date	1,947,311
Difference between projected and actual earnings on pension plan investments	3,045,396
Difference between expected and actual experience	16,489
Difference between employer contributions and proportionate share of contributions	520,974
Deferred change in pension plan proportion	<u>817,067</u>
	<u>6,347,237</u>
Actuarially determined pension deferred inflows of resources are reported in the government-wide statements:	
Difference between expected and actual experience	(93,000)
Changes in actuarial assumptions	(664,519)
Deferred change in pension plan proportion	<u>(610,668)</u>
	<u>(1,368,187)</u>
Unavailable revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available were recognized as revenues in the Government-Wide Financial Statements.	
	<u>209,343</u>
Net Position of Governmental Activities	<u><u>\$ 281,390,816</u></u>

City of Beaumont
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	Major Funds			
	General Fund	Community Facilities Districts (CFD) Special Revenue Fund	Community Facilities District (CFD) Capital Projects Fund	General Capital Projects Fund
REVENUES:				
Taxes	\$ 11,027,239	\$ -	\$ -	\$ -
Intergovernmental	3,809,768	-	-	204,000
License and permits	3,531,480	-	-	-
Fines and forfeitures	265,831	-	-	-
Assessment levied	548,738	4,358,002	4,402,815	-
Use of money and property	142,532	-	37,023	-
Charges for services	8,355,018	-	-	-
Other revenues	375,369	-	-	1,000
Total revenues	28,055,975	4,358,002	4,439,838	205,000
EXPENDITURES:				
Current:				
General government	5,464,863	-	-	-
Public safety	12,503,812	-	-	-
Public works	2,902,986	-	-	-
Community development	1,218,594	266,226	698,447	1,371,281
Community services	2,396,166	-	-	-
Refuse	4,239,048	-	-	-
Capital outlay	188,738	-	-	-
Debt service:				
Principal	316,834	-	-	-
Interest and fiscal charges	3,182	-	-	-
Total expenditures	29,234,223	266,226	698,447	1,371,281
REVENUES OVER (UNDER) EXPENDITURES	(1,178,248)	4,091,776	3,741,391	(1,166,281)
OTHER FINANCING SOURCES (USES):				
Obligations incurred on capital leases	96,158	-	-	-
Sales of property	42,237	-	-	-
Transfers in	7,617,785	6,382,866	-	8,005,556
Transfers out	(259,756)	(2,050,250)	(11,451,534)	-
Total other financing sources (uses)	7,496,424	4,332,616	(11,451,534)	8,005,556
SPECIAL ITEM:				
Settlement (Note 14)	3,000,000	-	-	-
Total special item	3,000,000	-	-	-
Net changes in fund balances	9,318,176	8,424,392	(7,710,143)	6,839,275
FUND BALANCES:				
Beginning of year, as restated (Note 13)	(4,070,636)	-	32,867,745	-
End of year	<u>\$ 5,247,540</u>	<u>\$ 8,424,392</u>	<u>\$ 25,157,602</u>	<u>\$ 6,839,275</u>

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds (Continued)
For the Year Ended June 30, 2017

	Major Funds			
	Development Impact Fees (DIF) Capital Projects Fund	Beaumont Financing Authority Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 11,027,239
Intergovernmental	-	-	1,773,512	5,787,280
License and permits	7,206,765	-	42,907	10,781,152
Fines and forfeitures	-	-	-	265,831
Assessment levied	-	-	-	9,309,555
Use of money and property	-	10,276,048	157,412	10,613,015
Charges for services	-	-	-	8,355,018
Other revenues	-	-	733	377,102
Total revenues	7,206,765	10,276,048	1,974,564	56,516,192
EXPENDITURES:				
Current:				
General government	-	-	-	5,464,863
Public safety	-	-	20,277	12,524,089
Public works	-	-	-	2,902,986
Community development	-	-	740,802	4,295,350
Community services	-	-	-	2,396,166
Refuse	-	-	-	4,239,048
Capital outlay	-	-	-	188,738
Debt service:				
Principal	-	5,850,518	-	6,167,352
Interest and fiscal charges	-	10,366,029	-	10,369,211
Total expenditures	-	16,216,547	761,079	48,547,803
REVENUES OVER (UNDER) EXPENDITURES	7,206,765	(5,940,499)	1,213,485	7,968,389
OTHER FINANCING SOURCES (USES):				
Obligations incurred on capital leases	-	-	-	96,158
Sales of property	-	-	-	42,237
Transfers in	-	-	900	22,007,107
Transfers out	(7,206,765)	-	(1,038,802)	(22,007,107)
Total other financing sources (uses)	(7,206,765)	-	(1,037,902)	138,395
SPECIAL ITEM:				
Settlement (Note 14)	-	-	-	3,000,000
Total special item	-	-	-	3,000,000
Net changes in fund balances	-	(5,940,499)	175,583	11,106,784
FUND BALANCES:				
Beginning of year, as restated (Note 13)	-	229,455,897	1,397,484	259,650,490
End of year	\$ -	\$ 223,515,398	\$ 1,573,067	\$ 270,757,274

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	11,106,784
Governmental funds report capital outlay as expenditures. Capital outlay expenditures were included in the Statement of Revenue, Expenditures, and Changes in Fund Balances through out various departments. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		188,738
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds		(4,947,724)
The issuance of long-term liabilities provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of long-term liabilities was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.		
Issuance of long-term debt		(96,158)
The repayment of debt principal consumes the current financial resources of governmental funds; however, it has no effect on net position.		6,167,352
The net effect of various miscellaneous transactions involving pension plans (i.e. changes in the net pension liability, deferred inflow/outflow amortization, contributions after measurement date) does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.		280,315
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		(61,585)
Changes in claims payable		(808,202)
Unavailable revenues were reported as deferred inflows of resources in the Governmental Funds but were reported as revenues in the Government-Wide Statement of Statement of Activities.		(32,709)
Change in Net Position of Governmental Activities	\$	11,796,811

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Proprietary Fund Financial Statements

City of Beaumont
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For the Year Ended June 30, 2017

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PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
ASSETS			
Current assets:			
Cash and investments	\$ 2,621,405	\$ 300,448	\$ 2,921,853
Restricted cash and investments	-	142,708	142,708
Receivables:			
Due from other governments	-	594,669	594,669
Due from other funds	-	69,568	69,568
Total current assets	<u>2,621,405</u>	<u>1,107,393</u>	<u>3,728,798</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	1,543,033	14,262	1,557,295
Depreciable	221,041,280	4,980,622	226,021,902
Less: accumulated depreciation	(97,340,852)	(3,209,664)	(100,550,516)
Total capital assets	<u>125,243,461</u>	<u>1,785,220</u>	<u>127,028,681</u>
Total noncurrent assets	<u>125,243,461</u>	<u>1,785,220</u>	<u>127,028,681</u>
Total assets	<u>127,864,866</u>	<u>2,892,613</u>	<u>130,757,479</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows	11,985	449,346	461,331
Total deferred outflows of resources	<u>11,985</u>	<u>449,346</u>	<u>461,331</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	407,594	78,543	486,137
Salaries payable and related liabilities	3,387	45,565	48,952
Unearned revenue	-	142,707	142,707
Compensated absences - due within one year	-	23,563	23,563
Total current liabilities	<u>410,981</u>	<u>290,378</u>	<u>701,359</u>
Noncurrent liabilities:			
Compensated absences - due in more than one year	-	212,070	212,070
Aggregate net pension liability	12,455	1,017,719	1,030,174
Total noncurrent liabilities	<u>12,455</u>	<u>1,229,789</u>	<u>1,242,244</u>
Total liabilities	<u>423,436</u>	<u>1,520,167</u>	<u>1,943,603</u>
NET POSITION			
Net Investment in capital assets	125,243,461	1,785,220	127,028,681
Unrestricted (deficit)	2,209,954	36,572	2,246,526
Total net position	<u>\$ 127,453,415</u>	<u>\$ 1,821,792</u>	<u>\$ 129,275,207</u>

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
OPERATING REVENUES:			
Charges for services	\$ 7,424,915	\$ 219,492	\$ 7,644,407
Other revenue	-	30	30
Total operating revenues	<u>7,424,915</u>	<u>219,522</u>	<u>7,644,437</u>
OPERATING EXPENSES:			
Salaries	46,617	1,254,259	1,300,876
Fringe benefits	21,760	654,978	676,738
Administration	638,664	126,530	765,194
Contract services	2,639,928	27,921	2,667,849
Fuels, lubricants, and maintenance	478,760	306,606	785,366
Supplies	148,984	9,274	158,258
Office	41,183	4,517	45,700
Utilities	718,225	23,413	741,638
Depreciation	6,458,463	582,720	7,041,183
Total operating expenses	<u>11,192,584</u>	<u>2,990,218</u>	<u>14,182,802</u>
OPERATING INCOME (LOSS)	<u>(3,767,669)</u>	<u>(2,770,696)</u>	<u>(6,538,365)</u>
NONOPERATING REVENUES:			
Local transportation funds	-	2,226,644	2,226,644
Intergovernmental	-	35,633	35,633
Investment earnings	-	4,475	4,475
Total nonoperating revenues (expenses)	<u>-</u>	<u>2,266,752</u>	<u>2,266,752</u>
Loss before operating transfers and capital contributions	<u>(3,767,669)</u>	<u>(503,944)</u>	<u>(4,271,613)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Riverside transit agency	-	473,715	473,715
Total transfers and capital contributions	<u>-</u>	<u>473,715</u>	<u>473,715</u>
Changes in net position	<u>(3,767,669)</u>	<u>(30,229)</u>	<u>(3,797,898)</u>
NET POSITION:			
Beginning of year, as restated (Note 13)	131,221,084	1,852,021	133,073,105
End of year	<u>\$ 127,453,415</u>	<u>\$ 1,821,792</u>	<u>\$ 129,275,207</u>

City of Beaumont
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Transit Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 7,448,729	\$ 219,492	\$ 7,668,221
Payments to suppliers and employees for goods and services	(4,322,670)	(2,279,769)	(6,602,439)
Others	-	30	30
Net cash provided by (used in) operating activities	3,126,059	(2,060,247)	1,065,812
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Local transportation funds	-	2,028,584	2,028,584
Short term interfund borrowing/lending	(5,069,509)	(69,568)	(5,139,077)
Intergovernmental	-	(92,607)	(92,607)
Net cash provided by (used in) noncapital financing activities	(5,069,509)	1,866,409	(3,203,100)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(1,377,934)	(515,919)	(1,893,853)
Capital grants received	-	473,715	473,715
Net cash (used in) capital and related financing activities	(1,377,934)	(42,204)	(1,420,138)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	-	4,475	4,475
Net cash provided by investing activities	-	4,475	4,475
Net change in cash and cash equivalents	(3,321,384)	(231,567)	(3,552,951)
CASH AND CASH EQUIVALENTS:			
Beginning of year	5,942,789	674,723	6,617,512
End of year	<u>\$ 2,621,405</u>	<u>\$ 443,156</u>	<u>\$ 3,064,561</u>
RECONCILIATION TO STATEMENT OF NET POSITION:			
Cash and investments	\$ 2,621,405	\$ 300,448	\$ 2,921,853
Restricted cash and investments	-	142,708	142,708
Total cash and cash equivalents	<u>\$ 2,621,405</u>	<u>\$ 443,156</u>	<u>\$ 3,064,561</u>

