

**CITY OF BEAUMONT, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

June 30, 2016

**City of Beaumont**  
**Basic Financial Statements**  
June 30, 2016

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## Independent Auditor's Report

The Honorable City Council  
City of Beaumont, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaumont, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Beaumont'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 financial statements are free from 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 entity'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 entity'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and adverse audit opinions.

### ***Summary of Opinions***

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-Type Activities	Unmodified
General Fund	Unmodified
Community Facilities Fund	Unmodified
Development Impact Fees Fund	Unmodified
Sewer Fund	Unmodified
Transit Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### ***Basis for Adverse Opinion on Governmental Activities***

As discussed in Note 1 to the financial statements, management has not recorded certain general infrastructure and other general capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure and other general capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

### ***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the City of Beaumont, California, as of June 30, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaumont, California, as of June 30, 2016, 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.

### ***Emphasis of Matter***

#### *Financial Condition*

As discussed in Note 9 to the financial statements, the City's General Fund has a deficit unrestricted fund balance as of June 30, 2016 of \$4,296,822. Management's plans in regard to these matters are also

described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### ***Change in Accounting Principle***

As described in Note 2 to the financial statements, in 2016, the City adopted new accounting guidance, *GASB Statement No. 72, Fair Value Measurement and Application*. Our opinion is 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 and analysis, and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or to provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beaumont, California's basic financial statements.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2018, on our consideration of the City of Beaumont'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* and should be considered in assessing the results of our audit.

*Van Lant & Funkhamel, LLP*

January 4, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

This is management's discussion and analysis of the City of Beaumont's financial activities and performance for the fiscal year ended June 30, 2016. Please read this in conjunction with the City's financial statements, which follow this discussion and analysis.

### **FINANCIAL HIGHLIGHTS**

- Settlement of litigation judgment reported as an extraordinary item, improved cash deficit and deficit net position in the general fund are the most significant financial matters reported in this fiscal year.
- 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.
- City was audited by the State Board of Equalization and by the South Coast AQMD with resulting in findings related to previous management policies and minor financial adjustments.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **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.

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 not only the City itself (known as the primary government) but also 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 and capital projects 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, and Capital Improvements Fund, all of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements reported as supplementary information.

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

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

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

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

#### Notes to the Financial Statements

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

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.

Supplementary Information includes the budgetary comparison for the Community Facilities Capital Projects Fund, the Budgetary Comparison Schedules for the Capital Improvement Capital Projects Fund and the Combining statements and Schedules of the nonmajor governmental funds, internal service funds, and agency funds.

#### **GOVERNMENT WIDE FINANCIAL ANALYSIS**

The City does not present 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*. The City is working to fully comply with these reporting standards by 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 \$77.6 million at the end of the fiscal year.

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

**Statement of Net Position**

(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets:</b>						
Current and other assets	48,226	29,896	2,038	3,858	50,264	33,754
Capital Assets			50,743	52,040	50,743	52,040
Total Assets	<u>48,226</u>	<u>29,896</u>	<u>52,781</u>	<u>55,898</u>	<u>101,007</u>	<u>85,794</u>
<b>Deferred outflows:</b>						
Deferred outflows related to pension	4,535	3,070	305	157	4,840	3,227
<b>Liabilities:</b>						
Current and other liabilities	5,242	3,934	401	5,926	5,643	9,860
Noncurrent liabilities	19,363	82,922	908	692	20,271	83,614
Total liabilities	<u>24,605</u>	<u>86,856</u>	<u>1,309</u>	<u>6,618</u>	<u>25,914</u>	<u>93,474</u>
<b>Deferred inflows:</b>						
Deferred inflows related to pension	2,154	3,304	137	183	2,291	3,487
<b>Net position:</b>						
Net investment in capital assets			50,743	52,040	50,743	52,040
Restricted	48,233	32,785			48,233	32,785
Unrestricted	(22,231)	(89,979)	897	(2,786)	(21,334)	(92,765)
Total net position	<u>26,002</u>	<u>(57,194)</u>	<u>51,640</u>	<u>49,254</u>	<u>77,642</u>	<u>(7,940)</u>

The largest asset classification is capital assets for business-type activities which are utilized to provide services to citizens and, therefore, these business-type 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, 2015, and June 30, 2016, is zero.

The portion of the City's net position of \$48,233K 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 and Public-access Television.

The last portion of the City's net position is a deficit. The majority of the governmental activities deficit (87%) is caused by Noncurrent Liabilities. Noncurrent liabilities are comprised of balances related to staff compensated absence calculations, the remaining WRCOG litigation judgment, 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.

**Net Position**  
(Dollars in thousands)

	Government Activities	Business-type Activities	Totals
Net Position, Beginning of Year	(57,194)	49,254	(7,940)
Restatements of Net Position	<u>5,815</u>		<u>5,815</u>
Net Position, Restated Beginning of Year	(51,379)	49,254	(2,125)
Change in Net Position	<u>77,381</u>	<u>2,386</u>	<u>79,767</u>
Net Position, End of Year	<u>26,002</u>	<u>51,640</u>	<u>77,642</u>

Net assets have a significant adjustment to the beginning balance related to the reconciliation and proper fund reporting of all components of the CFD between government activities and agency funds. Restatement adjustment is addressed in Footnote 14.

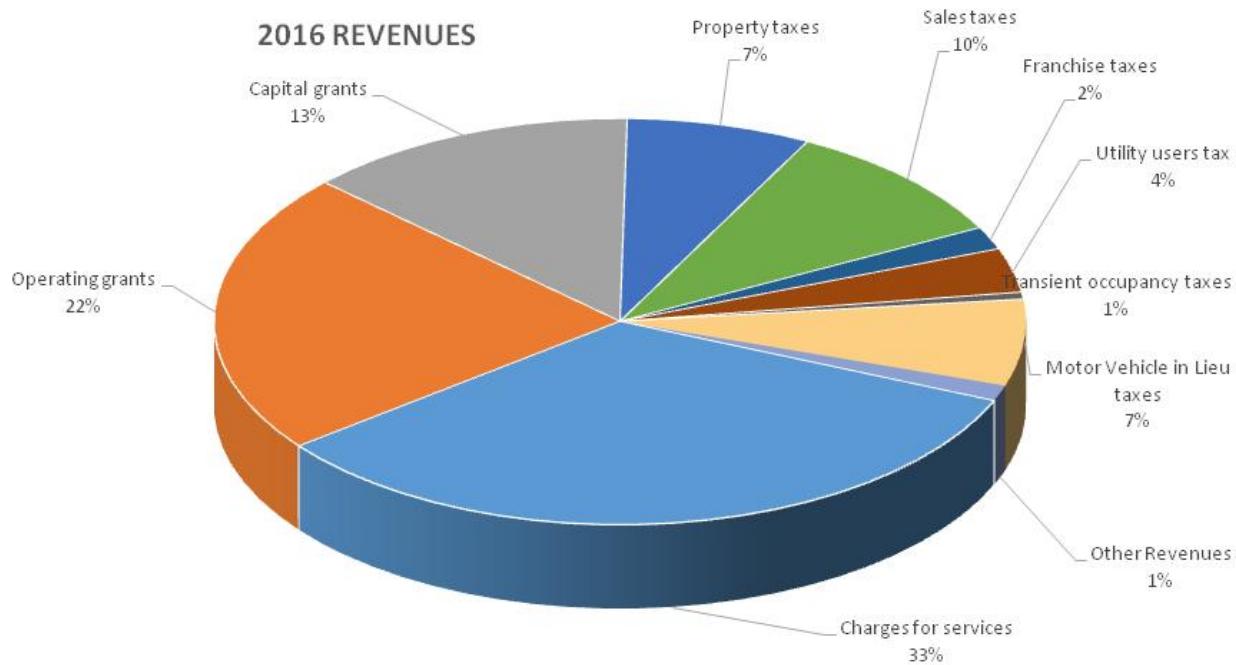
### Analysis of Statement of Activities

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

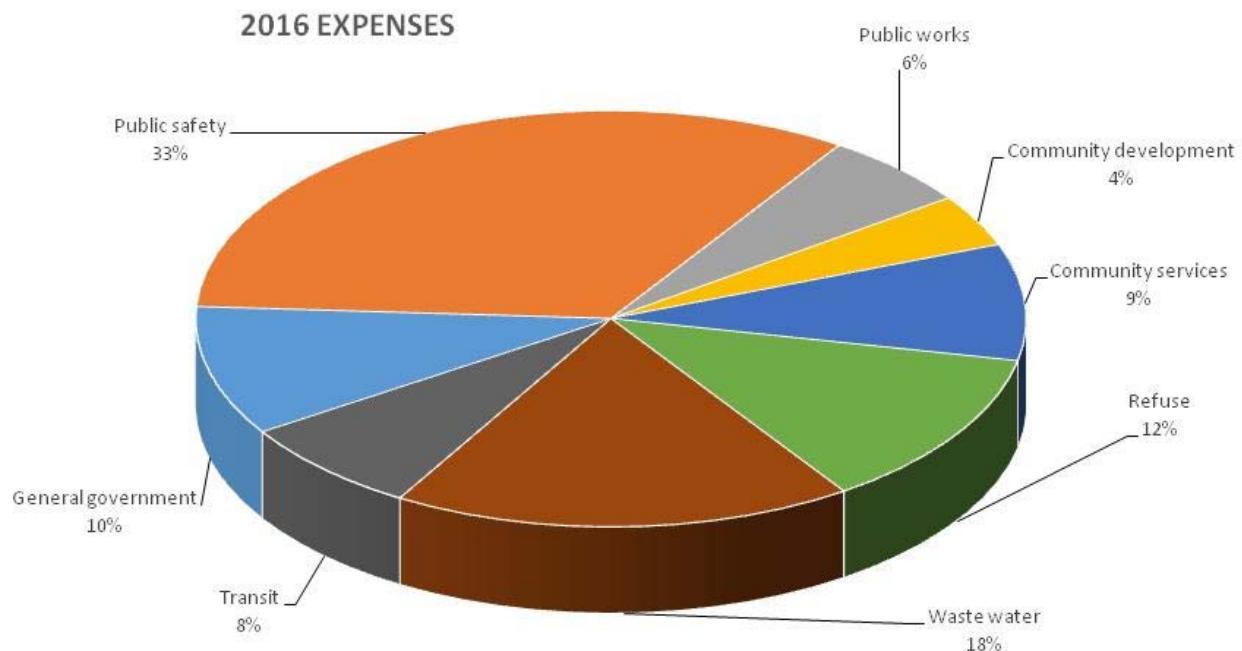
	Statement of Activities (Dollars in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program Revenues:						
Charges for services	9,561	9,856	7,363	8,021	16,924	17,877
Operating grants	9,449	6,338	2,063	1,848	11,512	8,186
Capital grants	5,305	4,364	1,480	10	6,785	4,374
General Revenues:						
Property taxes	3,762	3,894			3,762	3,894
Sales taxes	4,967	4,209			4,967	4,209
Franchise taxes	929	945			929	945
Utility users tax	1,804	1,374			1,804	1,374
Transient occupancy taxes	284	225			284	225
Other taxes	77	209			77	209
Business licenses	196				196	-
Motor Vehicle in Lieu taxes	3,507	3,244			3,507	3,244
Investment earnings	13	130	3	4	16	134
Miscellaneous	360	156			360	156
<b>Total revenues</b>	<b>40,214</b>	<b>34,944</b>	<b>10,909</b>	<b>9,883</b>	<b>51,123</b>	<b>44,827</b>
<b>Expenses:</b>						
General government	3,397	7,310			3,397	7,310
Public safety	11,237	13,414			11,237	13,414
Public works	1,976	1,552			1,976	1,552
Community development	1,368	1,914			1,368	1,914
Community services	3,051	4,881			3,051	4,881
Refuse	4,138	4,145			4,138	4,145
Interest on long term liabilities	-	2,661			-	2,661
Waste water			6,044	7,986	6,044	7,986
Transit			2,479	2,212	2,479	2,212
<b>Total expenses</b>	<b>25,167</b>	<b>35,877</b>	<b>8,523</b>	<b>10,198</b>	<b>33,690</b>	<b>46,075</b>
<b>Extraordinary Items:</b>						
Write off of advance receivable		(21,500)			-	(21,500)
Successor Agency debt reversal	4,235				4,235	
WRCOG judgment settlement	58,099				58,099	-
<b>Change in net position</b>	<b>77,381</b>	<b>(22,433)</b>	<b>2,386</b>	<b>(315)</b>	<b>79,767</b>	<b>(22,748)</b>

The City's overall net position increased by \$79,767K during the current fiscal year. This significant increase is due mostly to the settlement of WRCOG judgment, discussed in Footnote 10.