City of Beaumont
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (3,767,669)	\$ (2,770,696)	\$ (6,538,365)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	6,458,463	582,720	7,041,183
Changes in current assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	23,814	-	23,814
Pension-related deferred outflows of resources	(11,985)	(144,063)	(156,048)
Accounts payable and accrued liabilities	407,594	39,894	447,488
Salaries payable and related liabilities	3,387	45,565	48,952
Compensated absences	-	(4,575)	(4,575)
Aggregate net pension liability	12,455	327,879	340,334
Pension-related deferred inflows of resources	-	(136,971)	(136,971)
Total adjustments	6,893,728	710,449	7,604,177
Net cash provided by (used in) operating activities	\$ 3,126,059	\$ (2,060,247)	\$ 1,065,812

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Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

Fiduciary Fund Financial Statements

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

City of Beaumont
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency	Successor Agency to the Beaumont Redevelopment Agency
ASSETS		
Cash and investments	\$ 17,626,068	\$ 175
Cash and investments with fiscal agent	769,500	-
Receivables:		
Loans	-	19,771
Due from City	28,677	-
Capital assets	-	21,827
Total assets	\$ 18,424,245	\$ 41,773
LIABILITIES AND NET POSITION		
Liabilities:		
Due to bondholders	\$ 18,361,800	\$ -
Deposits payable	62,445	-
Total liabilities	\$ 18,424,245	-
Deferred Inflows of Resources:		
Unavailable revenue		-
Total deferred inflows of resources		-
Net Position Held in Trust for Successor Agency		\$ 41,773

City of Beaumont
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

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

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

Notes to the Basic Financial Statements

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Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
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City of Beaumont
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For the Year Ended June 30, 2017

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City of Beaumont
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

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, health services 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. Component units are legally separate entities for which the elected officials of the primary government are financially accountable. 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. Discretely presents component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

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

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

A. Reporting Entity (Continued)

Blended Component Units (Continued)

Beaumont Financing Authority

The Beaumont Financing Authority (the “BFA”) was founded by the execution of a joint exercise of powers agreement dated April 1, 1993, by the City of Beaumont and the 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 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 Special Revenue. 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 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 of the City of Beaumont serves as the governing board for the BUA and the City has operational responsibility for the BUA. Transactions are reported in an enterprise fund. There are no separate financial statements available.

Beaumont Conservation Authority

The Beaumont Conservation Authority was established on June 1, 2010 by a joint powers agreement between the City of Beaumont and the Beaumont Redevelopment Agency. The purpose of the Authority is to facilitate environmental and conservation matters, including facilitating fulfillment of the long-term open space goals of the City, which include (i) providing residents with open space resources, (ii) accommodating and coordinating the competing demands for open space area, including water, wildlife, plant communities, recreation and historic resources, (iii) simplifying the regulatory permitting process in the City and, (iv) establishing appropriate ownership interests and maintenance responsibilities for open space areas and erosion control in the City. There are currently no financial transactions or balances reported in this Authority, and this Authority was dissolved February 21, 2017.

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 equity, 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.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

B. Basis of Accounting and Measurement Focus (Continued)

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 that, 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 that, therefore, are not recognized as revenue until that time.

Government–Wide Financial Statements

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

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

Certain types of transactions are reported as program revenues for the City in three categories:

- 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. (In the statement of activities, internal service fund transactions have been eliminated.) 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 in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that meet the applicable criteria.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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.

The reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences.

Governmental funds of the City are outlined below:

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

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

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

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

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

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

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

Proprietary funds of the City are outlined below:

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

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

Fiduciary Fund Financial Statements

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

B. Basis of Accounting and Measurement Focus (Continued)

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.

D. Restricted Cash and Investments

Certain restricted cash and investments are held 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. Donated capital assets are valued at their estimated acquisition value on the date donated. 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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

E. Capital Assets (Continued)

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, 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 issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed in the period when incurred.

Fund Financial Statements

The fund financial statements do not present long-term debt but rather show it 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 bargaining unit they belong. Vacation leave is payable to employees at the time a vacation is taken or upon termination of employment. Vacation leave cannot be accrued for more than twice 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 group. 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 at 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, as it is the City's policy to liquidate any unpaid compensated absences at June 30 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.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

H. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period:	July 1, 2015 to June 30, 2016

Gains and losses related to changes in 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 related to pensions and are to be 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 90 days.

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

J. Net Position

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

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

J. Net Position (Continued)

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 resources 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 fund balance policy authorizing the City Manager to make the determination.

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

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

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.

N. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2017

GASB Statement No. 77, Tax Abatement Disclosures – This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition. This statement became effective for the year ended June 30, 2017 and did not have a significant impact on the City’s financial statements.

GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans – This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement became effective for the year ended June 30, 2017 and did not have a significant impact on the City’s financial statements.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

N. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2017 (Continued)

GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14 – This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement became effective for the year ended June 30, 2017 and did not have a significant impact on the City’s financial statements.

O. Upcoming Governmental Accounting Standards Implementation

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

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension – This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. The City has implemented GASB No. 74 which is reflected on the City’s financial statements. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 81, Irrevocable Split-Interest Agreements – This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73 – This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer’s expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 83, Certain Asset Retirement Obligations – This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the City’s fiscal year ending June 30, 2019.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

O. Upcoming Governmental Accounting Standards Implementation (Continued)

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

GASB Statement No. 85, Omnibus 2017 – This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB Statement No. 86, Certain Debt Extinguishment Issues – This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Application of this statement is effective for the City’s fiscal year ending June 30, 2018.

GASB 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, 2020.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2017:

	Primary Government			Fiduciary Funds	Total
	Governmental Activities	Business-type Activities	Total		
Cash and investments	\$ 55,013,816	\$ 2,921,853	\$ 57,935,669	\$ 17,626,243	\$ 75,561,912
Restricted cash and investments	-	142,708	142,708	-	142,708
Cash and investments with fiscal agent	29,371,451	-	29,371,451	769,500	30,140,951
Investments in CFDs	205,668,880	-	205,668,880	-	205,668,880
Total	\$ 290,054,147	\$ 3,064,561	\$ 293,118,708	\$ 18,395,743	\$ 311,514,451

Cash, cash equivalents, and investments, consisted of the following at June 30, 2017:

Cash and cash equivalents:	
Petty cash	\$ 4,353
Demand deposits	30,681,543
Investments:	
Local Agency Investment Fund	45,018,724
Money market funds	29,360,951
Guaranteed investment contract	780,000
Investments in CFDs	205,668,880
Total	\$ 311,514,451

At June 30, 2017, 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 fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2017:

Investment Type	Total as of June 30, 2017	Measurement Inputs	Valuation Technique
Investments:			
Local Agency Investment Fund	\$ 45,018,724	Uncategorized	N/A
Money market funds	29,360,951	Uncategorized	N/A
Guaranteed investment contract	780,000	Uncategorized	N/A
Investments in CFDs	205,668,880	Uncategorized	N/A
Total	\$ 280,828,555		

A. Cash Deposits

The carrying amounts of the City's demand deposits were \$30,681,543 at June 30, 2017. Bank balances were \$30,992,487 at that date. The total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name is discussed below.

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

A. Cash Deposits (Continued)

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 debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

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

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

Investments Authorized by Debt Agreements

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

C. External Investment Pool

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments in LAIF at June 30, 2017 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, 2017, the City had \$45,018,724 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Back 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 City valued its investments in LAIF as of June 30, 2017 using the Net Asset Value. The value of the City’s position in the pool is the same as the value of the pool shares. The credit quality rating of LAIF is unrated as of June 30, 2017.

D. Investment in CFD Bonds

The Beaumont Financing Authority (BFA) has purchased Community Facilities District (CFD) Bonds from the proceeds of local agency revenue bonds. The CFD Bonds are secured solely by assessments on property owners within the CFD. The Local Agency Bonds are secured solely by the repayment of the CFD bonds to the BFA. The repayment schedules of the bonds, and interest thereon, to the BFA; are concurrent and sufficient to satisfy the debt service requirements of the respective revenue 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. Specific maturities of investments depend on liquidity needs.

As of June 30, 2017, the City had the following investments and maturities:

	Amount	Maturities		
		1 year or less	1 - 5 years	More than 5 years
Investments:				
Local Agency Investment Fund	\$ 45,018,724	\$ 45,018,724	-	-
Money market funds	29,360,951	29,360,951	-	-
Guaranteed investment contract	780,000	-	-	780,000
Investments in CFDs	205,668,880	6,216,693	73,846,186	125,606,001
Total	\$ 280,828,555	\$ 80,596,368	\$ 73,846,186	\$ 126,386,001

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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 on type of investments allowed for municipalities by the Government Code as listed on the City's investment policy and investing only on instruments that are most credit worthy.

	Amount	Credit Quality Ratings	
		Moody's	Standard & Poor's
Investments:			
Local Agency Investment Fund	\$ 45,018,724	Not Rated	Not Rated
Money market funds	29,360,951	AA - AAA	AA - AAA
Guaranteed investment contract	780,000	Not Rated	Not Rated
Investments in CFDs	205,668,880	Not Rated	Not Rated
Total	\$ 280,828,555		

Custodial Credit Risk

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

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. City investments that are greater than 5 percent of the total investments are in either an external investment pool or mutual funds and are therefore exempt.

Investment Type	Total as of June 30, 2017	Percentage of Investments
Investments:		
Local Agency Investment Fund	\$ 45,018,724	16.03%
Money market funds	29,360,951	10.46%
Investments in CFDs	205,668,880	73.24%
Total	\$ 280,828,555	

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Loans Receivable

A. Governmental Activities

For the year ended June 30, 2017, changes in loans receivable of the City’s loan program is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Loans receivables:				
Shooting range loan	\$ 13,969	\$ -	\$ (13,969)	\$ -
Calimesa loan	212,218	1,181	-	213,399
Total	<u>\$ 226,187</u>	<u>\$ 1,181</u>	<u>\$ (13,969)</u>	<u>\$ 213,399</u>

Shooting Range Loan

The City entered into a loan agreement with Beaumont Indoor Shooting Range. The Loan is to assist the shooting range to purchase certain capital assets. In return for the loan, the shooting range agrees to enter into a five-year “use agreement” with the City’s police department to allow the department use of the facilities on pre-arranged dates over the term of the agreement for a fixed-fee. Additionally, the loan includes a personal loan guarantee and UCC security agreements on the equipment. The loan was repaid in full as of June 30, 2017.

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 \$213,399 at June 30, 2017. This balance includes interest of \$4,658, calculated at the LAIF rate of 0.256%.

B. Fiduciary Funds

For the year ended June 30, 2017, changes in loans receivable of the City Successor Agency’s loans receivables are as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Loans receivables:				
AC Propane loan	\$ 19,771	\$ -	\$ -	\$ 19,771
Total	<u>\$ 19,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,771</u>

AC Propane Loan

The Beaumont Redevelopment Agency entered into a Disposition and Development Agreement in 1999, and entered into a subsequent settlement agreement in 2004.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 – Interfund Balances and Transactions

A. Due to/Due from Other Funds

At June 30, 2017, the balances of Due to/Due from Other Funds were as follows:

Due From Other Funds	Due To Other Funds		
	CDBG Fund	General Fund	Total
General Fund	\$ 373,221	\$ -	\$ 373,221
Transit Fund	-	69,568	69,568
Total	\$ 373,221	\$ 69,568	\$ 442,789

Current interfund balances arise in the normal course of operations to cover cash shortages and are expected to be repaid shortly after the end of the fiscal year.

B. Due to Agency Fund/Due from City

At June 30, 2017, the balances of long-term advances were as follows:

Due From City	Due To Agency Fund
	General Fund
Beaumont Charitable Foundation	\$ 28,677

The payable to the Agency Fund of \$28,677 in the General Fund is the result of current year operations and is expected to be repaid in the next fiscal year.

C. Transfers

At June 30, 2017, the City had the following transfers:

Transfers Out	Transfers In				
	General Fund	Community Facilities Districts (CFD) Special Revenue Fund	General Capital Projects Fund	Non-major Governmental Funds	Total
General Fund	\$ -	\$ -	\$ 258,856	\$ 900	\$ 259,756
CFD Special Revenue Fund	1,670,359	-	379,891	-	2,050,250
CFD Capital Projects Fund	5,069,509	6,382,866	(841)	-	11,451,534
DIF Capital Projects Fund	-	-	7,206,765	-	7,206,765
Non-major Governmental Funds	877,917	-	160,885	-	1,038,802
Total	\$ 7,617,785	\$ 6,382,866	\$ 8,005,556	\$ 900	\$ 22,007,107

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 4 – Interfund Balances and Transactions (Continued)

C. Transfers (Continued)

Generally, transfers were used to (1) move revenues from the funds that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt services from funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Note 5 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Prior Period Adjustment	Additions	Deletions	Transfers	Balance June 30, 2017
Nondepreciable assets:						
Land	\$ -	\$ 11,940,820	\$ -	\$ -	\$ -	\$ 11,940,820
Construction in progress	-	-	-	-	-	-
Total nondepreciable assets	-	11,940,820	-	-	-	11,940,820
Depreciable assets						
Building and improvements	-	16,394,771	-	-	-	16,394,771
Machinery and equipment	-	6,385,349	-	-	-	6,385,349
Vehicles	-	2,482,000	188,738	-	-	2,670,738
Infrastructure	-	414,959,273	-	-	-	414,959,273
Subtotal	-	440,221,393	188,738	-	-	440,410,131
Less accumulated depreciation						
Building and improvements	-	(8,788,995)	(272,882)	-	-	(9,061,877)
Machinery and equipment	-	(3,283,127)	(210,072)	-	-	(3,493,199)
Vehicles	-	(2,305,500)	(101,342)	-	-	(2,406,842)
Infrastructure	-	(197,766,018)	(4,363,428)	-	-	(202,129,446)
Subtotal	-	(212,143,640)	(4,947,724)	-	-	(217,091,364)
Total depreciable assets, net	-	228,077,753	(4,758,986)	-	-	223,318,767
Total	\$ -	\$ 240,018,573	\$ (4,758,986)	\$ -	\$ -	\$ 235,259,587

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2017 are as follows:

General government	\$ 1,330,301
Public safety	1,182,026
Public works	2,126,008
Community development	134,965
Community services	174,424
Total depreciation expense	<u>\$ 4,947,724</u>

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017 is as follows:

	Balance July 1, 2016	Prior Period Adjustment	Additions	Deletions	Transfers	Balance June 30, 2017
Nondepreciable assets:						
Land	\$ 502,560	\$ -	\$ -	\$ -	\$ -	\$ 502,560
Construction in progress	2,715	-	1,054,735	-	(2,715)	1,054,735
Total nondepreciable assets	505,275	-	1,054,735	-	(2,715)	1,557,295
Depreciable assets						
Building and improvements	607,689	-	11,144	-	2,715	621,548
Machinery and equipment	76,637,172	11,670,547	548,707	(357,203)	-	88,499,223
Vehicles	3,598,804	-	279,267	-	-	3,878,071
Infrastructure	-	133,023,061	-	-	-	133,023,061
Subtotal	80,843,665	144,693,608	839,118	(357,203)	2,715	226,021,903
Less accumulated depreciation						
Building and improvements	(336,395)	-	(47,116)	-	-	(383,511)
Machinery and equipment	(28,180,355)	(4,099,316)	(3,054,870)	357,203	-	(34,977,338)
Vehicles	(2,089,436)	-	(448,807)	-	-	(2,538,243)
Infrastructure	-	(59,161,035)	(3,490,390)	-	-	(62,651,425)
Subtotal	(30,606,186)	(63,260,351)	(7,041,183)	357,203	-	(100,550,517)
Total depreciable assets, net	50,237,479	81,433,257	(6,202,065)	-	2,715	125,471,386
Total	\$ 50,742,754	\$ 81,433,257	\$ (5,147,330)	\$ -	\$ -	\$ 127,028,681

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2017 are as follows:

Sewer Fund	\$ 6,458,463
Transit Fund	582,720
Total depreciation expense	\$ 7,041,183

C. Fiduciary Fund Financial Statements

Summary of changes in capital assets for the City's Successor Agency for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Nondepreciable assets:					
Land	\$ -	\$ -	\$ -	\$ 21,827	\$ 21,827
Total nondepreciable assets	-	-	-	21,827	21,827
Total	\$ -	\$ -	\$ -	\$ 21,827	\$ 21,827

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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, 2017 is as follows:

	Balance July 1, 2016	Prior Period Adjustment	Additions	Deletions	Balance June 30, 2017	Classification	
						Due within One Year	Due in more than One Year
Governmental Activities:							
City							
WRCOG TUMF Judgment	\$ 4,100,000	\$ -	\$ -	\$ -	\$ 4,100,000	\$ 4,100,000	\$ -
AB 1484 Due Diligence Review	2,275,912	-	-	(300,000)	1,975,912	300,000	1,675,912
Capital Leases	-	-	96,158	(16,835)	79,323	22,932	56,391
Beaumont Public Financing Authority							
1994 Revenue Bonds, Series A	-	4,080,397	-	(341,517)	3,738,880	\$ 382,694	\$ 3,356,186
2004 Revenue Bonds, Series C	-	7,455,000	-	(220,000)	7,235,000	230,000	7,005,000
2005 Revenue Bonds, Series A	-	15,830,000	-	(460,000)	15,370,000	485,000	14,885,000
2005 Revenue Bonds, Series C	-	18,195,000	-	(255,000)	17,940,000	320,000	17,620,000
2006 Revenue Bonds, Series A	-	13,430,000	-	(200,000)	13,230,000	225,000	13,005,000
2006 Revenue Bonds, Series B	-	6,745,000	-	(90,000)	6,655,000	105,000	6,550,000
2007 Revenue Bonds, Series A	-	19,200,000	-	(735,000)	18,465,000	775,000	17,690,000
2007 Revenue Bonds, Series B	-	8,960,000	-	(370,000)	8,590,000	385,000	8,205,000
2007 Revenue Bonds, Series C & D	-	20,619,000	-	(724,000)	19,895,000	749,000	19,146,000
2007 Revenue Bonds, Series E	-	6,360,000	-	(65,000)	6,295,000	75,000	6,220,000
2008 Revenue Bonds, Series A	-	4,000,000	-	(40,000)	3,960,000	50,000	3,910,000
2009 Revenue Bonds, Series B	-	720,000	-	(5,000)	715,000	5,000	710,000
2011 Revenue Bonds, Series A & B	-	12,135,000	-	(25,000)	12,110,000	40,000	12,070,000
2012 Revenue Bonds, Series A	-	5,650,000	-	-	5,650,000	10,000	5,640,000
2012 Revenue Bonds, Series B	-	3,215,000	-	(55,000)	3,160,000	60,000	3,100,000
2012 Revenue Bonds, Series C	-	3,575,000	-	(40,000)	3,535,000	45,000	3,490,000
2013 Revenue Bonds, Series A	-	7,785,000	-	(480,000)	7,305,000	475,000	6,830,000
2013 Revenue Bonds, Series B	-	10,110,000	-	(290,000)	9,820,000	315,000	9,505,000
2015 Revenue Bonds, Series A	-	10,870,000	-	(210,000)	10,660,000	215,000	10,445,000
2015 Revenue Bonds, Series B	-	19,840,000	-	(730,000)	19,110,000	745,000	18,365,000
2015 Revenue Bonds, Series C	-	5,160,000	-	(210,000)	4,950,000	215,000	4,735,000
2015 Revenue Bonds, Series D	-	7,585,000	-	(305,000)	7,280,000	310,000	6,970,000
Total Revenue Bonds	-	211,519,397	-	(5,850,517)	205,668,880	6,216,694	199,452,186
Total governmental activities	\$ 6,375,912	\$ 211,519,397	\$ 96,158	\$ (6,167,352)	\$211,824,115	\$ 10,639,626	\$ 201,184,489

WRCOG TUMF Judgment

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 4,100,000	\$ -	\$ 4,100,000

AB 1484 Due Diligence Review

The City has entered into an agreement with the State of California, Department of Finance to pay an outstanding Due Diligence Review amount due. The original amount due was \$2,875,912, and the outstanding balance at June 30, 2016 is \$2,275,912. 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.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Total
2018	\$ 300,000	\$ 300,000
2019	300,000	300,000
2020	300,000	300,000
2021	300,000	300,000
2022	300,000	300,000
2023-2024	475,912	475,912
TOTAL	\$ 1,975,912	\$ 1,975,912

Capital Lease

October 2016, the City entered into a lease agreement with Ford Motor Credit for the lease purchase of three additional police vehicles financed over four years for a total of \$23,000 annually. Annual payments of principal and interest are \$86,736. The balance at June 30, 2017 was \$79,323.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 22,932	\$ 3,756	\$ 26,688
2019	24,214	2,474	26,688
2019	25,567	1,121	26,688
2020	6,610	62	6,672
TOTAL	\$ 79,323	\$ 7,413	\$ 86,736

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Capital Lease (Continued)

The leased assets are included in capital assets and are summarized by major asset class below:

	Amount
Vehicles	\$ 96,158
Less: accumulated depreciation	(18,030)
Total	\$ 78,128

Note 7 – Revenue Bonds and Debt Without City Commitment

Local Revenue Bonds – 1994

On January 15, 1994, the Beaumont Financing Authority 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. The Community Facilities District bonds were issued to provide the District with funds to design or acquire certain public improvements relating to the District, including water treatment plant facilities and infrastructure.