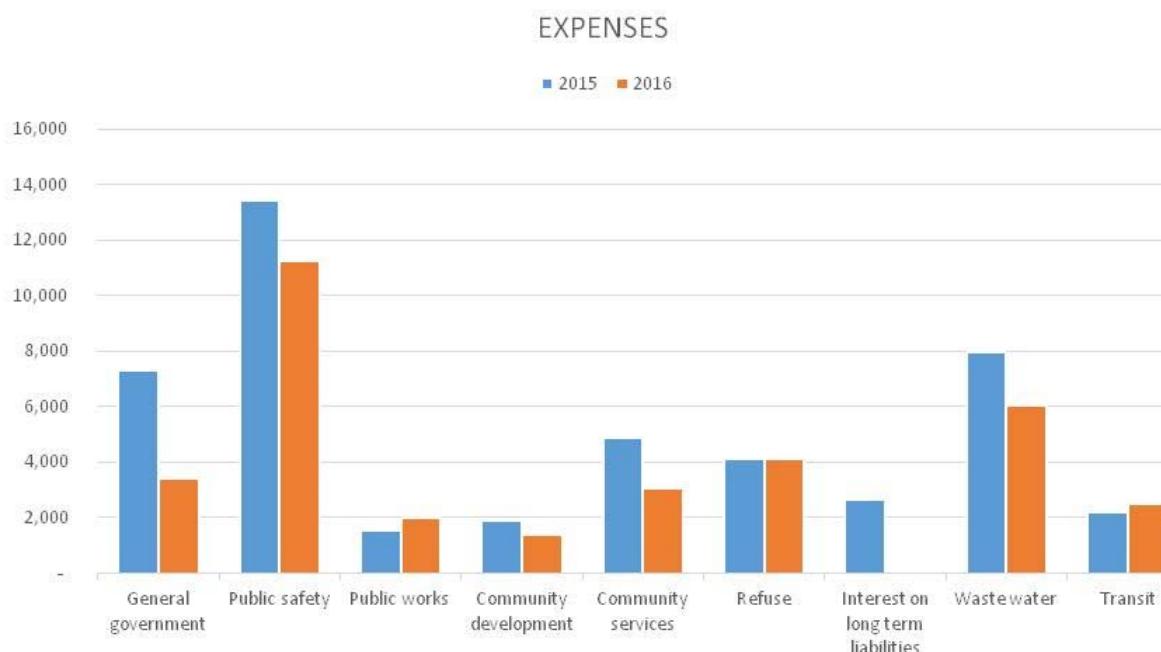
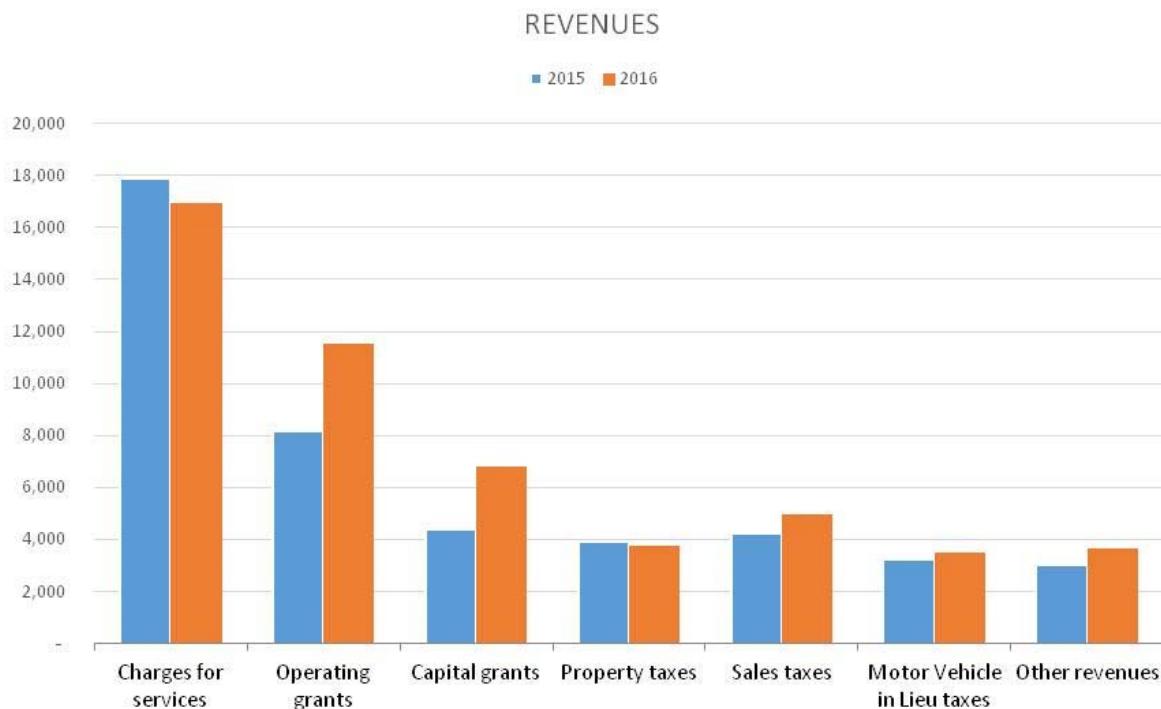
Analysis of total revenues indicates that the largest revenue source is from charges for services performed.



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



Comparison of revenue and expense groupings from fiscal year 2015 to 2016 has been charted below:



Governmental activities increased the City's net position by \$77,381K. The key factors are the settlement of WRCOG judgment and successor agency debt reversal, as previously indicated.

Total revenues have increased by \$5.3M due to increases in sales tax, utility users tax, and operating grants.

Total expenses decreased by \$10.7M, but there were dramatic effects in various areas. General government costs were decreased by \$4M, public safety was decreased by \$2.2M, community services were decreased by \$1.8M, and no interest on long term liabilities was recognized in the current year, which was \$2.7M in the prior year. Costs were cut drastically with this fiscal year while the financial status of the City was fully investigated and a plan for financial recovery was established.

Business-type activities increased the City's net position by \$2.4M. Revenues did increase by \$1M from fiscal year 2015 to 2016, but expenses decreased by \$1.7M.

### **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 the fiscal year 2016. The budget was established as revenue neutral, and no extraordinary items were taken into consideration.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### Capital Assets

The City does not conform with GASB 34 related to the recognition and reporting of governmental activities capital assets. This shortcoming in the reporting is being addressed by current management. Bids for inventory and valuation services were reviewed and a contract was awarded. The City is anticipating full compliance by fiscal year ending June 30, 2017. The City fully complies with the reporting of capital assets and related depreciation for its business-type activities. A summary and comparison of those capital assets have been included in the table below:

**Capital Assets**  
(Dollars in thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>WASTE WATER FUND</b>						
Land			503	503	503	503
Land improvements			22	22	22	22
Buildings			61	61	61	61
Furniture and fixtures			1	1	1	1
Machinery and equipment			76,158	76,135	76,158	76,135
Vehicles			124	124	124	124
Less accumulated depreciation			(27,979)	(25,546)	(27,979)	(25,546)
	<u>-</u>	<u>-</u>	<u>48,890</u>	<u>51,300</u>	<u>48,890</u>	<u>51,300</u>
<b>TRANSIT FUND</b>						
Construction in Progress			3		3	-
Buildings			525	478	525	478
Machinery and equipment			477	477	477	477
Vehicles			3,474	2,042	3,474	2,042
Less accumulated depreciation			(2,627)	(2,258)	(2,627)	(2,258)
	<u>-</u>	<u>-</u>	<u>1,852</u>	<u>739</u>	<u>1,852</u>	<u>739</u>

Debt Administration

As of June 30, 2016, the City had \$20,784K of outstanding long-term obligations related to governmental activities and \$930K related to business-type activities, for a total of \$21,714K. Debt outstanding as of June 30, 2016 with a comparison to prior year and the net change follows:

**Debt Outstanding**  
(Dollars in thousands)

	2016	2015	Net Change
<b>Governmental Activities</b>			
Claims payable	1,523	1,423	100
Net pension liability	11,078	10,525	553
Compensated absences	1,807	1,963	(156)
AB1484 Due Diligence Review	2,276	2,576	(300)
Payable to Successor Agency	-	4,236	(4,236)
WRCOG TUMF Settlement	<u>4,100</u>	<u>62,199</u>	<u>(58,099)</u>
	<u>20,784</u>	<u>82,922</u>	<u>(62,138)</u>
<b>Business-type Activities</b>			
Net pension liability	690	491	199
Compensated absences	240	201	39
	<u>930</u>	<u>692</u>	<u>238</u>

The most significant change in the governmental activities long-term debt is related to the settlement of legal judgment with WRCOG, decreasing the debt by \$58,099K and the release of payable to Successor Agency of \$4,236K.

Additional information regarding the City's long-term obligations is discussed in Note 10 to the financial statements.

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

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

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.

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 experienced in the current year.

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 13.

#### **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. 6<sup>th</sup> Street, Beaumont, California, 92223, or [finance@beaumontcares.com](mailto:finance@beaumontcares.com), or [finance@ci.beaumont.ca.us](mailto:finance@ci.beaumont.ca.us)

## **BASIC FINANCIAL STATEMENTS**

**City of Beaumont**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and Investments	\$ 25,944,759	\$ 6,352,372	\$ 32,297,131
Receivables:			
Accounts	3,177,448	23,814	3,201,262
Interest	10,340	-	10,340
Notes and Loans Receivable	226,186	-	226,186
Due from Other Governments	2,287,271	466,429	2,753,700
Deposits with Others	23,830	-	23,830
Internal Balances	5,069,509	(5,069,509)	-
Cash and Investments with Fiscal Agent	11,486,534	-	11,486,534
Restricted Cash and Investments	-	265,140	265,140
Capital Assets, Not Being Depreciated	-	505,275	505,275
Capital Assets, Net of Accumulated Depreciation	-	50,237,479	50,237,479
Total Assets	48,225,877	52,781,000	101,006,877
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related Amounts	4,535,166	305,283	4,840,449
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	3,694,168	38,649	3,732,817
Deposits Payable	97,396	-	97,396
Due to Agency Fund	29,983	-	29,983
Unearned Revenue	-	340,767	340,767
Noncurrent Liabilities:			
Due Within One Year	1,420,306	21,837	1,442,143
Due in More Than One Year	19,363,445	908,211	20,271,656
Total Liabilities	24,605,298	1,309,464	25,914,762
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related Amounts	2,153,877	136,971	2,290,848
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	50,742,754	50,742,754
Restricted for:			
CFD Projects	32,867,745	-	32,867,745
Capital Projects	13,967,685	-	13,967,685
Street Projects	684,297	-	684,297
Public Safety	550,410	-	550,410
Public-access Television	162,777	-	162,777
Unrestricted	(22,231,046)	897,094	(21,333,952)
Total Net Position	\$ 26,001,868	\$ 51,639,848	\$ 77,641,716

The accompanying notes are an integral part of this statement.