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2017, on the Series A Bonds was \$3,738,880. The Series B Bonds were refunded by the issuance of 2007 Series A Local Agency Revenue Bonds.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Revenue Bonds and Debt Without City Commitment (Continued)

Local Agency Revenue Bonds – 2004 Series C

On January 27, 2005, the Beaumont Financing Authority issued \$8,685,000 of 2004 Local Agency Revenue Bonds, Series C (the “Authority Bonds”) for the purpose of acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds in the amount of \$7,627,833. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2005 until maturity or earlier redemption. The Bonds consist \$3,015,000 serial bonds maturing annually in amounts between \$60,000 and \$295,000 from September 1, 2006 through September 1, 2022 with interest rates between 3.000% and 5.250%. Thereafter, \$2,565,000 of 5.500% term bonds are due September 1, 2029, with sinking payments to be made beginning September 1, 2023, \$3,105,000 of 5.500% term bonds are due September 1, 2035, with sinking payments to be made beginning September 1, 2030.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2017, was \$7,235,000.

Local Agency Revenue Bonds – 2005 Series A

On February 2, 2005, the Beaumont Financing Authority issued \$18,325,000 of 2005 Local Agency Revenue Bonds, Series A (the “Authority Bonds”) for the purpose of acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds in the amount of \$15,680,552 and to refund the Authority’s 1994 Series B Bonds. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Revenue Bonds and Debt Without City Commitment (Continued)

Local Agency Revenue Bonds – 2005 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, 2017 was \$15,370,000.

Local Agency Revenue Bonds – 2005 Series C

On December 15, 2005, the Beaumont Financing Authority issued \$19,155,000 of 2005 Local Agency Revenue Bonds, Series C (the “Authority Bonds”) for the purpose of acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds in the amount of \$16,805,014. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2006 until maturity or earlier redemption. The Bonds consist of \$390,000 serial bonds maturing annually in amounts between \$5,000 and \$130,000 from September 1, 2007 through September 1, 2012 with interest rates between 4.000% and 4.500%. Thereafter, \$1,990,000 of 5.000% term bonds are due September 1, 2019, with sinking payments to be made beginning September 1, 2013, \$6,435,000 of 5.450% term bonds are due September 1, 2020, with sinking payments to be made beginning September 1, 2027, and \$10,340,000 of 5.500% term bonds are due September 1, 2024, with sinking payments to be made beginning September 1, 2028.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2017 was \$17,940,000.

Local Agency Revenue Bonds – 2006 Series A

On June 8, 2006, the Beaumont Financing Authority issued \$14,220,000 of 2006 Local Agency Revenue Bonds, Series A (the “Authority Bonds”) for the purpose of acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds in the amount of \$12,360,041. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2017 was \$13,230,000.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Revenue Bonds and Debt Without City Commitment (Continued)

Local Agency Revenue Bonds – 2006 Series B

On November 2, 2006, the Beaumont Financing Authority issued \$7,110,000 of 2006 Local Agency Revenue Bonds, Series B (the “Authority Bonds”) for the purpose of acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds in the amount of \$6,156,294. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2007 until maturity or earlier redemption. The Bonds consist of \$965,000 serial bonds maturing annually in amounts between \$15,000 and \$150,000 from September 1, 2008 through September 1, 2020 with interest rates between 3.900% and 4.800%. Thereafter, \$1,575,000 of 5.000% term bonds are due September 1, 2027, with sinking payments to be made beginning September 1, 2021 and \$4,570,000 of 5.050% term bonds are due September 1, 2037, with sinking payments to be made beginning September 1, 2028.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2017 was \$6,655,000.

Local Agency Revenue Bonds – 2007 Series A

On January 18, 2007, the Beaumont Financing Authority 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 in the amount of \$4,910,884. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2017 was \$18,465,000.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Revenue Bonds and Debt Without City Commitment (Continued)

Local Agency Revenue Bonds – 2007 Series B

On March 6, 2007, the Beaumont Financing Authority issued \$11,615,000 of 2007 Local Agency Revenue Bonds, Series B (the “Authority Bonds”) for the purpose of refunding the Beaumont Financing Authority 2002 Local Agency Revenue Bonds, Series A, and acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds in the amount of \$110,000. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2007 until maturity or earlier redemption. The Bonds consist of \$4,660,000 serial bonds maturing annually in amounts between \$125,000 and \$435,000 from September 1, 2007 through September 1, 2020 with interest rates between 3.500% and 4.125%. Thereafter, \$2,470,000 of 4.500% term bonds are due September 1, 2025, with sinking payments to be made beginning September 1, 2021, and \$4,485,000 of 4.375% term bonds are due September 1, 2032, with sinking payments to be made beginning September 1, 2026.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2017 was \$8,590,000.

Local Agency Revenue Bonds – 2007 Series C and D

On April 26, 2007, the Beaumont Financing Authority 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 in the amount of \$217,000. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2017 was \$19,895,000.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Revenue Bonds and Debt Without City Commitment (Continued)

Local Agency Revenue Bonds – 2007 Series E

On November 29, 2007, the Beaumont Financing Authority issued \$6,520,000 of 2007 Local Agency Revenue Bonds, Series E (the “Authority Bonds”) for the purpose of acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds in the amount of \$5,621,813. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2017, was \$6,295,000.

Local Agency Revenue Bonds – 2008 Series A

On July 24, 2008, the Beaumont Financing Authority issued \$4,090,000 of 2008 Local Agency Revenue Bonds, Series A (the “Authority Bonds”) for the purpose of acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds in the amount of \$3,476,204. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2017 was \$3,960,000.

Local Agency Revenue Bonds – 2009 Series B

On June 18, 2009, the Beaumont Financing Authority issued \$2,640,000 of 2009 Local Agency Revenue Bonds, Series B (the “Authority Bonds”) for the purpose of acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds in the amount of \$2,229,228. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Revenue Bonds and Debt Without City Commitment (Continued)

Local Agency Revenue Bonds – 2009 Series B (Continued)

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2009 until maturity or earlier redemption. The Bonds consist of \$235,000 serial bonds maturing annually in amounts between \$5,000 and \$65,000 from September 1, 2012 through September 1, 2027 with interest rates between 6.500% and 8.700%. Thereafter, \$300,000 of 8.500% term bonds due September 1, 2024, with sinking payments to be made beginning September 1, 2017; \$225,000 of 8.750% term bonds due September 1, 2030, with sinking payments to be made beginning September 1, 2028, \$410,000 of 8.875% term bonds due September 1, 2034, with sinking payments beginning September 1, 2031 and \$745,000 of 8.625% term bonds due September 1, 2039, with sinking payments beginning September 1, 2035.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2017, was \$715,000.

Local Agency Revenue Bonds – 2011 Series A and B

On December 15, 2011, the Beaumont Financing Authority 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 in the amount of \$11,039,529. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 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. Since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bonds reserves, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2017 was \$12,110,000.

Local Agency Revenue Bonds – 2012 Series A

On March 14, 2012, the Beaumont Financing Authority 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 in the amount of \$4,936,658. The Community Facilities District 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.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Revenue Bonds and Debt Without City Commitment (Continued)

Local Agency Revenue Bonds – 2012 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, 2017 until maturity or earlier redemption. The Bonds consist of \$155,000 serial bonds maturing annually in amounts between \$10,000 and \$120,000 from September 1, 2017 through September 1, 2029 with interest rates between 3.500% and 5.250%. Thereafter, \$400,000 of 5.625% term bonds are due September 1, 2032, with sinking payments to be made beginning September 1, 2030, and \$4,475,000 of 5.875% term bonds are due September 1, 2042, with sinking payments to be made beginning September 1, 2033.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. Since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bonds reserves, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2017 was \$5,650,000.

Local Agency Revenue Bonds – 2012 Series B

On April 10, 2012, the Beaumont Financing Authority 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 in the amount of \$2,690,661. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure relating to Improvements Area No. 20, fund interest on the bonds, pay expenses relating to the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2015 until maturity or earlier redemption. The Bonds consist of \$1,120,000 serial bonds maturing annually in amounts between \$50,000 and \$150,000 from September 1, 2015 through September 1, 2026 with interest rates between 3.500% and 5.500%. Thereafter, \$2,145,000 of 5.950% term bonds are due September 1, 2035, with sinking payments to be made beginning September 1, 2027.

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. Since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bonds reserves, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2017 was \$3,160,000.

Local Agency Revenue Bonds – 2012 Series C

On May 23, 2012, the Beaumont Financing Authority 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 in the amount of \$3,122,785. The Community Facilities District 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.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Revenue Bonds and Debt Without City Commitment (Continued)

Local Agency Revenue Bonds – 2012 Series C (Continued)

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 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. Since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bonds reserves, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2017 was \$3,535,000.

Local Agency Revenue Bonds – 2013 Series A

On January 17, 2013, the Beaumont Financing Authority 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 in the amount of \$7,865,887. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure related to Improvements Area No. 19C, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2013 until maturity or earlier redemption. The Bonds consist of \$4,180,000 serial bonds maturing annually in amounts between \$55,000 and \$420,000 from September 1, 2013 through September 1, 2022 with interest rates between 1.500% and 4.250%. Thereafter, \$1,965,000 of 5% term bonds are due September 1, 2027, with sinking payments to be made beginning September 1, 2023, and \$2,665,000 of 5% term bonds are due September 1, 2036, with sinking payments to be made beginning September 1, 2028.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. Since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bonds reserves, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2017 was \$7,305,000.

Local Agency Revenue Bonds – 2013 Series B

On April 2, 2013, the Beaumont Financing Authority issued \$10,875,000 of 2013 Local Agency 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 in the amount of \$130,500. The Community Facilities District Bonds were issued to provide the District with funds to finance public infrastructure related to Improvements area No. 17A, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Revenue Bonds and Debt Without City Commitment (Continued)

Local Agency Revenue Bonds – 2013 Series B (Continued)

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2015 until maturity or earlier redemption. The Bonds consist of \$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. Since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bonds reserves, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2017 was \$9,820,000.

Local Agency Revenue Bonds - 2015 Series A

On March 17, 2015, the Beaumont Financing Authority 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. Since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bonds reserves, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2017 was \$10,660,000.

Local Agency Revenue Bonds - 2015 Series B

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. Since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bonds reserves, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2016 was \$19,110,000.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Revenue Bonds and Debt Without City Commitment (Continued)

Local Agency Revenue Bonds – 2015 Series C

On May 15, 2015, the Beaumont Financing Authority 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. Since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bonds reserves, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2017 was \$4,950,000.

Local Agency Revenue Bonds – 2015 Series D

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. Since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bonds reserves, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2017 was \$7,280,000.

Annual Debt Service Requirements to Maturity

Amounts in the annual debt service requirements to maturity schedule are the scheduled debt service under the BFA Revenue Bond indentures. Those maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 6,216,693	10,144,787	\$ 16,361,480
2019	6,598,152	9,891,472	16,489,624
2020	7,005,012	9,614,261	16,619,273
2021	7,467,548	9,306,089	16,773,637
2022	7,892,758	8,961,100	16,853,858
2023-2027	44,882,717	38,494,509	83,377,226
2028-2032	56,978,000	26,122,918	83,100,918
2033-2037	51,043,000	10,959,895	62,002,895
2038-2042	13,115,000	3,077,627	16,192,627
2043-2047	4,470,000	309,747	4,779,747
TOTAL	<u>\$ 205,668,880</u>	<u>\$126,882,405</u>	<u>\$332,551,285</u>

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 7 – Revenue Bonds and Debt Without City Commitment

Debt Without City Commitment

The City has authorized the formation of a community facilities district (CFD's) and 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. The bonds are secured by annual special tax levies or liens placed on properties within the CFD. The City is not liable for repayment and is only responsible for collecting the special tax and assessments, forwarding the collections to the trustee on behalf of bondholders, and initiating foreclosure proceedings when necessary. The bonds are payable solely from special tax or assessments, specific bond reserves, and the proceeds from property foreclosures. Since these debts do not constitute an obligation of the City and the City is not obligated to make payment beyond the available bond reserves. Accordingly, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. As of June 30, 2017, debt without city commitment is as follows:

	Balance June 30, 2017
Special Tax Bond, 1994 Series A	\$ 3,738,880
Special Tax Bond, 2004 Series C	7,235,000
Special Tax Bond, 2005 Series A	15,370,000
Special Tax Bond, 2005 Series C	17,940,000
Special Tax Bond, 2006 Series A	13,230,000
Special Tax Bond, 2006 Series B	6,655,000
Special Tax Bond, 2007 Series A	18,465,000
Special Tax Bond, 2007 Series B	8,590,000
Special Tax Bond, 2007 Series C D	19,895,000
Special Tax Bond, 2008 Series A	6,295,000
Special Tax Bond, 2009 Series	3,960,000
Special Tax Bond, 2011 Series A	715,000
Special Tax Bond, 2011 Series B	12,110,000
Special Tax Bond, 2012 Series A	5,650,000
Special Tax Bond, 2012 Series B	3,160,000
Special Tax Bond, 2012 Series C	3,535,000
Special Tax Bond, 2012 Series D	7,305,000
Special Tax Bond, 2012 Series E	9,820,000
Special Tax Bond, 2012 Series F	10,660,000
Special Tax Bond, 2013 Series A	19,110,000
Special Tax Bond, 2015 Series A	4,950,000
Special Tax Bond, 2015 Series B	7,280,000
Total Limited Obligation Bond Debt	\$ 205,668,880

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Compensated Absences

A. Governmental Activities

Summary of changes in compensated absences for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Classification	
					Due Within One Year	Due Within Than One Year
Governmental Activities:						
Compensated absences	\$ 1,806,945	\$ 150,224	\$ (88,639)	\$ 1,868,530	\$ 1,121,118	\$ 747,412
Total governmental activities	<u>\$ 1,806,945</u>	<u>\$ 150,224</u>	<u>\$ (88,639)</u>	<u>\$ 1,868,530</u>	<u>\$ 1,121,118</u>	<u>\$ 747,412</u>

The City's liability for vested and unpaid compensated absences (accrued vacation) has been accrued and amounts to \$4,027,498 at June 30, 2017. For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

B. Business-Type Activities

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Classification	
					Due Within One Year	Due Within Than One Year
Business-Type Activities:						
Compensated absences	\$ 240,208	\$ 12,957	\$ (17,532)	\$ 235,633	\$ 23,563	\$ 212,070
Total business-type activities	<u>\$ 240,208</u>	<u>\$ 12,957</u>	<u>\$ (17,532)</u>	<u>\$ 235,633</u>	<u>\$ 23,563</u>	<u>\$ 212,070</u>

Note 9 – Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City, including its component units, uses the General Fund to account for and finance risks for general liability, workers' compensation, and property damage. There were no settlements in excess of insurance coverage in any of the three prior fiscal years. There were no reductions in the City's limits of coverage during the fiscal year ended June 30, 2017. Insurance coverage is discussed below:

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 9 – Risk Management (Continued)

General Liability and Property Damage Insurance

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

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

Workers' Compensation

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

Government Crime Policy

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

Changes in the claims liability amounts were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2014-2015	\$ 782,356	\$ 1,419,045	\$ (777,814)	\$ 1,423,587
2015-2016	1,423,587	1,370,386	(1,270,984)	1,522,989
2016-2017	1,522,989	2,375,686	(1,567,484)	2,331,191

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System

Summary

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contribution made after measurement date:			
CalPERS Miscellaneous	\$ 665,451	\$ 150,631	\$ 816,082
CalPERS Safety	1,281,860	-	1,281,860
Total pension contribution made after measurement date	<u>1,947,311</u>	<u>150,631</u>	<u>2,097,942</u>
Change in assumption			
CalPERS Miscellaneous	-	10,856	10,856
CalPERS Safety	-	-	-
Total change in assumption	<u>-</u>	<u>10,856</u>	<u>10,856</u>
Projected earnings on pension plan investments in excess of actual earnings:			
CalPERS Miscellaneous	1,053,259	238,416	1,291,675
CalPERS Safety	1,992,137	-	1,992,137
Total projected earnings on pension plan investments in excess of actual earnings	<u>3,045,396</u>	<u>238,416</u>	<u>3,283,812</u>
Adjustment due to difference in proportions			
CalPERS Miscellaneous	134,433	30,430	164,863
CalPERS Safety	682,634	-	682,634
Total adjustment due to difference in proportions	<u>817,067</u>	<u>30,430</u>	<u>847,497</u>
Difference between expected and actual experience			
CalPERS Miscellaneous	16,489	3,732	20,221
CalPERS Safety	-	-	-
Total difference between expected and actual experience	<u>16,489</u>	<u>3,732</u>	<u>20,221</u>
Employer contributions in excess of proportionate share of contribution			
CalPERS Miscellaneous	120,452	27,266	147,718
CalPERS Safety	400,522	-	400,522
Total employer contributions in excess of proportionate share of contribution	<u>520,974</u>	<u>27,266</u>	<u>548,240</u>
Total deferred outflows of resources			
CalPERS Miscellaneous	1,990,084	461,331	2,451,415
CalPERS Safety	4,357,153	-	4,357,153
Total deferred outflows of resources	<u>\$ 6,347,237</u>	<u>\$ 461,331</u>	<u>\$ 6,808,568</u>

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Summary (Continued)

Net pension liabilities:

CalPERS Miscellaneous	\$ 4,788,396	\$ 1,030,174	\$ 5,818,570
CalPERS Safety	9,002,206	-	9,002,206
Total net pension liabilities	<u>\$ 13,790,602</u>	<u>\$ 1,030,174</u>	<u>\$ 14,820,776</u>

Deferred inflows of Resources:

Change in assumption			
CalPERS Miscellaneous	\$ 259,032	\$ -	\$ 259,032
CalPERS Safety	405,487	-	405,487
Total change in assumption	<u>664,519</u>	<u>-</u>	<u>664,519</u>

Adjustment due to difference in proportions

CalPERS Miscellaneous	-	-	-
CalPERS Safety	610,668	-	610,668
Total adjustment due to difference in proportions	<u>610,668</u>	<u>-</u>	<u>610,668</u>

Difference between expected and actual experience

CalPERS Miscellaneous	-	-	-
CalPERS Safety	93,000	-	93,000
Total difference between expected and actual experience	<u>93,000</u>	<u>-</u>	<u>93,000</u>

Total deferred inflows of resources

CalPERS Miscellaneous	259,032	-	259,032
CalPERS Safety	1,109,155	-	1,109,155
Total deferred inflows of resources	<u>\$ 1,368,187</u>	<u>\$ -</u>	<u>\$ 1,368,187</u>

Plan Description

Substantially all City employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the Safety Classic, Miscellaneous Classic, Safety PEPRA or Miscellaneous PEPRA cost-sharing multiple employer defined benefit plans administered by California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. The Classic Plans are closed to new entrants only eligible for employees hired prior to January 1, 2013. Employees hired after January 1, 2013 are eligible to enroll in the PEPRA plans. Benefit Provisions under the Plans are established by State statutes within the Public Employee’s Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic safety and miscellaneous CalPERS member becomes eligible for Service Retirement upon attainment of age 50 and 55, respectively, with at least 5 years of credited service. Public Employee Pension Reform Act (PEPRA) safety and miscellaneous members become eligible for service retirement upon attainment of age 57 and 62, respectively, 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 12 full-time equivalent monthly pay. Retirement benefits for classic safety miscellaneous employees are calculated as 3% and 2.7%, respectively, of the average final 12 months compensation. Retirement benefits for PEPRA safety and miscellaneous employees are calculated as 2.7% and 2%, respectively, of the average final 36 months compensation.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Benefits Provided (Continued)

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 7.5% per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee’s retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2%.

Employees Covered

At June 30, 2016 measurement date, the following employees were covered by the benefit terms for each Plan:

	Active employees	Inactive employees or beneficiaries currently receiving benefits	Inactive employees entitled to but not yet receiving benefits
Miscellaneous Plans	76	57	64
Safety Plans	38	36	55

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (the measurement date), the active contribution rate was 9% of annual payroll for the Safety Classic Plan, 8% for the Miscellaneous Classic Plan, and 11.50% for the Safety PEPRA Plan, and 6.25%, for Miscellaneous PEPRA Plan. The average employer’s contribution rate was 11.718% of annual payroll for the Miscellaneous Classic Plan, 18.524% for the Safety Classic Plan, 12.082% for the Safety PEPRA Plan, and 6.237% for the Miscellaneous PEPRA Plan.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Contributions (Continued)

For the measurement period ended June 30, 2016, the plan’s proportionate share of aggregate employer contributions made for each Plan was as follows:

	Contributions - employer
Miscellaneous Plans	\$ 732,914
Safety Plans	1,181,118
Total	\$ 1,914,032

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

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City’s proportion of the net pension liability 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.

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Plan Total Pension Liability		Plan Fiduciary Net Position		Plan Net Pension Liability/(Asset)
Miscellaneous Plans:					
Balance at: 6/30/15 (Valuation date)	\$ 33,383,931	\$	26,024,112	\$	7,359,819
Balance at: 6/30/16(Measurement date)	35,702,183		26,699,977		9,002,206
Net Changes during 2015-2016	2,318,252		675,865		1,642,387
Safety Plans:					
Balance at: 6/30/15 (Valuation date)	\$ 25,808,395	\$	21,400,469	\$	4,407,926
Balance at: 6/30/16(Measurement date)	27,546,457		21,727,887		5,818,570
Net Changes during 2015-2016	1,738,062		327,418		1,410,644

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan’s proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2015). The risk pool’s fiduciary net position (“FNP”) subtracted from its total pension liability (“TPL”) determines the net pension liability (“NPL”) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2016). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool’s FNP at the measurement date denotes the aggregate risk pool’s FNP at June 30, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2015-16).

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

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

(3) The individual plan’s TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan’s individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool’s total TPL and FNP, respectively.

(5) The plan’s TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan’s FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan’s NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

The City’s proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 was as follows:

	Miscellaneous Plans	Safety Plans	Total
Proportion June 30, 2015	0.16067%	0.17862%	0.33929%
Proportion June 30, 2016	0.16749%	0.17381%	0.34131%
Change - Increase (Decrease)	0.00683%	(0.00480%)	0.00203%

For the year ended June 30, 2017, the City recognized pension expense in the amounts of \$854,860 and \$709,768, for the Miscellaneous plans and Safety plans, respectively.