**City of Beaumont**  
**Statement of Activities**  
**Year Ended June 30, 2016**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 3,397,331	\$ 249,839	\$ 1,646,744	\$ -
Public Safety	11,236,896	709,727	205,129	8,941
Public Works	1,976,427	1,360,576	4,633,100	5,295,693
Community Development	1,367,789	1,512,769	43,410	-
Community Services	3,050,603	68,722	2,920,783	-
Refuse	4,138,062	5,659,390	-	-
Total Governmental Activities	<u>25,167,108</u>	<u>9,561,023</u>	<u>9,449,166</u>	<u>5,304,634</u>
Business-type Activities:				
Sewer	6,043,880	7,136,742	-	-
Transit	2,478,621	226,051	2,063,600	1,479,942
Total Business-type Activities	<u>8,522,501</u>	<u>7,362,793</u>	<u>2,063,600</u>	<u>1,479,942</u>
Total Primary Government	<u>\$ 33,689,609</u>	<u>\$ 16,923,816</u>	<u>\$ 11,512,766</u>	<u>\$ 6,784,576</u>
General Revenues:				
Taxes:				
Property Taxes				
Sales Taxes				
Franchise Taxes				
Utility Users Tax				
Transient Occupancy Taxes				
Other Taxes				
Business Licenses				
Motor Vehicle in Lieu Taxes (Unrestricted)				
Investment Earnings				
Miscellaneous				
Total General Revenues and Transfers				
Extraordinary Items				
Change in Net Position				
Net Position - Beginning of Year				
Restatement of Net Position				
Net Position - End of Year				

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Totals
\$ (1,500,748)	\$ -	\$ (1,500,748)
(10,313,099)	-	(10,313,099)
9,312,942	-	9,312,942
188,390	-	188,390
(61,098)	-	(61,098)
<u>1,521,328</u>	<u>-</u>	<u>1,521,328</u>
 (852,285)	 -	 (852,285)
 -	 1,092,862	 1,092,862
 -	 1,290,972	 1,290,972
 -	 2,383,834	 2,383,834
 (852,285)	 2,383,834	 1,531,549
 3,762,290	 -	 3,762,290
4,966,331	-	4,966,331
929,261	-	929,261
1,804,096	-	1,804,096
283,999	-	283,999
77,163	-	77,163
196,185	-	196,185
3,506,871	-	3,506,871
13,232	2,552	15,784
<u>359,206</u>	<u>-</u>	<u>359,206</u>
 <u>15,898,634</u>	 <u>2,552</u>	 <u>15,901,186</u>
 62,334,300	 -	 62,334,300
77,380,649	2,386,386	79,767,035
(57,193,695)	49,253,462	(7,940,233)
 5,814,914	 -	 5,814,914
 <u>\$ 26,001,868</u>	 <u>\$ 51,639,848</u>	 <u>\$ 77,641,716</u>

The accompanying notes are an integral part of this statement.

**City of Beaumont**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General Fund	Community Facilities Fund	Capital Projects	
			Community Facilities Fund	Development Impact Fees Fund
<b>ASSETS</b>				
Cash and Investments	\$ -	\$ 10,579,224	\$ 13,967,685	-
Cash and Investments with Fiscal Agents	- -	11,486,534	-	-
Due From other Governments	1,940,802	305,540	-	-
Accounts Receivable	3,169,015	-	-	-
Interest	10,340	-	-	-
Notes and Loans	226,186	-	-	-
Deposits with Others	23,830	-	-	-
Due from Other Funds	- -	5,079,237	-	-
Advances to Other Funds	- -	5,512,580	-	-
 Total Assets	 \$ 5,370,173	 \$ 32,963,115	 \$ 13,967,685	 -
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 3,654,168	\$ -	\$ -	-
Deposits Payable	2,026	95,370	-	-
Due to Other Funds	- -	-	-	-
Due to Agency Fund	29,983	-	-	-
Advances from Other Funds	5,512,580	-	-	-
 Total Liabilities	 9,198,757	 95,370	 -	 -
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	242,052	- -	-	-
 Total Deferred Inflows of Resources	 242,052	 - -	 -	 -
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	226,186	- -	-	-
Restricted	- -	32,867,745	13,967,685	-
Unassigned	(4,296,822)	- -	-	-
 Total Fund Balances (Deficits)	 (4,070,636)	 32,867,745	 13,967,685	 -
 Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	 \$ 5,370,173	 \$ 32,963,115	 \$ 13,967,685	 -

The accompanying notes are an integral part of this statement.

Total Non-major Governmental Funds	Totals
\$ 1,397,850	\$ 25,944,759
-	11,486,534
40,929	2,287,271
8,433	3,177,448
-	10,340
-	226,186
-	23,830
-	5,079,237
-	5,512,580
<u>\$ 1,447,212</u>	<u>\$ 53,748,185</u>
\$ 40,000	\$ 3,694,168
-	97,396
9,728	9,728
-	29,983
-	5,512,580
<u>49,728</u>	<u>9,343,855</u>
<u>-</u>	<u>242,052</u>
<u>-</u>	<u>242,052</u>
-	226,186
1,397,484	48,232,914
-	(4,296,822)
<u>1,397,484</u>	<u>44,162,278</u>
<u>\$ 1,447,212</u>	<u>\$ 53,748,185</u>

The accompanying notes are an integral part of this statement.

**City of Beaumont**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2016**

Fund Balances of Governmental Funds	\$ 44,162,278
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
In governmental funds, other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	
	242,052
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(1,806,945)
WRCOG TUMF Settlement	(4,100,000)
AB 1484 Due Diligence Review	(2,275,912)
Claims Payable	(1,522,989)
Net Pension Liability	(11,077,905)
Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability are not reported in the funds.	
Deferred Outflows - Pension Related Amounts	4,535,166
Deferred Inflows - Pension Related Amounts	<u>(2,153,877)</u>
Net Position of Governmental Activities	<u><u>\$ 26,001,868</u></u>

The accompanying notes are an integral part of this statement.

**City of Beaumont**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2016**

	General Fund	Capital Projects	
		Community Facilities Fund	Development Impact Fees Fund
<b>REVENUES</b>			
Taxes and Special Assessments	\$ 15,958,795	\$ 7,720,131	\$ 5,295,693
Fines and Forfeitures	381,065	-	-
Licenses, Fees, and Permits	1,360,288	-	-
Use of Money and Property	137,762	8,870	-
Intergovernmental Revenues	29,788	-	-
Charges for Services	7,913,344	-	-
Other Revenues	335,224	-	-
<b>Total Revenues</b>	<b>26,116,266</b>	<b>7,729,001</b>	<b>5,295,693</b>
<b>EXPENDITURES</b>			
Current:			
General Government	3,959,974	764,554	-
Public Safety	12,259,453	-	-
Public Works	317,804	647,914	10,709
Community Development	1,268,705	4,514	80,948
Community Services	1,042,693	2,007,910	-
Refuse	4,138,062	-	-
<b>Total Expenditures</b>	<b>22,986,691</b>	<b>3,424,892</b>	<b>91,657</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>3,129,575</b>	<b>4,304,109</b>	<b>5,204,036</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	(11,280)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(11,280)</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	3,118,295	4,304,109	5,204,036
Fund Balances, Beginning	(7,188,931)	22,748,722	8,763,649
Prior Period Adjustments	-	5,814,914	-
<b>Fund Balances, Ending</b>	<b>\$ (4,070,636)</b>	<b>\$ 32,867,745</b>	<b>\$ 13,967,685</b>

The accompanying notes are an integral part of this statement.

Total Non-major Governmental Funds	Totals
\$ 952,711	\$ 29,927,330
31,987	413,052
-	1,360,288
1,787	148,419
-	29,788
-	7,913,344
210,089	545,313
<hr/>	<hr/>
1,196,574	40,337,534
<hr/>	<hr/>
10,556	4,735,084
59,335	12,318,788
1,000,000	1,976,427
13,622	1,367,789
-	3,050,603
-	4,138,062
<hr/>	<hr/>
1,083,513	27,586,753
<hr/>	<hr/>
113,061	12,750,781
<hr/>	<hr/>
11,280	11,280
-	(11,280)
<hr/>	<hr/>
11,280	-
<hr/>	<hr/>
124,341	12,750,781
1,273,143	25,596,583
-	5,814,914
<hr/>	<hr/>
\$ 1,397,484	\$ 44,162,278
<hr/>	<hr/>

The accompanying notes are an integral part of this statement.

**City of Beaumont**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ 12,750,781

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Certain receivables are offset by unavailable revenue in the governmental funds because they are not available to pay for current period expenditures. This amount represents the amount by which prior year unavailable revenue exceeded current year unavailable revenue. (124,077)

The amounts below included in the Statement of Activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):

Net Pension Liability	(553,118)
AB 1484 Due Diligence Review	300,000
Claims Payable	(99,402)
Compensated Absences	156,543

Certain long-term liabilities have been removed from the City's financial statements and reported as extraordinary items in the Statement of Activities.

WRCOG Settlement	58,098,626
Successor Agency Payable	4,235,674

Amounts for deferred inflows and deferred outflows related to the City's Net Pension Liability are not reported in the funds. This is the net change in deferred inflows and outflows related to the net pension liability.

Deferred Outflows - Pension Related Amounts	1,465,119
Deferred Inflows - Pension Related Amounts	1,150,503

Change in Net Position of Governmental Activities \$ 77,380,649

The accompanying notes are an integral part of this statement.

**City of Beaumont**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

<b>Business-type Activities - Enterprise Funds</b>			
	Sewer Fund	Transit Fund	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and Investments	\$ 5,942,789	\$ 409,583	\$ 6,352,372
Accounts Receivable	23,814	-	23,814
Due from Other Governmental Agencies	-	466,429	466,429
Total Current Assets	<u>5,966,603</u>	<u>876,012</u>	<u>6,842,615</u>
Noncurrent Assets:			
Restricted Cash and Investments	-	265,140	265,140
Capital Assets, Not being depreciated	502,560	2,715	505,275
Capital Assets, Net of Accumulated Depreciation	48,388,173	1,849,306	50,237,479
Total Noncurrent Assets	<u>48,890,733</u>	<u>2,117,161</u>	<u>51,007,894</u>
Total Assets	<u>54,857,336</u>	<u>2,993,173</u>	<u>57,850,509</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Actuarial Amounts	-	305,283	305,283
Total Deferred Outflows of Resources	<u>-</u>	<u>305,283</u>	<u>305,283</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable & Accrued Liabilities	-	38,649	38,649
Due to Other Funds	5,069,509	-	5,069,509
Unearned Revenue	-	340,767	340,767
Current Portion of Compensated Absences	-	21,837	21,837
Total Current Liabilities	<u>5,069,509</u>	<u>401,253</u>	<u>5,470,762</u>
Noncurrent Liabilities:			
Compensated Absences Payable	-	218,371	218,371
Net Pension Liability	-	689,840	689,840
Total Noncurrent Liabilities	<u>-</u>	<u>908,211</u>	<u>908,211</u>
Total Liabilities	<u>5,069,509</u>	<u>1,309,464</u>	<u>6,378,973</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Actuarial Amounts	-	136,971	136,971
Total Deferred Inflows of Resources	<u>-</u>	<u>136,971</u>	<u>136,971</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	48,890,733	1,852,021	50,742,754
Unrestricted	897,094	-	897,094
Total Net Position	<u>\$ 49,787,827</u>	<u>\$ 1,852,021</u>	<u>\$ 51,639,848</u>

The accompanying notes are an integral part of this statement.