The amortization period of deferred amounts differ depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. 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.

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2015-16 measurement period is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired).

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

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

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plans		
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 816,082	\$ -
Difference between projected and actual earning on pension plan investments	1,291,675	-
Adjustment due to differences in proportions	164,863	-
Changes in assumptions	10,856	259,032
Difference between actual and expected experience	20,221	-
Difference between employer's actual contributions and proportionate share of contributions	147,718	-
Total	\$ 2,451,415	\$ 259,032

Safety Plans		
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 1,281,860	\$ -
Difference between projected and actual earning on pension plan investments	1,992,137	-
Adjustment due to differences in proportions	682,634	610,668
Changes in assumptions	-	405,487
Difference between actual and expected experience	-	93,000
Difference between employer's actual contributions and proportionate share of contributions	400,522.00	-
Total	\$ 4,357,153	\$ 1,109,155

For the Miscellaneous plans and Safety plans, \$816,082 and \$1,281,860, respectively, was reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Miscellaneous Plans	Safety Plans
2018	\$ 302,802	\$ 349,980
2019	\$ 222,088	269,720
2020	\$ 516,851	827,827
2021	\$ 334,560	518,612
2022	\$ -	-
Thereafter	-	-
	\$ 1,376,301	\$ 1,966,139

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65%
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

Change of Assumption

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50% (net of administrative expense in 2014) to 7.65% as of the June 30, 2016 measurement date to correct the adjustment, which previously reduced the discount rate for administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Discount Rate (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

The long-term expected real rate of return by asset class for the measurement period ended June 30, 2016 was as follows:

Asset Class	Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	51.00%	5.25%	5.71%
Private Equity	10.00%	0.99%	2.43%
Global Fixed Income	20.00%	0.45%	3.36%
Liquidity	1.00%	6.83%	6.95%
Real assets	12.00%	4.50%	5.13%
Inflation sensitive assets	6.00%	4.50%	5.09%
Other	0.00%	-0.55%	-1.05%
	<u>100%</u>		

¹An expected inflation of 2.5% used for this period

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

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 pension liability for each Plan type, 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 one percentage point lower or one percentage point higher than the current rate:

	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Miscellaneous Plans	\$ 9,527,181	\$ 5,818,570	\$ 2,753,587
Safety Plans	13,848,550	9,002,206	5,023,854
	<u>\$ 23,375,731</u>	<u>\$ 14,820,776</u>	<u>\$ 7,777,441</u>

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Public Employees’ Retirement System (Continued)

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

CalPERS Discount Rate

On December 21, 2016, the CalPERS Board of Administration (the “Board”) approved lowering the CalPERS discount rate assumption, the long-term rate of return, from 7.50 percent to 7.00 percent over the next three years. This will increase the City’s employer contribution costs beginning in fiscal year 2018-19.

The phase-in of the discount rate change approved by the board for the next three fiscal years is as follows:

<u>Valuation Date</u>	<u>Required Contribution</u>	<u>Discount Rate</u>
June 30, 2016	2018-19	7.375%
June 30, 2017	2019-20	7.250%
June 30, 2018	2020-21	7.000%

Lowering the discount rate means plans will see increases to normal costs, the cost of pension benefits accruing in one year for active members and the accrued liabilities. These increases will result in higher required employer contribution. The actual impact cannot be determined but the required employer contribution is expected to be significantly higher as well as the net pension liability.

Note 11 – Other Required Disclosures

A. Deficit Net Position

At June 30, 2017, the Governmental Activities on the Statement of Net Position had an unrestricted net position deficit of (\$13,630,303).

B. Expenditures Exceeding Appropriations

For the year ended June 30, 2017, 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	\$ 586,962
General Fund	Refuse	4,239,048

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 12 – Classification of Fund Balances

	Major Funds						Total
	General Fund	Community Facilities District (CFD) Special Revenue Fund	Community Facilities District (CFD) Capital Projects Fund	General Capital Projects Fund	Beaumont Financing Authority Debt Service Fund	Other Governmental Funds	
Nonspendable:							
Loans receivable	\$ 213,399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 213,399
Unavailable revenue	-	-	-	-	-	-	-
Total nonspendable	213,399	-	-	-	-	-	213,399
Restricted:							
State Gas Tax	-	-	-	-	-	357,051	357,051
AB 2766	-	-	-	-	-	306,698	306,698
PEG Fees	-	-	-	-	-	219,517	219,517
COPS Grant	-	-	-	-	-	206,713	206,713
State Asset Forfeiture	-	-	-	-	-	270,781	270,781
Federal Asset Forfeiture	-	-	-	-	-	211,326	211,326
Other Special Projects	-	-	-	-	-	981	981
Capital projects	-	-	25,157,602	-	-	-	25,157,602
Debt service	-	-	-	-	223,515,398	-	223,515,398
Community Facilities Districts	-	8,424,392	-	-	-	-	8,424,392
Total restricted	-	8,424,392	25,157,602	-	223,515,398	1,573,067	258,670,459
Committed:							
Capital Projects	-	-	-	6,839,275	-	-	6,839,275
Total committed	-	-	-	6,839,275	-	-	6,839,275
Unassigned	5,034,141	-	-	-	-	-	5,034,141
Total Fund Balances	\$ 5,247,540	\$ 8,424,392	\$ 25,157,602	\$ 6,839,275	\$ 223,515,398	\$ 1,573,067	\$ 270,757,274

Note 13 – Prior Period Adjustments

A. Government-Wide Financial Statements

The beginning net position at July 1, 2016 of the Government-wide Financial Statements were restated as follows:

	Governmental Activities	Business-Type Activities	Total
Net position, as previously reported, at July 1, 2016	\$ 26,001,868	\$ 51,639,848	\$ 77,641,716
Correction to GASB 68 pension liability	(395,251)	(34,496)	(429,747)
Correction to prior year unearned revenue	-	34,496	34,496
Reclass to unearned prior year DIF fees	(13,967,685)	-	(13,967,685)
To record the activities of the BFA	(211,519,397)	-	(211,519,397)
To record the activities of the BFA	229,455,897	-	229,455,897
To record capital assets not previously recorded	240,018,573	81,433,257	321,451,830
Net position at July 1, 2016, as restated	\$ 269,594,005	\$ 133,073,105	\$ 402,667,110

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 13 – Prior Period Adjustments (Continued)

B. Governmental Fund Financial Statements

The beginning net position at July 1, 2016 for the governmental funds were restated as follows:

	Development Impact Fees (DIF) Capital Projects Fund	Beaumont Financing Authority Debt Service Fund
Fund balance, as previously reported, at July 1, 2016	\$ 13,967,685	\$ -
To record the activities of the BFA	-	229,455,897
Reclass to unearned prior year DIF fees	(13,967,685)	-
Fund balance at July 1, 2016, as restated	<u>\$ -</u>	<u>\$ 229,455,897</u>

C. Proprietary Fund Financial Statements

The beginning net position at July 1, 2016 for the proprietary funds were restated as follows:

	Sewer Fund	Transit Fund	Business-Type Total
Net position, as previously reported, at July 1, 2016	\$ 49,787,827	\$ 1,852,021	\$ 51,639,848
Correction to GASB 68 pension liability	-	(34,496)	(34,496)
Correction to prior year unearned revenue	-	34,496	34,496
To record capital assets not previously recorded	81,433,257	-	81,433,257
Net position at July 1, 2016, as restated	<u>\$ 131,221,084</u>	<u>\$ 1,852,021</u>	<u>\$ 133,073,105</u>

Note 14 – 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. Riverside County District Attorney and FBI Investigation

On April 22, 2015, the Riverside County District Attorney's Office, assisted by the FBI, and served search warrants at the Beaumont Civic Center. According to investigators, the warrants were served in conjunction with an investigation into Urban Logic Consultant's business relationship with the City. Urban Logic Consultants is a private company that provided engineering, planning, and economic development services to the City of Beaumont for 20 years. It is unknown at this time what the outcome of the investigations will be or the investigations impact on the City's financial statements, if any.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 14 – Commitments and Contingencies (Continued)

D. WRCOG Restated Settlement Agreement

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

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

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

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

<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

If Third Party Claims have not produced recoveries of at least \$8,000,000 by July 1, 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.

Management believes that the result of criminal and civil lawsuits as well as potential insurance recoveries will exceed the minimum guarantee; therefore, a liability has not been accrued. Additionally, in October 2017, two of the seven criminal cases have been resolved with guilty pleas with a restitution payment due of \$3,000,000. In December 2017, four more of the seven criminal cases have been resolved with guilty pleas and restitution payments due of another \$8,000,000. The last case is still pending.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 14 – Commitments and Contingencies (Continued)

D. WRCOG Restated Settlement Agreement (Continued)

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

Note 15 – Special Item

In accordance with a settlement agreement with LV Heartland, LLC, the City received a one-time payment of \$3,000,000.

Note 16 – Subsequent Events

A. Contractual Agreements

The City has entered into several contractual agreements since June 30, 2017, of which the most significant are as follows:

Project	Date	Balance
Construction Management	10/19/2017	\$ 1,727,887
Street Improvement - Oak Valley	8/25/2017	969,000
Wastewater Plant Maintenance	2/20/2018	708,099
Wastewater Biosolid Removal	2/20/2018	396,000
Interchange Design - Pennsylvania Ave.	10/4/2017	667,037
Street Improvement - Pennsylvania Ave.	10/4/2017	279,889
CFD Administration Services	1/16/2018	185,450
Wastewater plant construction management	3/6/2018	2,396,561
Brine line construction management	5/24/2018	2,880,821

B. Advanced Refunding

In July 2017, the BFA completed twelve (12) refunding transactions through a private placement for the following community facility district bond issues:

Bond Issue	City Cash		
	Pledge	Original Issue	Refunded Bonds
Special Tax Bond, 2007 Series C, Improvement Area 14A	\$ 1,419,935	\$ 20,958,000	\$ 13,275,000
Special Tax Bond 2006, Series B, Improvement Area 8B	657,975	7,110,000	5,735,000
Special Tax Bond 2007 Series A, Improvement Area 14	735,642	12,835,000	6,950,000
Special Tax Bond 2007 Series B, Improvement Area 8	1,356,351	12,765,000	7,320,000
Special Tax Bond 2005 Series A, Improvement Area 6A1	1,125,464	18,325,000	combined
Special Tax Bond 2005 Series C, Improvement Area 6A1	1,056,773	19,155,000	29,977,849
Special Tax Bond 2004 Series C, Improvement Area 8A	823,147	6,520,000	6,208,722
Special Tax Bond 2007 Series E, Improvement Area 8C	269,611	8,685,000	5,801,612
Speical Tax Bond 2009 Series B, Improvement Area 8D	36,022	725,000	726,793
Special Tax Bond 2007 Series A, Improvement Area 14B	247,980	5,000,000	3,847,190
Special Tax Bond 2008 Series A, Improvement Area 19C	389,487	4,090,000	combined
Special Tax Bond 2006 Series A, Improvement Area 19C	1,260,155	14,220,000	14,339,091

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.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 16 – Subsequent Events (Continued)

C. Grant Funding

In August 2017, the City received a memorandum of understanding from property owners that will directly benefit from the Potrero Interchange construction. The City has received funding of \$7,508,000 out of a total agreement of \$7,848,000 in order to proceed with the project. In exchange, the property owners are exploring various financing arrangements in order to recover their funding through property development. In addition to the property owners, the City has secured grant funding from RCTC and CalTrans of \$13,443,872 combined in order to complete Phase 1 and Phase 1A of the interchange.

D. SEC Settlement Agreement

The Beaumont Financing Authority (BFA) reached a settlement with the U.S. Securities and Exchange Commission (SEC) culminating in the SEC's August 23, 2017 Order. According to the Order, the BFA repeatedly failed to comply with its continuing disclosure agreements, and in five Official Statements, falsely stated that it had complied with such agreements. Under the terms of the settlement, the BFA neither admits nor denies these allegations and is not required to pay financial penalties. The BFA consented to the entry of an Order by the SEC to cease and desist from committing or causing any future violations of Section 17(a)(2) and 17(a)(3) of the Securities Act. The Order is publicly available and can be found at: <https://www.sec.gov/litigation/admin/2017/33-10406.pdf>

Under the terms of the SEC settlement, the BFA has agreed to number of compliance undertakings, including the establishment of written policies and procedures and periodic training regarding all aspects of municipal securities disclosures and the accounting of bond proceeds and record keeping. The BFA has also retained an independent consultant, to conduct a review of the BFA's policies and procedures as they relate to all aspects of municipal securities disclosures, the accounting of bond proceeds and record keeping. The independent consultant submitted a written report to the BFA and the BFA adopted the recommendations contained in the report in April 2018.

E. Settlement and Bond Issuance

In accordance with a settlement agreement with Pardee Homes signed in February 2017, bonds are being issued for a total par of \$35,630,000 in order to reimburse the developer for facilities and improvements completed in its improvement areas. The bonds are being sold in three separate offerings, and the first set is being sold in May 2018.

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

Required Supplementary Information (Unaudited)

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2017

Note 1 – Budgetary Information

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

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

City of Beaumont
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 10,056,500	\$ 10,056,500	\$ 11,027,239	\$ 970,739
Intergovernmental	3,462,600	3,462,600	3,809,768	347,168
License and permits	1,199,000	1,199,000	3,531,480	2,332,480
Fines and forfeitures	120,000	120,000	265,831	145,831
Assessment levied	465,000	465,000	548,738	83,738
Use of money and property	120,490	120,490	142,532	22,042
Charges for services	7,372,477	7,387,477	8,355,018	967,541
Other revenues	60,033	60,033	375,369	315,336
Total revenues	22,856,100	22,871,100	28,055,975	5,184,875
EXPENDITURES:				
Current:				
General government	5,234,901	4,877,901	5,464,863	(586,962)
Public safety	12,996,252	13,134,110	12,503,812	630,298
Public works	5,564,757	5,564,757	2,902,986	2,661,771
Community development	1,763,397	1,574,901	1,218,594	356,307
Community services	2,639,019	2,784,019	2,396,166	387,853
Refuse	-	-	4,239,048	(4,239,048)
Capital outlay	130,000	342,520	188,738	153,782
Debt service:				
Principal	-	-	316,834	(316,834)
Interest	-	-	3,182	(3,182)
Total expenditures	28,328,326	28,278,208	29,234,223	(956,015)
REVENUES OVER (UNDER) EXPENDITURES	(5,472,226)	(5,407,108)	(1,178,248)	4,228,860
OTHER FINANCING SOURCES (USES):				
Obligations incurred on capital leases	-	-	96,158	96,158
Sales of property	15,000	15,000	42,237	27,237
Transfers in	5,825,500	5,825,500	7,617,785	1,792,285
Transfers out	-	-	(259,756)	(259,756)
Total other financing sources (uses)	5,840,500	5,840,500	7,496,424	1,655,924
SPECIAL ITEM:				
Settlement (Note 14)	-	-	3,000,000	3,000,000
Total special item	-	-	3,000,000	3,000,000
Net change in fund balance	\$ 368,274	\$ 433,392	9,318,176	\$ 8,884,784
FUND BALANCE:				
Beginning of year			(4,070,636)	
End of year			<u>\$ 5,247,540</u>	

City of Beaumont
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – Community Facilities Districts (CFD) Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Assessment levied	\$ 24,462,596	\$ 24,462,596	\$ 4,358,002	\$ 20,104,594
Use of money and property	15,000	15,000	-	15,000
Total revenues	<u>24,477,596</u>	<u>24,477,596</u>	<u>4,358,002</u>	<u>20,119,594</u>
EXPENDITURES:				
Current:				
Community development	20,377,096	20,377,096	266,226	20,110,870
Total expenditures	<u>20,377,096</u>	<u>20,377,096</u>	<u>266,226</u>	<u>20,110,870</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,100,500</u>	<u>4,100,500</u>	<u>4,091,776</u>	<u>8,724</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	6,382,866	(6,382,866)
Transfers out	(4,100,500)	(4,100,500)	(2,050,250)	(2,050,250)
Total other financing sources (uses)	<u>(4,100,500)</u>	<u>(4,100,500)</u>	<u>4,332,616</u>	<u>(8,433,116)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>8,424,392</u>	<u>\$ 11,677,754</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ 8,424,392</u>	

City of Beaumont
Required Supplementary Information (Unaudited) (Continued)
Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plans

Measurement Period	June 30, 2016 ¹	June 30, 2015 ¹	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.16749%	0.16067%	0.06577%
City's Proportionate Share of the net Pension Liability	\$ 5,818,570	\$ 4,407,926	\$ 4,092,766
City's Covered-Employee Payroll	\$ 4,722,459	\$ 5,411,229	\$ 5,932,314
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>123.21%</u>	<u>81.46%</u>	<u>68.99%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>70.53%</u>	<u>76.43%</u>	<u>74.31%</u>

California Public Employees' Retirement System ("CalPERS") Safety Plans

Measurement Period	June 30, 2016 ¹	June 30, 2015 ¹	June 30, 2014 ¹
City's Proportion of the Net Pension Liability	0.17381%	0.17862%	0.11126%
City's Proportionate Share of the net Pension Liability	\$ 9,002,206	\$ 7,359,819	\$ 6,923,153
City's Covered-Employee Payroll	\$ 3,613,896	\$ 4,134,515	\$ 4,232,207
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>249.10%</u>	<u>178.01%</u>	<u>163.58%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>72.39%</u>	<u>76.43%</u>	<u>74.31%</u>

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2016, there were no changes. In 2015, amounts reported reflect 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.

City of Beaumont
Required Supplementary Information (Unaudited) (Continued)
Schedule of the City's Pension Contributions
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plans

	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially Determined Contribution ²	\$ 816,082	\$ 732,914	\$ 962,897	\$ 996,243
Contribution in Relation to the Actuarially Determined Contribution ²	(816,082)	(732,914)	(962,897)	(996,243)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 4,864,133	\$ 4,722,459	\$ 5,411,229	\$ 5,932,314
Contributions as a Percentage of Covered-Employee Payroll	16.78%	15.52%	17.79%	16.79%

California Public Employees' Retirement System ("CalPERS") Safety Plans

	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially Determined Contribution ²	\$ 1,281,860	\$ 1,181,118	\$ 1,356,940	\$ 1,421,157
Contribution in Relation to the Actuarially Determined Contribution ²	(1,281,860)	(1,181,118)	(1,356,940)	(1,421,157)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 3,722,313	\$ 3,613,896	\$ 4,134,515	\$ 4,232,207
Contributions as a Percentage of Covered-Employee Payroll	34.44%	32.68%	32.82%	33.58%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable. Additional years' information will be displayed as it becomes available.

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

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method/period	Level percentage of payroll
Asset valuation method	Market value
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes Inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

Supplementary Information

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

Non-Major Governmental Funds

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

		Special Revenue Funds		
		State Gas Tax Fund	AB 2766 Fund	PEG Fund
ASSETS				
Cash and investments		\$ 357,051	\$ 292,052	\$ 207,608
Receivables:				
Accounts		-	-	11,909
Due from other governments		-	14,646	-
Total assets		<u>\$ 357,051</u>	<u>\$ 306,698</u>	<u>\$ 219,517</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities		\$ -	\$ -	\$ -
Due to other funds		-	-	-
Deposits payable		-	-	-
Unearned revenue		-	-	-
Total liabilities		<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenue		-	-	-
Total deferred inflows of resources		<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted		357,051	306,698	219,517
Total fund balances		<u>357,051</u>	<u>306,698</u>	<u>219,517</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 357,051</u>	<u>\$ 306,698</u>	<u>\$ 219,517</u>

(Continued)

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

	Special Revenue Funds		
	Other Federal Grants Fund	COPS Grant Fund	State Asset Seizure Fund
ASSETS			
Cash and investments	\$ -	\$ 210,286	\$ 312,707
Receivables:			
Accounts	-	-	-
Due from other governments	398,007	56,083	-
Total assets	\$ 398,007	\$ 266,369	\$ 312,707
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 24,786	\$ 20,240	\$ -
Due to other funds	373,221	-	-
Deposits payable	-	-	41,926
Unearned revenue	-	-	-
Total liabilities	398,007	20,240	41,926
Deferred Inflows of Resources:			
Unavailable revenue	-	39,416	-
Total deferred inflows of resources	-	39,416	-
Fund Balances:			
Restricted	-	206,713	270,781
Total fund balances	-	206,713	270,781
Total liabilities, deferred inflows of resources and fund balances	\$ 398,007	\$ 266,369	\$ 312,707

(Continued)

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

	Special Revenue Funds		
	Federal Asset Seizure Fund	Other Special Revenue Fund	Total Other Governmental Funds
ASSETS			
Cash and investments	\$ 211,326	\$ 70,179	\$ 1,661,209
Receivables:			
Accounts	-	-	11,909
Due from other governments	-	-	468,736
Total assets	\$ 211,326	\$ 70,179	\$ 2,141,854
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 45,026
Due to other funds	-	-	373,221
Deposits payable	-	-	41,926
Unearned revenue	-	69,198	69,198
Total liabilities	-	69,198	529,371
Deferred Inflows of Resources:			
Unavailable revenue	-	-	39,416
Total deferred inflows of resources	-	-	39,416
Fund Balances:			
Restricted	211,326	981	1,573,067
Total fund balances	211,326	981	1,573,067
Total liabilities, deferred inflows of resources and fund balances	\$ 211,326	\$ 70,179	\$ 2,141,854

(Concluded)