**City of Beaumont**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2016**

<b>Business-Type Activities - Enterprise Funds</b>			
	Sewer Fund	Transit Fund	Totals
<b>OPERATING REVENUES</b>			
Charges for Sales and Services	\$ 7,136,742	\$ 226,051	\$ 7,362,793
Total Operating Revenue	<u>7,136,742</u>	<u>226,051</u>	<u>7,362,793</u>
<b>OPERATING EXPENSES</b>			
Salaries	-	1,066,534	1,066,534
Fringe Benefits	-	577,754	577,754
Administration	370,417	114,794	485,211
Contract Services	2,105,104	23,878	2,128,982
Fuels, Lubricants, and Maintenance	137,436	282,085	419,521
Supplies	200,410	10,174	210,584
Office	97,857	10,639	108,496
Utilities	699,978	23,717	723,695
Depreciation	<u>2,432,678</u>	<u>369,046</u>	<u>2,801,724</u>
Total Operating Expenses	<u>6,043,880</u>	<u>2,478,621</u>	<u>8,522,501</u>
Operating Income (Loss)	<u>1,092,862</u>	<u>(2,252,570)</u>	<u>(1,159,708)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Local Transportation Funds	-	2,063,600	2,063,600
Interest Income	<u>921</u>	<u>1,631</u>	<u>2,552</u>
Total Nonoperating Revenues (Expenses)	<u>921</u>	<u>2,065,231</u>	<u>2,066,152</u>
Income (Loss) Before Transfers and Capital Contributions	1,093,783	(187,339)	906,444
<b>Capital Contributions</b>			
Riverside Transit Agency	-	1,019,370	1,019,370
Local Transportation Fund	<u>-</u>	<u>460,572</u>	<u>460,572</u>
Total Capital Contributions	<u>-</u>	<u>1,479,942</u>	<u>1,479,942</u>
Change in Net Position	1,093,783	1,292,603	2,386,386
Net Position - Beginning of Year	<u>48,694,044</u>	<u>559,418</u>	<u>49,253,462</u>
Net Position - End of Year	<u>\$ 49,787,827</u>	<u>\$ 1,852,021</u>	<u>\$ 51,639,848</u>

The accompanying notes are an integral part of this statement.

**City of Beaumont**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2016**

	<b>Business-type Activities - Enterprise Funds</b>		
	Sewer Fund	Transit Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 7,112,928	\$ 226,051	\$ 7,338,979
Payments to Suppliers for Goods and Services	(3,320,312)	(380,422)	(3,700,734)
Payments to Employees for Services	(1,600,252)	(1,600,252)	(1,600,252)
Payments to Other Funds for Services Provided	(370,417)	(98,000)	(468,417)
Net Cash Provided (Used) by Operating Activities	<u>3,422,199</u>	<u>(1,852,623)</u>	<u>1,569,576</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Grants Received	-	1,672,797	1,672,797
Net Cash Provided (Used) by Noncapital Financing Activities	-	1,672,797	1,672,797
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and Construction of Capital Assets	(23,288)	(1,481,573)	(1,504,861)
Capital Grants	-	1,019,370	1,019,370
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(23,288)</u>	<u>(462,203)</u>	<u>(485,491)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income Received	921	1,631	2,552
Net Cash Provided (Used) by Investing Activities	921	1,631	2,552
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>3,399,832</u>	<u>(640,398)</u>	<u>2,759,434</u>
Cash and Cash Equivalents - Beginning of the Year, Adjusted	2,542,957	1,315,121	3,858,078
Cash and Cash Equivalents - End of the Year	<u>\$ 5,942,789</u>	<u>\$ 674,723</u>	<u>\$ 6,617,512</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Cash and Investments	\$ 5,942,789	\$ 409,583	\$ 6,352,372
Restricted Cash and Investments	-	265,140	265,140
Total Cash and Cash Equivalents	<u>\$ 5,942,789</u>	<u>\$ 674,723</u>	<u>\$ 6,617,512</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 1,092,862	\$ (2,252,570)	\$ (1,159,708)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	2,432,678	369,046	2,801,724
(Increase) Decrease in Accounts Receivable	(23,814)	-	(23,814)
(Increase) Decrease in Deferred Outflows - Pension Actuarial	-	(148,628)	(148,628)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(79,527)	(13,135)	(92,662)
Increase (Decrease) in Net Pension Liability	-	198,708	198,708
Increase (Decrease) in Deferred Inflows - Pension Actuarial	-	(45,580)	(45,580)
Increase (Decrease) in Compensated Absences Payable	-	39,536	39,536
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 3,422,199</u>	<u>\$ (1,852,623)</u>	<u>\$ 1,569,576</u>

The accompanying notes are an integral part of this statement.

**City of Beaumont**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

	Agency Funds	Successor Agency Private-purpose Trust Fund
<b>ASSETS</b>		
Cash and Investments	\$ 17,039,957	\$ 175
Cash and Investments with Fiscal Agent	18,328,633	-
Investment in CFD Bonds	211,514,415	-
Receivable from the City of Beaumont	29,983	-
Note Receivable	-	19,771
Property Held for Resale	-	21,827
 Total Assets	 <u>\$ 246,912,988</u>	 <u>41,773</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ -	-
Due to Others	-	-
Deposits Payable	3,421,941	-
Due to Bondholders	243,491,047	-
 Total Liabilities	 <u>\$ 246,912,988</u>	 <u>-</u>
<b>NET POSITION</b>		
Net Position (Deficit) Held in Trust for Successor Agency	<u>\$ 41,773</u>	

The accompanying notes are an integral part of this statement.

**City of Beaumont**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2016**

	Successor Agency Private-purpose Trust Fund
<b>ADDITIONS</b>	
Property Taxes	<u>\$ 125,000</u>
Total Additions	<u>125,000</u>
<b>DEDUCTIONS</b>	
Administration	<u>126,125</u>
Total Deductions	<u>126,125</u>
Change in Net Position	(1,125)
Net Position - Beginning of Year	<u>42,898</u>
Net Position - End of Year	<u>\$ 41,773</u>

The accompanying notes are an integral part of this statement.

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Beaumont, California (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. 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 reporting entity, "City of Beaumont", includes the accounts of the City of Beaumont, the Beaumont Financing Authority, the Beaumont Conservation Authority, and the Beaumont Utility Authority.

The City of Beaumont was incorporated on November 18, 1912 under the general laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities.

The Beaumont Financing Authority (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 Beaumont Utility Authority (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 legally 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 enterprise 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.

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.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14 as amended by GASB Statement No. 39 and No. 61. The City of Beaumont is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. All of the City's component units have been accounted for as "blended" component units of the City, with the exception of the BFA, which is a component unit that is fiduciary in nature. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, a part of the City's operations. Accordingly, the balances and transactions of these component units are reported within the funds of the City. Transactions

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

for the BFA are reported in the Community Facilities District Collection Agency Fund. Transactions for the BUA are reported in an enterprise fund. The following specific criteria were used in determining that the BFA and the BUA are blended component units and component.

1. The members of the City Council also act as the governing bodies of the Authorities.
2. 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.

There are no separate financial statements for the BFA and BUA.

**B) Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given functions or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements, although agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, franchise taxes, special assessments, licenses, interest revenue, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the State at fiscal year-end, on behalf of the City, are also recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual because they are not measureable until received in cash. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The City reports the following major governmental funds:

General Fund

The General Fund is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in other funds.

The Community Facilities Capital Projects Fund

The Community Facilities Capital Projects 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.

The Development Impact Fees Capital Projects Fund

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

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The City reports the following major proprietary funds:

**The Sewer Enterprise Fund**

The Sewer Enterprise fund is used to account for the operation and maintenance of the City's sewer disposal and distribution system.

**The Transit Enterprise Fund**

The Transit Enterprise Fund is used to account for the operation and maintenance of the City's fixed route and dial-a-ride transit systems.

Additionally, the City reports the following fund type:

**Fiduciary Funds** – Agency funds are used to account for assets held by the City in a trustee capacity as an agent for individuals, private organizations, other governmental units, and/or other funds. 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.

**D) Assets, Liabilities, Deferred Outflows/Inflows of Resources, Net Position or Fund Balances**

**Cash and Investments**

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents, which are held in accordance with related bond indentures. The Cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

The City's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF determines the fair value of their portfolio quarterly and report a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be cash on hand, demand deposits, and short-term investments (including restricted assets) with an original maturity of three months or less from the date of acquisition.

**Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables. Any residual balances

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

outstanding between the government activities and the business-type activities are reported in the government-wide financial statements as internal balances.

All trade and tax receivables are shown net of an allowance for uncollectible accounts, if applicable, and estimated refunds due.

**Restricted Assets**

Certain proceeds of the City's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

In the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, these bond monies may be invested in accordance with the ordinance, resolutions and indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

**Prepaid Items**

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

**Land Held for Resale or Exchange**

Land purchased for the purpose of resale (or contribution to a redevelopment project) is recorded at the City's or Successors Agency's cost to purchase the property or, upon entering into a contract for sale, the estimated net realizable value, if lower.

**Capital Assets**

The City has not maintained a complete record of the capital assets used in its governmental activities, including accumulated depreciation and depreciation expense. Due to the lack of records, no opinion has been given on the capital assets, accumulated depreciation, or depreciation expense related to the governmental activities in the government-wide statements.

Capital assets owned by Enterprise Funds are capitalized at historical cost for purchased capital assets or fair value at the date of donation for donated capital assets. Depreciation is charged to operations using the straight-line method, based on the average useful life of the asset. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. The estimated useful lives of the capital assets are:

Building and Improvements	30 years
Machinery and Equipment	3 – 5 years
Furniture and Fixtures	3 – 5 years
Vehicles	3 years

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Compensated Absences**

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements, as applicable. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

The non-vested sick leave benefits (those that are not payable in the event of employee termination) are considered a contingent liability and are not reflected in the accompanying financial statements.

**Postemployment Benefits**

The City does not provide postemployment benefits (other than pension benefits) for its employees.

**Long-Term Obligations**

In the government-wide financial statements, and proprietary funds' financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds' statement of net position. Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or remaining life of the refunded debt. Deferred refunding amounts (losses) are reported as deferred outflows. Amortization of bond premiums or discounts, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses.

**Fund Equity**

In the government-wide and proprietary funds' financial statements, net position is classified in the following categories.

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position

This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Unrestricted Net Position**

This category represents the net position of the City that is not externally restricted for any project or other purpose.

**Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

**Nonspendable** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted** - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

**Committed** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Assigned - Amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

Unassigned - This classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

**Property Taxes**

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations – are established by the Assessor of the County of Riverside for the secured and unsecured property tax rolls; the utility property tax roll is valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership.

Tax Levies – are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections – are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against a property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on February 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the county for late payments.

Tax Levy Apportionments – Due to the nature of the City-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies are made by the county auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires City management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City currently has only one that qualifies for reporting in this category. This item is a result of the City's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. See Note 8 – Pension Plan for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item, which arises only under the modified accrual basis of accounting, and another, which is a result of the City's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which qualify for reporting in this category. Under the modified accrual basis of accounting, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, special assessments, grant receivables, and other miscellaneous receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**New Pronouncements**

The Governmental Accounting Standards Board has issued the following Statements, which may affect the City's financial reporting requirements in the future:

*GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement was issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This GASB Statement is required to be implemented in financial statements issued for the periods beginning after June 15, 2017. The City has elected not to early implement this statement and has not determined its effect on the financial statements.

*GASB 83, Certain Asset Retirement Obligations:* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*GASB 86, Certain Debt Extinguishment Issues:* This Statement establishes reporting requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. In financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

*GASB 87, Leases:* This Statement requires 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**2) CASH AND INVESTMENTS**

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Cash and Investments	\$	32,297,131
Cash and Investments with Fiscal Agent		11,486,534
Restricted Cash and Investments		265,140
Statement of Fiduciary Net Position:		
Cash and Investments		17,040,132
Cash and Investments with Fiscal Agent		18,328,633
Investment in CFD Bonds		<u>211,514,415</u>
Total Cash and Investments	\$	<u>290,931,985</u>

Cash and Investments as of June 30, 2016 consist of the following:

Cash on Hand	\$	4,340
Deposits with Financial Institutions		33,690,653
Investments:		
City Investments		15,907,439
Investments Held by Bond Trustee		29,815,138
Investments Held in Fiduciary Capacity		<u>211,514,415</u>
Total Investments		<u>257,236,992</u>
Total Cash and Investments	\$	<u>290,931,985</u>

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**2) CASH AND INVESTMENTS - Continued**

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

The following table 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, if 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.

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

Investments Authorized by Debt Agreements

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

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

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**2) CASH AND INVESTMENTS - Continued**

Disclosures Relating to 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 of an investment, the greater the sensitivity of its fair value to changes in market interest rate. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments and those held by bond trustees to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investment by maturity:

Investment Type	Remaining Maturity (in Months)				Fair Value
	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months	
LAIF	\$ 15,907,439	\$ -	\$ -	\$ -	\$ 15,907,439
<b>Held by Bond Trustees:</b>					
Investment Agreements	-	-	-	780,000	780,000
Money Market Mutual Funds	29,035,138	-	-	-	29,035,138
Investment in CFD Bonds	-	-	-	211,514,415	211,514,415
<b>Total</b>	<b>\$ 44,942,577</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 212,294,415</b>	<b>\$ 257,236,992</b>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustee) that are highly sensitive to interest rate fluctuations to a greater degree than already indicated in the information provided above.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Total Investment	Minimum Legal Rating	Rating as of Year End		
			AAA/AA	A and A-1	Unrated
LAIF	\$ 15,907,439	N/A	\$ -	\$ -	\$ 15,907,439
<b>Held by Bond Trustees:</b>					
Investment Agreements	780,000	N/A	-	-	780,000
Money Market Mutual Funds	29,035,138	N/A	29,035,138	-	-
Investment in CFD Bonds	211,514,415	N/A	-	-	211,514,415
<b>Total</b>	<b>\$ 257,236,992</b>		<b>\$ 29,035,138</b>	<b>\$ -</b>	<b>\$ 228,201,854</b>

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**2) CASH AND INVESTMENTS - Continued**

Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
Beaumont CFD's	Community Facilities Districts Bonds	\$ 211,514,415

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2016, no deposits with financial institutions in excess of federal depository limits were held in uncollateralized accounts.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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.

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**2) CASH AND INVESTMENTS - Continued**

**Fair Value**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. None of the City's investments are subject to the level reporting as of June 30, 2016.

**3) NOTES AND LOANS RECEIVABLE**

In January 2012, the City entered into a loan and use agreement with the 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 balance of the loan totaled \$13,969 at June 30, 2016.

The City entered into loan agreement with the 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 \$212,218 at June 30, 2016. This balance includes interest of \$3,477, calculated at the LAIF rate of 0.256%.

**4) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The following represents the interfund balances as of June 30, 2016.

**Interfund Transfers**

The nonmajor governmental funds transferred \$11,280 to the General Fund for project costs.

**Advances to/Advances from Other Funds**

The Advance from Other Funds in the General Fund of \$5,512,580 is payable to the Community Facilities District Capital Projects Fund. The payable in the General Fund is the result of ongoing operational deficits in prior years.

**Due to Agency Fund**

The payable to the Agency Fund of \$29,983 in the General Fund is the result of current year operations and is expected to be repaid in the next fiscal year.

**Due to Other Funds**

The payable of \$5,069,509 in the Sewer Fund to the Community Facilities District Capital Projects Fund is the result of the Community Facilities District Capital Projects Fund advancing funds to the Sewer Fund for the Sewer fund to pay off bonds in prior years. It should be noted, the \$5,069,509 was repaid by the Sewer Fund during the 2016-17 fiscal year. In addition, the \$9,728 due from the CDBG Fund to the Community Facilities District Capital Projects Fund is the result of operating deficits in the current year. This will be repaid through future revenues.

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**5) CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Total Business-type Activities:</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 502,560	\$ -	\$ -	\$ 502,560
Construction in Progress	-	2,715	-	2,715
Total Capital Assets, Not Being Depreciated	<u>502,560</u>	<u>2,715</u>	<u>-</u>	<u>505,275</u>
Capital Assets Being Depreciated:				
Land Improvements	21,902	-	-	21,902
Buildings	539,234	46,553	-	585,787
Furniture and Fixtures	1,180	-	-	1,180
Machinery and Equipment	76,612,704	23,288	-	76,635,992
Vehicles	2,166,499	1,432,305	-	3,598,804
Total Capital Assets Being Depreciated	<u>79,341,519</u>	<u>1,502,146</u>	<u>-</u>	<u>80,843,665</u>
Less Accumulated Depreciation:				
Land Improvements	(21,902)	-	-	(21,902)
Buildings	(278,202)	(36,291)	-	(314,493)
Furniture and Fixtures	(1,180)	-	-	(1,180)
Machinery and Equipment	(25,688,551)	(2,490,624)	-	(28,179,175)
Vehicles	(1,814,627)	(274,809)	-	(2,089,436)
Total Accumulated Depreciation	<u>(27,804,462)</u>	<u>(2,801,724)</u>	<u>-</u>	<u>(30,606,186)</u>
Total Capital Assets Being Depreciated, Net	<u>51,537,057</u>	<u>(1,299,578)</u>	<u>-</u>	<u>50,237,479</u>
<b>Total Business-type Activities</b>				
<b>Capital Assets, Net</b>	<b><u>\$ 52,039,617</u></b>	<b><u>\$ (1,296,863)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 50,742,754</u></b>

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**5) CAPITAL ASSETS – Continued**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Sewer Fund:</b>				
Capital Assets, Not Depreciated				
Land	\$ 502,560	\$ -	\$ -	\$ 502,560
Total Capital Assets, Not Being Depreciated	502,560	-	-	502,560
Capital Assets Being Depreciated:				
Land Improvements	21,902	-	-	21,902
Buildings	61,452	-	-	61,452
Furniture and Fixtures	1,180	-	-	1,180
Machinery and Equipment	76,135,079	23,288	-	76,158,367
Vehicles	124,513	-	-	124,513
Total Capital Assets Being Depreciated	76,344,126	23,288	-	76,367,414
Less Accumulated Depreciation:				
Land Improvements	(21,902)	-	-	(21,902)
Buildings	(61,452)	-	-	(61,452)
Furniture and Fixtures	(1,180)	-	-	(1,180)
Machinery and Equipment	(25,337,516)	(2,432,678)	-	(27,770,194)
Vehicles	(124,513)	-	-	(124,513)
Total Accumulated Depreciation	(25,546,563)	(2,432,678)	-	(27,979,241)
Total Capital Assets Being Depreciated, Net	50,797,563	(2,409,390)	-	48,388,173
Sewer Fund, Capital Assets, Net	<u>\$ 51,300,123</u>	<u>\$ (2,409,390)</u>	<u>\$ -</u>	<u>\$ 48,890,733</u>
 <b>Transit Fund:</b>				
Capital Assets, Not Depreciated				
Construction in Progress				
Total Capital Assets, Not Being Depreciated	\$ -	\$ 2,715	\$ -	\$ 2,715
	-	2,715	-	2,715
Capital Assets Being Depreciated:				
Buildings	477,782	46,553	-	524,335
Machinery and Equipment	477,625	-	-	477,625
Vehicles	2,041,986	1,432,305	-	3,474,291
Total Capital Assets Being Depreciated	2,997,393	1,478,858	-	4,476,251
Less Accumulated Depreciation:				
Buildings	(216,750)	(36,291)	-	(253,041)
Machinery and Equipment	(351,035)	(57,946)	-	(408,981)
Vehicles	(1,690,114)	(274,809)	-	(1,964,923)
Total Accumulated Depreciation	(2,257,899)	(369,046)	-	(2,626,945)
Total Capital Assets Being Depreciated, Net	739,494	1,109,812	-	1,849,306
Transit Fund, Capital Assets, Net	<u>\$ 739,494</u>	<u>\$ 1,112,527</u>	<u>\$ -</u>	<u>\$ 1,852,021</u>

Depreciation expense was charged to functions/programs of the City's business-type activity as follows:

Sewer	2,432,678
Transit	369,046
Total	<u>2,801,724</u>

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**6) LONG-TERM LIABILITIES**

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Claims Payable	\$ 1,423,587	\$ 1,370,386	\$ 1,270,984	\$ 1,522,989	\$ -
WRCOG TUMF Judgment	62,198,626	-	58,098,626 *	4,100,000	-
AB 1484 Due Diligence Review	2,575,912	-	300,000	2,275,912	300,000
Net Pension Liability	10,524,787	553,118	-	11,077,905	-
Payable to Successor Agency	4,235,674	-	4,235,674 *	-	-
Compensated Absences	1,963,488	1,143,833	1,300,376	1,806,945	1,120,306
<b>Total</b>	<b>\$ 82,922,074</b>	<b>\$ 3,067,337</b>	<b>\$ 65,205,660</b>	<b>\$ 20,783,751</b>	<b>\$ 1,420,306</b>
<b>Business-type Activities:</b>					
Net Pension Liability	\$ 491,132	\$ 198,708	\$ -	\$ 689,840	\$ -
Compensated Absences	200,672	145,318	105,783	240,207	21,837
<b>Total</b>	<b>\$ 691,804</b>	<b>\$ 344,026</b>	<b>\$ 105,783</b>	<b>\$ 930,047</b>	<b>\$ 21,837</b>

\* See Note 11 Extraordinary Items for information related to the deletions of these long-term debt items.

Claims Payable/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, 2016. Insurance coverage is discussed below:

**General Liability and Property Damage:** 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 has entered into an agreement with the Public Agency Self-Insurance System, a Joint Powers Authority (JPA), for workers' compensation coverage pursuant to the California Government Code. The purpose of the JPA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The City carries workers' compensation insurance in the amount of \$10,000,000 in excess of self-insured retention of \$300,000.

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**6) LONG-TERM LIABILITIES - Continued**

*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.

The following is a summary of the changes in claims liabilities for the past two fiscal years:

Year	Beginning of Year Liability	Current Year Claims and Changes In Estimates	Claim Payments For Current and Prior Years	End of Year Liability
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

WRCOG TUMF Settlement

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. The City, subsequent to June 30, 2016 made the \$4,100,000 payment from available funds in the Development Impact Fees Capital Projects Fund. The \$4,100,000 is recorded as a long-term liability at June 30, 2016 as a result of this restated WRCOG settlement agreement. See Note 10.

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.

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**6) LONG-TERM LIABILITIES - Continued**

The following represents the future debt service requirements for this liability:

Fiscal Year Ending June 30,	Total Payment
2017	\$ 300,000
2018	300,000
2019	300,000
2020	300,000
2021	300,000
2022	300,000
2023	300,000
2024	<u>175,912</u>
Total	<u>\$ 2,275,912</u>

**Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation time. The balance of unpaid vacation time which has not matured at June 30, 2016 is recorded as a liability in the statements of net position. The General Fund finances this liability.

**7) DEBT WITHOUT GOVERNMENT COMMITMENT**

**Local Agency 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. 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, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2016 on the Series A Bonds was \$4,080,397. The Series B Bonds were refunded by the issuance of 2007 Series A Local Agency Revenue Bonds.

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**7) DEBT WITHOUT GOVERNMENT 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. 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, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2016 was \$7,455,000.

**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.

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 bond reserves, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2016 was \$15,830,000.

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**7) DEBT WITHOUT GOVERNMENT COMMITMENT - Continued**

**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. 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, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2016 was \$18,195,000.

**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. 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, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2016 was \$13,430,000.

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**7) DEBT WITHOUT GOVERNMENT 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. 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, these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

The outstanding indebtedness at June 30, 2016 was \$6,745,000.