City of Beaumont
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds		
	State Gas Tax Fund	AB 2766 Fund	PEG Fees Fund
REVENUES:			
Intergovernmental	\$ 860,043	\$ 57,615	\$ -
License and permits	-	-	42,907
Use of money and property	72,290	19,489	13,833
Other revenues	-	-	-
Total revenues	<u>932,333</u>	<u>77,104</u>	<u>56,740</u>
EXPENDITURES:			
Current:			
Public safety	-	-	-
Community development	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>932,333</u>	<u>77,104</u>	<u>56,740</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	900	-
Transfers out	<u>(1,030,885)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,030,885)</u>	<u>900</u>	<u>-</u>
Net changes in fund balances	(98,552)	78,004	56,740
FUND BALANCES:			
Beginning of year	<u>455,603</u>	<u>228,694</u>	<u>162,777</u>
End of year	<u>\$ 357,051</u>	<u>\$ 306,698</u>	<u>\$ 219,517</u>

(Continued)

City of Beaumont
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds		
	Other Federal Grants Fund	COPS Grant Fund	State Asset Seizure Fund
REVENUES:			
Intergovernmental	\$ 740,802	\$ 100,000	\$ 14,804
License and permits	-	-	-
Use of money and property	-	16,972	20,412
Other revenues	-	-	-
Total revenues	<u>740,802</u>	<u>116,972</u>	<u>35,216</u>
EXPENDITURES:			
Current:			
Public Safety	-	13,197	7,080
Community Development	740,802	-	-
Total expenditures	<u>740,802</u>	<u>13,197</u>	<u>7,080</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>103,775</u>	<u>28,136</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	(7,917)	-
Total other financing sources (uses)	<u>-</u>	<u>(7,917)</u>	<u>-</u>
Net changes in fund balances	<u>-</u>	<u>95,858</u>	<u>28,136</u>
FUND BALANCES:			
Beginning of year	-	110,855	242,645
End of year	<u>\$ -</u>	<u>\$ 206,713</u>	<u>\$ 270,781</u>

(Continued)

City of Beaumont
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds		
	Federal Asset Seizure Fund	Other Special Revenue Fund	Total Other Governmental Funds
REVENUES:			
Intergovernmental	\$ -	\$ 248	\$ 1,773,512
License and permits	-	-	42,907
Use of money and property	14,416	-	157,412
Other revenues	-	733	733
Total revenues	<u>14,416</u>	<u>981</u>	<u>1,974,564</u>
EXPENDITURES:			
Current:			
Public Safety	-	-	20,277
Community Development	-	-	740,802
Total expenditures	<u>-</u>	<u>-</u>	<u>761,079</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>14,416</u>	<u>981</u>	<u>1,213,485</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	900
Transfers out	-	-	(1,038,802)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,037,902)</u>
Net changes in fund balances	14,416	981	175,583
FUND BALANCES:			
Beginning of year	196,910	-	1,397,484
End of year	<u>\$ 211,326</u>	<u>\$ 981</u>	<u>\$ 1,573,067</u>

(Concluded)

City of Beaumont
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Community Facilities District (CFD) Capital Projects Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Assessment levied	\$ 24,671,992	\$ 24,671,992	\$ 4,402,815	\$ 20,269,177
Use of money and property	15,000	15,000	37,023	(22,023)
Total revenues	<u>24,686,992</u>	<u>24,686,992</u>	<u>4,439,838</u>	<u>20,247,154</u>
EXPENDITURES:				
Current:				
Community Development	18,313,905	18,313,905	698,447	17,615,458
Total expenditures	<u>18,313,905</u>	<u>18,313,905</u>	<u>698,447</u>	<u>17,615,458</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>6,373,087</u>	<u>6,373,087</u>	<u>3,741,391</u>	<u>2,631,696</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	4,100,500	4,100,500	-	4,100,500
Transfers Out	-	-	(11,451,534)	11,451,534
Total other financing sources (uses)	<u>4,100,500</u>	<u>4,100,500</u>	<u>(11,451,534)</u>	<u>15,552,034</u>
Net change in fund balance	<u>\$ 10,473,587</u>	<u>\$ 10,473,587</u>	<u>(7,710,143)</u>	<u>\$ 18,183,730</u>
FUND BALANCE:				
Beginning of year			<u>32,867,745</u>	
End of year			<u>\$ 25,157,602</u>	

City of Beaumont
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Development Impact Fee Capital Projects Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
License and permits	\$ -	\$ 4,090,616	\$ 7,206,765	\$ (8,294,586)
Assessment levied	-	956,533	-	665,605
Charges for services	5,019,806	927,657	-	927,657
Total revenues	<u>5,019,806</u>	<u>5,974,806</u>	<u>7,206,765</u>	<u>(6,701,324)</u>
EXPENDITURES:				
Current:				
Community Development	100,000	100,000	-	100,000
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,919,806</u>	<u>5,874,806</u>	<u>7,206,765</u>	<u>(6,801,324)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	-	(7,206,765)	7,206,765
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,206,765)</u>	<u>7,206,765</u>
Net change in fund balance	<u>\$ 4,919,806</u>	<u>\$ 5,874,806</u>	<u>-</u>	<u>\$ 405,441</u>
FUND BALANCE:				
Beginning of year, as restated			-	
End of year			<u>\$ -</u>	

City of Beaumont
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
State Gas Tax Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 870,000	\$ 870,000	\$ 860,043	\$ 9,957
Use of money and property	-	-	72,290	(72,290)
Total revenues	<u>870,000</u>	<u>870,000</u>	<u>932,333</u>	<u>(62,333)</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>870,000</u>	<u>870,000</u>	<u>932,333</u>	<u>(62,333)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>(870,000)</u>	<u>(870,000)</u>	<u>(1,030,885)</u>	<u>160,885</u>
Total other financing sources (uses)	<u>(870,000)</u>	<u>(870,000)</u>	<u>(1,030,885)</u>	<u>160,885</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(98,552)</u>	<u>\$ 98,552</u>
FUND BALANCE:				
Beginning of year			<u>455,603</u>	
End of year			<u>\$ 357,051</u>	

City of Beaumont
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
AB 2766 Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 57,615	\$ (7,615)
Use of money and property	-	-	19,489	(19,489)
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>77,104</u>	<u>(27,104)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>50,000</u>	<u>50,000</u>	<u>77,104</u>	<u>(27,104)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>10,000</u>	<u>10,000</u>	<u>900</u>	<u>9,100</u>
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>900</u>	<u>9,100</u>
Net change in fund balance	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>78,004</u>	<u>\$ (18,004)</u>
FUND BALANCE:				
Beginning of year			<u>228,694</u>	
End of year			<u>\$ 306,698</u>	

City of Beaumont
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
PEG Fees Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
License and permits	\$ 25,000	\$ 25,000	\$ 42,907	\$ (17,907)
Use of money and property	-	-	13,833	(13,833)
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>56,740</u>	<u>(31,740)</u>
REVENUES OVER (UNDER) EXPENDITURES				
	<u>25,000</u>	<u>25,000</u>	<u>56,740</u>	<u>(31,740)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>(25,000)</u>	<u>(25,000)</u>	-	<u>(25,000)</u>
Total other financing sources (uses)	<u>(25,000)</u>	<u>(25,000)</u>	-	<u>(25,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	56,740	<u>\$ (56,740)</u>
FUND BALANCE:				
Beginning of year			<u>162,777</u>	
End of year			<u>\$ 219,517</u>	

City of Beaumont
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Other Federal Grants Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 425,000	\$ 425,000	\$ 740,802	\$ (315,802)
Total revenues	<u>425,000</u>	<u>425,000</u>	<u>740,802</u>	<u>(315,802)</u>
EXPENDITURES:				
Current:				
Community Development	425,000	425,000	740,802	(315,802)
Total expenditures	<u>425,000</u>	<u>425,000</u>	<u>740,802</u>	<u>(315,802)</u>
REVENUES OVER (UNDER) EXPENDITURES				
	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ -</u>	

City of Beaumont
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
COPS Grant Special Revenue Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Use of money and property	-	-	16,972	(16,972)
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>116,972</u>	<u>(16,972)</u>
EXPENDITURES:				
Current:				
Public Safety	100,000	100,000	13,197	86,803
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>13,197</u>	<u>86,803</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>103,775</u>	<u>(103,775)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	-	(7,917)	7,917
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7,917)</u>	<u>7,917</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>95,858</u>	<u>\$ (95,858)</u>
FUND BALANCE:				
Beginning of year			<u>110,855</u>	
End of year			<u>\$ 206,713</u>	

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

Non-Major Fiduciary Funds

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
Combining Statement of Fiduciary Net Position
All Agency Funds
June 30, 2017

	Community Facilities District Collection	Evidence Fund	Beaumont Charitable Foundation	Total
ASSETS				
Cash and investments	\$ 17,592,300	\$ 33,768	\$ -	\$ 17,626,068
Cash and investments with fiscal agent	769,500	-	-	769,500
Due from City	-	-	28,677	28,677
Total assets	\$ 18,361,800	\$ 33,768	\$ 28,677	\$ 18,424,245
LIABILITIES				
Liabilities:				
Due to others	\$ -	\$ 33,768	\$ 28,677	\$ 62,445
Due to bondholders	18,361,800	-	-	18,361,800
Total liabilities	\$ 18,361,800	\$ 33,768	\$ 28,677	\$ 18,424,245

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2017

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City of Beaumont
Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2017

	Balance 7/1/2016 (As Restated)*	Additions	Deletions	Balance June 30, 2017
<u>Community Facilities District Collection Fund (BFA)</u>				
Assets:				
Cash and investments	\$ 16,996,302	\$ 595,998	\$ -	\$ 17,592,300
Cash and investments with fiscal agent	766,599	2,901	-	769,500
Total assets	\$ 17,762,901	\$ 598,899	\$ -	\$ 18,361,800
Liabilities:				
Due to bondholders	\$ 17,762,901	\$ 598,899	\$ -	\$ 18,361,800
Total liabilities	\$ 17,762,901	\$ 598,899	\$ -	\$ 18,361,800

*Prior period amounts have been restated to classify the BFA as a blended component unit of the City in the Governmental Funds.

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Evidence Fund</u>				
Assets:				
Cash and investments	\$ 31,686	\$ 2,082	\$ -	\$ 33,768
Total assets	\$ 31,686	\$ 2,082	\$ -	\$ 33,768
Liabilities:				
Due to others	\$ 31,686	\$ 2,082	\$ -	\$ 33,768
Total liabilities	\$ 31,686	\$ 2,082	\$ -	\$ 33,768

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Beaumont Charitable Foundation</u>				
Assets:				
Due from City	\$ 29,983	\$ -	\$ (1,306)	\$ 28,677
Total assets	\$ 29,983	\$ -	\$ (1,306)	\$ 28,677
Liabilities:				
Due to others	\$ 29,983	\$ -	\$ (1,306)	\$ 28,677
Total liabilities	\$ 29,983	\$ -	\$ (1,306)	\$ 28,677

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 17,027,988	\$ 598,080	\$ -	\$ 17,626,068
Cash and investments with fiscal agent	766,599	2,901	-	769,500
Due from City	29,983	-	(1,306)	28,677
Total assets	\$ 17,824,570	\$ 600,981	\$ (1,306)	\$ 18,424,245
Liabilities:				
Due to others	\$ 61,669	\$ 2,082	\$ (1,306)	\$ 62,445
Due to bondholders	17,762,901	598,899	-	18,361,800
Total liabilities	\$ 17,824,570	\$ 600,981	\$ (1,306)	\$ 18,424,245