**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. 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, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2016 was \$19,200,000.

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**7) DEBT WITHOUT GOVERNMENT 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. 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, these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

The outstanding indebtedness at June 30, 2016 was \$8,960,000.

**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.

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**7) DEBT WITHOUT GOVERNMENT COMMITMENT - 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. 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, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2016 was \$20,619,000 for 2007 Series C and D.

**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. 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, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2016 was \$6,360,000.

**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. 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, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2016 was \$4,000,000.

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**7) DEBT WITHOUT GOVERNMENT COMMITMENT - Continued**

**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.

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. 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, these bonds have not been reflected as long-term liabilities in the accompanying financial statements. The outstanding indebtedness at June 30, 2016 was \$720,000.

**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, 2016 was \$12,135,000.

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**7) DEBT WITHOUT GOVERNMENT COMMITMENT - Continued**

**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.

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, 2016 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, 2016 was \$3,215,000.

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**7) DEBT WITHOUT GOVERNMENT COMMITMENT - Continued**

**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.

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, 2016 was \$3,575,000.

**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, 2016 was \$7,785,000.

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**7) DEBT WITHOUT GOVERNMENT COMMITMENT - Continued**

**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.

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, 2016 was \$10,110,000.

**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, 2016 was \$10,870,000.

**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.

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**7) DEBT WITHOUT GOVERNMENT COMMITMENT - Continued**

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. 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 \$19,840,000.

**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, 2016 was \$5,160,000.

**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, 2016 was \$7,585,000.

**Total Debt Without Government Commitment**

At June 30, 2016, the total outstanding balance of the non-commitment debt was \$211,519,397.

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**8) PENSION PLAN**

**General Information about the Defined Benefit Pension Plan**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous and Safety Employee Pension Plan, a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2014 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of the June 30, 2014 actuarial valuation report. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

The Plan provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	Safety Police	Miscellaneous PEPRA
	Prior to	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	3.0% @ 60	3% @ 50	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	60	50	62
Monthly benefits, as a % of eligible compensation	Highest single year	Highest single year	3-year average
Required employee contribution rates	8%	9%	6.250%
Required employer contribution rates	11.718% + \$194,311	18.524% + \$499,450	6.237%

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law 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. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$693,761 in fiscal year 2016.

The City's contributions to the plan for the year ended June 30, 2016 were \$2,343,780.

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**8) PENSION PLAN - Continued**

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

As of June 30, 2016, the City reported a liability of \$11,767,745 for its proportionate share of the net pension liability. The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015, 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, 2014 rolled forward to June 30, 2015 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 plan relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability as of June 30, 2014 and 2015 was as follows:

Proportion - June 30, 2014	0.17703%
Proportion - June 30, 2015	0.17144%
Change - Increase (Decrease)	-0.00559%

For the year ended June 30, 2016, the City recognized pension expense of \$1,577,881. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,343,780	\$ -
Differences between actual and expected experience	61,618	178,508
Changes in assumptions	-	1,403,991
Change in employer's proportion	1,340,558	-
Difference between the employer's contributions and the employer's proportionate share of contributions	1,094,493	-
Net differences between projected and actual earnings on plan investments	-	708,349
 Total	 \$ 4,840,449	 \$ 2,290,848

\$2,343,780 reported as deferred outflows of resources related to 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 as pension expense as follows:

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**8) PENSION PLAN - Continued**

Year Ending	
June 30,	
2017	\$ 11,864
2018	(14,177)
2019	(166,899)
2020	375,033
2021	-
Thereafter	-

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Actuarial cost method	entry-age normal
Actuarial assumptions:	
Discount rate	7.65%
Inflation	2.75%
Payroll growth	3.00%
Projected salary increase	(1)
Investment rate of return	7.65%
Mortality	(2)

- (1) Depending on age, service and type of employment
- (2) Derived using CalPERS' Membership Data for all Funds.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 percent 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 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) 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 Financial Statements**  
**June 30, 2016**

**8) PENSION PLAN - 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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 the 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 rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	51%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	10%	4.50%	5.13%
Infrastructure and Forestland	2%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%

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

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

1% Decrease	6.65%
Net Pension Liability	\$ 19,192,717
Current Discount Rate	7.65%
Net Pension Liability	\$ 11,767,745
1% Increase	8.65%
Net Pension Liability	\$ 3,718,692

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**8) PENSION PLAN - 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, 2016, the City reported a payable of \$359,581 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016. This amount is included in accounts payable and accrued liabilities.

**9) FINANCIAL CONDITION AND MANAGEMENT'S PLANS**

The City's General Fund has a deficit fund balance as of June 30, 2016 of \$4,070,636. The General Fund currently lacks the financial resources required to repay the advances from the Community Facilities District Capital Projects Funds.

Management's Plans

City management began evaluating the Service, Budget, and Cash solvency issues shortly after the district attorney and FBI served search warrants on City Hall in April 2015. Current City management believes that for many years, City budgets had been regularly exceeded without Council approved budget adjustments and that the City's general fund has been in a negative cash and working capital position.

The City Council ordered a review of the City's internal controls by an independent consulting firm which was issued in June 2015. The internal controls of the City were found to be largely ineffective or nonexistent. An audit by the State Controller's Office (SCO) resulted in a November 2015 report of 10 findings of internal control deficiencies that include 75 of 79 internal control elements as inadequate.

Critical members of City senior management had retired or resigned as of June 30, 2015. To address the financial solvency, City Council hired a financial advisor team and Interim Director of Finance. The budget for fiscal year 2015-2016 was developed based on the staffing and operational needs of the City, balanced against conservative revenue projections. This balanced budget approach resulted in approximately \$4 million reduction in base-line expenditures. Staffing changes and compensation concessions were negotiated which was budgeted to reduce costs by \$1.5M. Other departmental costs were comprehensively reviewed and adjusted by \$2.5M. City Council and new City management began the evaluation of all existing staff, policies, procedures, and contracts.

The City restructured departments in order to better manage the City's operational and fiscal activities. Financial Management Policies were developed and adopted, and further refined since the year ended June 30, 2015. The City has expenditure controls whereby all purchases greater than \$10,000 must be taken to Council for approval. A formalized Request for Proposal (RFP) and Purchase Order (PO) process have been developed and implemented. Existing vendors and contractors that did not have a valid contract were notified that their services were being terminated and that they could re-bid for the work through the formal process. Since June 2015, the City has negotiated contracts with a Financial Advisor, Bond Counsel, General Legal Counsel, Special District Administrator, Information Technology consultant, and Bond Trustee. Many other service providers were changed due to the formalized PO and RFP processes.

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**9) FINANCIAL CONDITION AND MANAGEMENT'S PLANS - Continued**

The City formed a Finance and Audit Committee (formerly known as the Standing Financial Committee) which meets on a monthly basis to discuss important financial activities of the City. This Committee provides oversight and compliance with internal control practices and reports directly to the City Council.

To improve transparency, not only to the residents of the City, but also between departments, software solutions were evaluated to simplify current practices and make efficient use of current resources. Changes have been approved that will integrate various department functions and allow data sharing for further oversight and control of revenues and expenditures. The accounting software was implemented in December 2016 and has been set up to specifically track funds and report results on a consistent and timely basis.

The City began addressing other public concerns by directing that the Community Facilities District's bond funds be reconciled as well as the Development Impact Fees (also known as Mitigation fees). These reconciliations have been completed and no financial impact on the general fund was identified.

Fee studies have been completed for City provided services. Costs have increased over time for the City, but the offsetting revenues had not been evaluated or adjusted for many years. New fee schedules have been approved by Council and will be in effect by January 2018.

Funds were advanced by the BFA to the Wastewater Enterprise in late 2014. Through the reconciliation process, it was determined that the CFD Capital fund had advanced the funds, not the BFA Agency Fund. In September 2016, the advance was repaid by the Wastewater Enterprise. With the assistance of public finance legal counsel, the repaid \$5 million in funds have been authorized by City Council to be transferred into the general fund to narrow the deficit gap. In addition, the City has negotiated an amended development agreement that has provided another \$3 million to the general fund in December 2016. With the excess of revenues over expenses, the \$5 million transfer and the receipt of \$3 million, the general fund deficit position has been eliminated as of June 30, 2017.

City management has spent significant resources and energy to resolve pending legal matters in a manner that minimize the financial impact and be in the best interest of the citizens of Beaumont.

The City of Beaumont is in financial recovery and management continues to work diligently to strengthen the economic outlook.

**10) COMMITMENTS AND CONTINGENCIES**

**Riverside County District Attorney and FBI Investigation**

On April 22, 2015, the Riverside County District Attorney's Office, assisted by the FBI, 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 Financial Statements  
June 30, 2016**

**10) COMMITMENTS AND CONTINGENCIES - Continued**

**Claims and 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.

**WRCOG Restated Settlement Agreement**

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. 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 took action to rejoin the regional TUMF program and rejoined WRCOG and as a result, and pursuant to the WRCOG Settlement, the City is now eligible to receive Measure A revenues via Riverside County Transportation Commission (RCTC) based on the following Schedule:

<u>Period</u>	<u>WRCOG*</u>	<u>City</u>
Approval Date thru 5 <sup>th</sup> 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:

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**10) COMMITMENTS AND CONTINGENCIES - Continued**

<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.

Based on all of the above, WRCOG released and discharged the City from the WROCG 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.

**11) EXTRAORDINARY ITEMS**

The extraordinary item of \$62,334,300 in the Statement of Activities is the result of the City's amended settlement agreement with WRCOG which reduced long-term debt by \$58,098,626 and an amended determination by the California State Controller regarding the Successor Agency Payable of \$4,235,674. As described in Notes 6 and 10, the City entered into an amended settlement agreement with WRCOG resulting in a release from the over \$62 million due to WRCOG. The City was required to pay \$4,100,000 to WRCOG for future street related projects. This is a long-term debt that will be paid from the Development Impact Fees Capital Projects Fund. Also, in October 2016, the City received a notice from the California State Controller indicating the City had unallowable transfers from the Successor Agency to the City of \$4,235,674 that were required to be repaid. However, in May 2017, the California State Controller amended their determination and indicated all unallowable transfers had already been repaid and no liability is due.

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**12) FUND BALANCE**

The City's governmental fund balances at June 30, 2016, are presented below:

	General	Community Facilities Fund	Development Impact Fees Fund	Non-major Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Notes and Loans Receivable	\$ 226,186	\$ -	\$ -	\$ -	\$ 226,186
<b>Restricted:</b>					
CFD Projects	- 32,867,745	- -	- -	- -	32,867,745
Capital Projects	- -	- 13,967,685	- -	- -	13,967,685
Street Projects	- -	- -	- -	684,297	684,297
Public Safety	- -	- -	- -	550,410	550,410
PEG Fees	- -	- -	- -	162,777	162,777
<b>Unassigned</b>	<b>(4,296,822)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,296,822)</b>
<b>Total Fund Balance (Deficit)</b>	<b><u>\$ (4,070,636)</u></b>	<b><u>\$ 32,867,745</u></b>	<b><u>\$ 13,967,685</u></b>	<b><u>\$ 1,397,484</u></b>	<b><u>\$ 44,162,278</u></b>

**13) SUBSEQUENT EVENTS**

The City adopted a balanced budget for fiscal years ending June 30, 2017, and June 30, 2018.

The Transit Department submitted and received approval for its Short Range Transit Plan from Riverside County Transit Commission (RCTC) for fiscal years ending June 30, 2017, and June 30, 2018.

In 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. Since June 30, 2016, an additional five (5) vehicles have been purchased for the Public Safety Division, and four (4) have been purchased for the Community Services Division for a total of \$285,000. Additional capital expenses include a building and roof repair for the Animal Control Department of the Public Safety Division for \$49,000 and a replacement generator for the Public Safety building for \$55,000. Equipment and vehicle purchases made for the Wastewater Enterprise Fund total \$1,568,000 and for the Transit Enterprise Fund total \$561,000.

The City has entered into several contractual agreements since June 30, 2016, of which the most significant are as follows:

Wastewater Plant Expansion Design	5/1/2017	\$ 3,120,600
Construction Management	10/19/2017	1,727,887
Street Improvement - Oak Valley	8/25/2017	969,000
Wastewater Plant Maintenance	7/20/2017	686,808
Sidewalk Repairs (CDBG project)	3/28/2017	557,594
Wastewater Biosolid Removal	7/20/2017	396,000
Interchange Design - Pennsylvania Ave.	10/4/2017	667,037
Street Improvement - Pennsylvania Ave.	10/4/2017	279,889
CFD Administration Services	2/2/2017	228,738

**City of Beaumont**  
**Notes to Financial Statements**  
**June 30, 2016**

**13) SUBSEQUENT EVENTS - Continued**

In February 2017, the City entered into a settlement agreement with Pardee Homes related to the community facilities district bonds for their developments referred to as "Sundance" and "Tournament Hills". Bond construction proceeds still held in trust for those improvement areas will be released to Pardee Homes once the City has received and confirmed documentation necessary to support reasonable costs and expenses of the projects, not to exceed the funds available of approximately \$3,300,000. As additional consideration, Pardee Homes and the City have begun to negotiate funding and acquisition agreements related to these improvement areas whereby Pardee Homes will advance Development Impact Fees on an annual basis through 2021, and the City has committed to issue equivalent value bonds. In the event that the City cannot issue bonds, Pardee Homes has agreed to purchase those bonds.

In May 2017, the City entered into an Amended and Restated Settlement Agreement and Release with WRCOG. See Footnote 10.

In May 2017, the SCO reversed their determination related to unallowed prior fiscal year transfers and removed the assessment against the City of \$4,235,674. See Footnote 6.

In May 2017, a City Councilmember was indicted by a Riverside County criminal grand jury for bribery and perjury related to campaigning activities, and subsequently pled guilty in September 2017.

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

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

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.

**City of Beaumont  
Notes to Financial Statements  
June 30, 2016**

**13) SUBSEQUENT EVENTS - Continued**

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 will be responsible for submitting a written report of its findings to the BFA and the BFA intends to adopt the recommendations contained in the report.

**14) PRIOR PERIOD ADJUSTMENTS**

The prior period adjustment of \$5,814,914 in the Governmental Activities and Community Facilities Capital Projects Fund is the result of the following:

- 1) \$5,069,509 advance to the Sewer Fund should have been recorded in the Community Facilities Capital Projects Fund in the prior year.
- 2) The City conducted significant analysis and reconciliations between the Community Facilities Capital Projects Fund and the Beaumont Financing Authority Fiduciary Fund going back 8 fiscal years. The analysis resulted in a net prior period adjustment to move cash of \$745,405 to the Community Facilities Capital Projects Fund.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Beaumont**  
**Notes to Required Supplementary Information**  
**Year Ended June 30, 2016**

**Budgetary Control and Accounting**

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).

**Excess of Expenditures Over Appropriations**

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<b>General Fund</b>			
General Government	\$ 3,027,787	\$ 3,959,974	\$ (932,187)
Community Services	884,985	1,042,693	(157,708)
Refuse	2,575,987	4,138,062	(1,562,075)

**City of Beaumont**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and Special Assessments	\$ 14,421,602	\$ 14,645,602	\$ 15,958,795	\$ 1,313,193
Fines and Forfeitures	252,000	252,000	381,065	129,065
Licenses, Fees, and Permits	1,274,610	1,366,610	1,360,288	(6,322)
Use of Money and Property	55,000	55,000	137,762	82,762
Intergovernmental Revenues	101,200	101,200	29,788	(71,412)
Charges for Services	6,215,070	6,280,070	7,913,344	1,633,274
Other Revenues	80,000	515,000	335,224	(179,776)
 Total Revenues	 22,399,482	 23,215,482	 26,116,266	 2,900,784
<b>EXPENDITURES</b>				
Current:				
General Government	2,589,137	3,027,787	3,959,974	(932,187)
Public Safety	13,280,579	13,669,919	12,259,453	1,410,466
Public Works	830,333	642,193	317,804	324,389
Community Development	1,890,981	1,857,781	1,268,705	589,076
Community Services	675,635	884,985	1,042,693	(157,708)
Refuse	2,575,987	2,575,987	4,138,062	(1,562,075)
 Total Expenditures	 21,842,652	 22,658,652	 22,986,691	 (328,039)
Excess (Deficiency) of Revenues over Expenditures	556,830	556,830	3,129,575	2,572,745
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	43,170	43,170	-	(43,170)
Transfers Out	(600,000)	(600,000)	(11,280)	588,720
 Total Other Financing Sources (Uses)	 (556,830)	 (556,830)	 (11,280)	 545,550
Net Change in Fund Balances	-	-	3,118,295	3,118,295
Fund Balance, Beginning of Year	(7,188,931)	(7,188,931)	(7,188,931)	
Fund Balance, End of Year	\$ (7,188,931)	\$ (7,188,931)	\$ (4,070,636)	\$ 3,118,295

**City of Beaumont**  
**Required Supplementary Information**  
**Year Ended June 30, 2016**

**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**Last 10 Years\***

Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a % of Payroll	Plan Fiduciary Net Position as a % of the Total Pension Liability
2015	0.17144%	\$ 11,767,745	\$ 9,550,775	123.21%	80.12%
2014	0.17703%	11,015,919	10,971,992	100.40%	79.53%

\*Fiscal year 2015 is the first year of implementation, therefore not all 10 years of information is available.

**Notes to the Schedule of the City's Proportionate Share of the Net Pension Liability**

**Benefit Changes:** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2014 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 in Assumptions:** The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

**City of Beaumont**  
**Required Supplementary Information**  
**Year Ended June 30, 2016**

**Schedule of Plan Contributions**  
**Last 10 Years\***

Fiscal Year	Contractually Required Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2016	\$ 2,343,780	\$ (2,343,780)	\$ -	\$ 9,550,775	24.54%
2015	2,417,400	(2,417,400)	-	10,971,992	22.03%

**Notes to the Schedule of Plan Contributions**

Valuation Date: 6/30/2013 and 6/30/2014

\*Fiscal year 2015 is the first year of implementation, therefore not all 10 years of information is available.

## **SUPPLEMENTARY INFORMATION**

**City of Beaumont**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Community Facilities Capital Projects Fund**  
**Year Ended June 30, 2016**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes and Special Assessments	\$ 20,282,845	\$ 7,720,131	\$ (12,562,714)
Use of Money and Property	-	8,870	8,870
<b>Total Revenues</b>	<b>20,282,845</b>	<b>7,729,001</b>	<b>(12,553,844)</b>
<b>EXPENDITURES</b>			
Current:			
General Government	20,295,407	764,554	19,530,853
Public Works	-	647,914	(647,914)
Community Development	-	4,514	(4,514)
Community Services	-	2,007,910	(2,007,910)
<b>Total Expenditures</b>	<b>20,295,407</b>	<b>3,424,892</b>	<b>16,870,515</b>
Excess (Deficiency) of Revenues over Expenditures	(12,562)	4,304,109	4,316,671
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(12,562)	4,304,109	4,316,671
Fund Balance, Beginning of Year	22,748,722	22,748,722	-
Prior Period Adjustments	-	5,814,914	5,814,914
<b>Fund Balance, End of Year</b>	<b>\$ 22,736,160</b>	<b>\$ 32,867,745</b>	<b>\$ 10,131,585</b>

**City of Beaumont**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - Development Impact Fees Capital Projects Fund**  
**Year Ended June 30, 2016**

	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes and Special Assessments	<u>\$ 4,234,970</u>	<u>\$ 5,295,693</u>	<u>\$ 1,060,723</u>
Total Revenues	<u>4,234,970</u>	<u>5,295,693</u>	<u>1,060,723</u>
<b>EXPENDITURES</b>			
Current:			
Public Works	1,609,725	10,709	1,599,016
Community Development	<u>-</u>	<u>80,948</u>	<u>(80,948)</u>
Total Expenditures	<u>1,609,725</u>	<u>91,657</u>	<u>1,518,068</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,625,245</u>	<u>5,204,036</u>	<u>2,578,791</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,625,245	5,204,036	2,578,791
Fund Balances, Beginning of Year	<u>8,763,649</u>	<u>8,763,649</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 11,388,894</u>	<u>\$ 13,967,685</u>	<u>\$ 2,578,791</u>

## **NON-MAJOR GOVERNMENTAL FUNDS**

**City of Beaumont**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2016**

	Special Revenue			
	State Gas Tax Fund	AB 2766 Fund	CDBG Fund	Asset Seizure Fund
<b>ASSETS</b>				
Cash and Investments	\$ 455,603	\$ 214,160	\$ -	\$ 196,910
Receivables:				
Due from Other Governments	- -	14,534 -	9,728 -	- -
Accounts Receivable	- -	- -	- -	- -
Total Assets	<u>\$ 455,603</u>	<u>\$ 228,694</u>	<u>\$ 9,728</u>	<u>\$ 196,910</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ - -	\$ - -	\$ - -	\$ - -
Due to Other Funds	- -	- -	9,728 -	- -
Total Liabilities	<u>- -</u>	<u>- -</u>	<u>9,728</u>	<u>- -</u>
<b>FUND BALANCE (DEFICITS)</b>				
Restricted	<u>455,603</u>	<u>228,694</u>	<u>-</u>	<u>196,910</u>
Total Fund Balances	<u>455,603</u>	<u>228,694</u>	<u>-</u>	<u>196,910</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 455,603</u>	<u>\$ 228,694</u>	<u>\$ 9,728</u>	<u>\$ 196,910</u>

Special Revenue			
PEG Fund	Cops Funding Fund	State Asset Seizure Fund	Total Non-major Governmental Funds
\$ 154,344	\$ 134,188	\$ 242,645	\$ 1,397,850
-	16,667	-	40,929
8,433	-	-	8,433
<u>\$ 162,777</u>	<u>\$ 150,855</u>	<u>\$ 242,645</u>	<u>\$ 1,447,212</u>
\$ -	\$ 40,000	\$ -	\$ 40,000
-	-	-	9,728
-	40,000	-	49,728
<u>162,777</u>	<u>110,855</u>	<u>242,645</u>	<u>1,397,484</u>
<u>162,777</u>	<u>110,855</u>	<u>242,645</u>	<u>1,397,484</u>
<u><u>\$ 162,777</u></u>	<u><u>\$ 150,855</u></u>	<u><u>\$ 242,645</u></u>	<u><u>\$ 1,447,212</u></u>

**City of Beaumont**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**Year Ended June 30, 2016**

	Special Revenue			
	State Gas Tax Fund	AB 2766 Fund	CDBG Fund	Asset Seizure Fund
<b>REVENUES</b>				
Taxes and Special Assessments	\$ 922,081	\$ -	\$ -	\$ -
Fines and Forfeitures	-	-	-	17,050
Use of Money and Property	871	313	-	260
Intergovernmental Revenues	-	52,525	13,622	-
 Total Revenues	 922,952	 52,838	 13,622	 17,310
<b>EXPENDITURES</b>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	1,000,000	-	-	-
Community Development	-	-	13,622	-
 Total Expenditures	 1,000,000	 -	 13,622	 -
Excess (Deficiency) of Revenues Over Expenditures	(77,048)	52,838	-	17,310
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	11,280
Transfers Out	-	-	-	-
 Total Other Financing Sources (Uses)	 -	 -	 -	 11,280
Net Change in Fund Balances	(77,048)	52,838	-	28,590
Fund Balances, Beginning of Year	532,651	175,856	-	168,320
Fund Balances, End of Year	 \$ 455,603	 \$ 228,694	 \$ -	 \$ 196,910

Special Revenue

PEG Fund	Cops Funding Fund	State Asset Seizure Fund	Total Non-major Governmental Funds
\$ 30,630	\$ -	\$ -	\$ 952,711
-	-	14,937	31,987
209	54	80	1,787
-	143,942	-	210,089
<u>30,839</u>	<u>143,996</u>	<u>15,017</u>	<u>1,196,574</u>
10,556	-	-	10,556
-	59,335	-	59,335
-	-	-	1,000,000
-	-	-	13,622
<u>10,556</u>	<u>59,335</u>	<u>-</u>	<u>1,083,513</u>
<u>20,283</u>	<u>84,661</u>	<u>15,017</u>	<u>113,061</u>
-	-	-	11,280
-	-	-	-
-	-	-	11,280
20,283	84,661	15,017	124,341
<u>142,494</u>	<u>26,194</u>	<u>227,628</u>	<u>1,273,143</u>
<u>\$ 162,777</u>	<u>\$ 110,855</u>	<u>\$ 242,645</u>	<u>\$ 1,397,484</u>

**City of Beaumont**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - State Gas Tax Special Revenue Fund**  
**Year Ended June 30, 2016**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Taxes and Special Assessments	\$ 869,170	\$ 922,081	\$ 52,911
Use of Money and Property	- 871	871	871
<b>Total Revenues</b>	<b><u>869,170</u></b>	<b><u>922,952</u></b>	<b><u>53,782</u></b>
<b>EXPENDITURES</b>			
Current:			
Public Works	1,000,000	1,000,000	-
<b>Total Expenditures</b>	<b><u>1,000,000</u></b>	<b><u>1,000,000</u></b>	<b><u>-</u></b>
Excess (Deficiency) of Revenues Over Expenditures	(130,830)	(77,048)	53,782
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	- -	- -	- -
<b>Total Other Financing Sources (Uses)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
Net Change in Fund Balances	(130,830)	(77,048)	53,782
Fund Balance, Beginning of Year	<u>532,651</u>	<u>532,651</u>	-
<b>Fund Balance, End of Year</b>	<b><u>\$ 401,821</u></b>	<b><u>\$ 455,603</u></b>	<b><u>\$ 53,782</u></b>

**City of Beaumont**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - AB2766 Special Revenue Fund**  
**Year Ended June 30, 2016**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Use of Money and Property	\$ -	\$ 313	\$ 313
Intergovernmental Revenues	<u>50,000</u>	<u>52,525</u>	<u>2,525</u>
 Total Revenues	 <u>50,000</u>	 <u>52,838</u>	 <u>2,838</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	<u>1,170</u>	<u>-</u>	<u>1,170</u>
 Total Expenditures	 <u>1,170</u>	 <u>-</u>	 <u>1,170</u>
 Excess (Deficiency) of Revenues Over Expenditures	 48,830	 52,838	 4,008
 Fund Balance, Beginning of Year	 <u>175,856</u>	 <u>175,856</u>	 <u>-</u>
 Fund Balance, End of Year	 <u>\$ 224,686</u>	 <u>\$ 228,694</u>	 <u>\$ 4,008</u>

**City of Beaumont**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - PEG Special Revenue Fund**  
**Year Ended June 30, 2016**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
<b>REVENUES</b>			
Taxes and Special Assessments	\$ 25,000	\$ 30,630	\$ 5,630
Use of Money and Property	- <u>209</u>	209	209
 Total Revenues	 <u>25,000</u>	 30,839	 5,839
<b>EXPENDITURES</b>			
Current:			
General Government	42,000	10,556	31,444
 Total Expenditures	 <u>42,000</u>	 10,556	 31,444
Excess (Deficiency) of Revenues over Expenditures	(17,000)	20,283	37,283
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	- <u>-</u>	- <u>-</u>	- <u>-</u>
Transfers Out	- <u>-</u>	- <u>-</u>	- <u>-</u>
 Total Other Financing Sources (Uses)	 <u>-</u>	 - <u>-</u>	 - <u>-</u>
Net Change in Fund Balances	(17,000)	20,283	37,283
Fund Balance, Beginning of Year	<u>142,494</u>	<u>142,494</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 125,494</u>	<u>\$ 162,777</u>	<u>\$ 37,283</u>

**City of Beaumont**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - COPS Funding Special Revenue Fund**  
**Year Ended June 30, 2016**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Positive (Negative)</u>		
<b>REVENUES</b>			
Use of Money and Property	\$ -	\$ 54	\$ 54
Intergovernmental Revenue	<u>100,000</u>	<u>143,942</u>	<u>43,942</u>
 Total Revenues	 <u>100,000</u>	 <u>143,996</u>	 <u>43,996</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	<u>100,000</u>	<u>59,335</u>	<u>40,665</u>
 Total Expenditures	 <u>100,000</u>	 <u>59,335</u>	 <u>40,665</u>
Excess (Deficiency) of Revenues over Expenditures	- -	84,661	84,661
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	- -	- -	- -
Transfers Out	- -	- -	- -
 Total Other Financing Sources (Uses)	 - -	 - -	 - -
Net Change in Fund Balances	- 84,661	84,661	84,661
Fund Balance, Beginning of Year	<u>26,194</u>	<u>26,194</u>	- -
Fund Balance, End of Year	<u>\$ 26,194</u>	<u>\$ 110,855</u>	<u>\$ 84,661</u>

## **AGENCY FUNDS**

**City of Beaumont**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2016**

	Community Facilities District Collection Fund	Anthony Martinez Fund	Evidence Fund	Beaumont Charitable Foundation
<b>ASSETS</b>				
Cash and Investments	\$ 16,996,302	\$ 11,969	\$ 31,686	\$ -
Cash and Investments with Fiscal Agent	18,328,633	-	-	-
Investment in CFD Bonds	211,514,415	-	-	-
Receivable from City of Beaumont	-	-	-	29,983
<b>Total Assets</b>	<b>\$ 246,839,350</b>	<b>\$ 11,969</b>	<b>\$ 31,686</b>	<b>\$ 29,983</b>
<b>LIABILITIES</b>				
Due to Others	\$ -	\$ -	\$ -	\$ -
Deposits Payable	3,348,303	11,969	31,686	29,983
Due to Bondholders	243,491,047	-	-	-
<b>Total Liabilities</b>	<b>\$ 246,839,350</b>	<b>\$ 11,969</b>	<b>\$ 31,686</b>	<b>\$ 29,983</b>

<u>AB 109</u>	<u>Totals</u>
\$ -	\$ 17,039,957
-	18,328,633
-	211,514,415
<u>-</u>	<u>29,983</u>
<u>\$ -</u>	<u>\$ 246,912,988</u>
\$ -	\$ -
-	3,421,941
<u>-</u>	<u>243,491,047</u>
<u>\$ -</u>	<u>\$ 246,912,988</u>

**City of Beaumont**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2016**

	Beginning Balance	Additions	Deletions	Ending Balance
<b><u>Community Facilities District</u></b>				
<b><u>Collection Fund</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 17,089,793	\$ 16,515,078	\$ 16,608,569	\$ 16,996,302
Cash and Investments with Fiscal Agent	17,333,693	31,851,807	30,856,867	18,328,633
Investment in CFD Bonds	216,072,925	-	4,558,510	211,514,415
Receivable from City of Beaumont	5,069,509	-	5,069,509	-
Total Assets	<u>\$ 255,565,920</u>	<u>\$ 48,366,885</u>	<u>\$ 57,093,455</u>	<u>\$ 246,839,350</u>
<b>LIABILITIES</b>				
Deposits Payable	\$ 286,999	\$ 4,253,828	\$ 1,192,524	\$ 3,348,303
Due to Bondholders	255,278,921	-	11,787,874	243,491,047
Total Liabilities	<u>\$ 255,565,920</u>	<u>\$ 4,253,828</u>	<u>\$ 12,980,398</u>	<u>\$ 246,839,350</u>
<b><u>Anthony Martinez Fund</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 11,966	\$ 3	\$ -	\$ 11,969
Total Assets	<u>\$ 11,966</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 11,969</u>
<b>LIABILITIES</b>				
Deposits Payable	\$ 11,966	\$ 3	\$ -	\$ 11,969
Total Liabilities	<u>\$ 11,966</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 11,969</u>
<b><u>Evidence Fund</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 12,590	\$ 19,230	\$ 134	\$ 31,686
Receivable from Agency Fund	10,016	-	10,016	-
Total Assets	<u>\$ 22,606</u>	<u>\$ 19,230</u>	<u>\$ 10,150</u>	<u>\$ 31,686</u>
<b>LIABILITIES</b>				
Due to Others	\$ 22,606	\$ 19,230	\$ 10,150	\$ 31,686
Total Liabilities	<u>\$ 22,606</u>	<u>\$ 19,230</u>	<u>\$ 10,150</u>	<u>\$ 31,686</u>

Continued

**City of Beaumont**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities - Continued**  
**Agency Funds**  
**Year Ended June 30, 2016**

	Beginning Balance	Additions	Deletions	Ending Balance
<b><u>Beaumont Charitable Foundation</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ -	\$ -	\$ -	\$ -
Receivable from City of Beaumont	\$ 32,924	\$ -	\$ 2,941	\$ 29,983
<b>Total Assets</b>	<b>\$ 32,924</b>	<b>\$ -</b>	<b>\$ 2,941</b>	<b>\$ 29,983</b>
<b>LIABILITIES</b>				
Due to Others	\$ 22,908	\$ 15,098	\$ 8,023	\$ 29,983
Due to Agency Fund	\$ 10,016	\$ -	\$ 10,016	\$ -
<b>Total Liabilities</b>	<b>\$ 32,924</b>	<b>\$ 15,098</b>	<b>\$ 18,039</b>	<b>\$ 29,983</b>
<b><u>AB 109</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 3,376,067	\$ -	\$ 3,376,067	\$ -
<b>Total Assets</b>	<b>\$ 3,376,067</b>	<b>\$ -</b>	<b>\$ 3,376,067</b>	<b>\$ -</b>
<b>LIABILITIES</b>				
Due to Others	\$ 3,376,067	\$ -	\$ 3,376,067	\$ -
<b>Total Liabilities</b>	<b>\$ 3,376,067</b>	<b>\$ -</b>	<b>\$ 3,376,067</b>	<b>\$ -</b>
<b><u>Total Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 20,490,416	\$ 16,534,311	\$ 19,984,770	\$ 17,039,957
Cash and Investments with Fiscal Agent	\$ 17,333,693	\$ 31,851,807	\$ 30,856,867	\$ 18,328,633
Investment in CFD Bonds	\$ 216,072,925	\$ -	\$ 4,558,510	\$ 211,514,415
Receivable from Agency Fund	\$ 10,016	\$ -	\$ 10,016	\$ -
Receivable from City of Beaumont	\$ 5,102,433	\$ -	\$ 5,072,450	\$ 29,983
<b>Total Assets</b>	<b>\$ 259,009,483</b>	<b>\$ 48,386,118</b>	<b>\$ 60,482,613</b>	<b>\$ 246,912,988</b>
<b>LIABILITIES</b>				
Due to Others	\$ 3,421,581	\$ 34,328	\$ 3,394,240	\$ 61,669
Deposits Payable	\$ 298,965	\$ 4,253,831	\$ 1,192,524	\$ 3,360,272
Due to Agency Fund	\$ 10,016	\$ -	\$ 10,016	\$ -
Due to Bondholders	\$ 255,278,921	\$ -	\$ 11,787,874	\$ 243,491,047
<b>Total Liabilities</b>	<b>\$ 259,009,483</b>	<b>\$ 4,288,159</b>	<b>\$ 16,384,654</b>	<b>\$ 246,912,988</b>