



Financial Statements
June 30, 2024

City of Beaumont, California Transit System

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Independent Auditor's Report

To the Board of Commissioners
Riverside County Transportation Commission
Riverside, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Transit System (the System) of the City of Beaumont, California (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2024, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the System, and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Correction of Error

As discussed in Note 11 to the financial statements, an error resulting in an overstatement of amounts previously reported for subscription liability and expense as of June 30, 2023, was discovered by management of the System during the current year. Accordingly, a restatement has been made to the System's net position as of July 1, 2024, to correct the error. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the System's June 30, 2023 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the exception of the correction of error identified in the preceding paragraph, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2025, on our consideration of the City's internal control over financial reporting as it relates to the System and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance related to the System. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California
March 31, 2025

City of Beaumont California
Transit System
Statement of Net Position
June 30, 2024
(with Comparative Totals for 2023)

	2024	2023, As Restated
Assets		
Current Assets		
Pooled cash	\$ 6,633	\$ 1,682,704
Accounts receivable	51,545	218
Due from other governmental agencies	1,590,651	78,942
Prepaid expenses	1,000	1,436
Total current assets	1,649,829	1,763,300
Noncurrent Assets		
Capital assets, net of accumulated depreciation	5,060,108	2,715,809
Total noncurrent assets	5,060,108	2,715,809
Total assets	6,709,937	4,479,109
Deferred Outflows of Resources		
Deferred pension related items	636,154	612,184
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	88,974	220,336
Unearned revenue	988,523	491,435
Compensated absences	72,368	44,570
Subscription liability	5,465	-
Due to other funds	-	86,800
Total current liabilities	1,155,330	843,141
Noncurrent Liabilities		
Compensated absences	134,397	178,278
Subscription liability	-	16,192
Net pension liability	1,248,009	1,114,394
Total noncurrent liabilities	1,382,406	1,308,864
Total liabilities	2,537,736	2,152,005
Deferred inflows of resources		
Deferred pension related items	19,452	30,183
Net Position		
Net investment in capital assets	5,054,643	2,699,617
Unrestricted (deficit)	(265,740)	209,488
Total net position	\$ 4,788,903	\$ 2,909,105

City of Beaumont California
Transit System
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2024
(with Comparative Totals for 2023)

	2024	2023, As Restated
Operating Revenues		
Charges for services	\$ 101,975	\$ 91,077
Total operating revenues	101,975	91,077
Operating Expenses		
Salaries	1,628,445	1,545,487
Fringe benefits	706,671	(3,750)
Fuels, lubricants and maintenance	293,203	295,975
Administration	163,319	186,968
Contract services	23,456	28,520
Utilities	71,668	44,822
Supplies	17,589	13,773
Office	24,249	22,894
Depreciation and amortization	644,993	548,418
Total operating expenses	3,573,593	2,683,107
Operating (Loss)	(3,471,618)	(2,592,030)
Non-Operating Revenues (Expense)		
Interest income	72,242	25,741
Operating assistance grants	2,122,784	2,129,993
Capital grants - noncapitalized acquisitions	4,795	69,571
Miscellaneous revenue	4	8,505
Lease revenue	126,000	-
Lease interest income (expense)	-	(466)
SBITA interest income (expense)	(274)	-
Total non-operating revenues	2,325,551	2,233,344
Income (loss) before Transfers and Capital Contributions	(1,146,067)	(358,686)
Capital contributions	2,989,292	580,033
Transfers in from other City funds	36,573	34,840
Total transfers and capital contributions	3,025,865	614,873
Change in Net Position	1,879,798	256,187
Net Position - Beginning	2,909,105	2,652,918
Net Position, Ending	\$ 4,788,903	\$ 2,909,105

City of Beaumont California
Transit System
Statement of Cash Flows
Year Ended June 30, 2024
(with Comparative Totals for 2023)

	2024	2023, As Restated
Operating Activities		
Cash received from customers and users	\$ 50,648	\$ 90,859
Cash paid to suppliers for goods or services	(724,410)	(973,977)
Cash paid to employees for salaries and benefits	(2,252,285)	(2,036,910)
Net Cash Used in Operating Activities	(2,926,047)	(2,920,028)
Non-Capital Financing Activities		
Transfers in	36,573	34,840
Operating grants received	2,617,952	2,395,097
Miscellaneous receipts	4	8,505
Net Cash Provided by Non-Capital Financing Activities	2,654,529	2,438,442
Capital and Related Financing Activities		
Purchases of capital assets	(2,989,292)	(245,767)
Lease revenue	126,000	-
Cash paid for lease liabilities- principal portion	-	(3,658)
Cash paid for lease liabilities- interest portion	-	(466)
Cash paid for SBITA liabilities- principal portion	(10,727)	(250,683)
Cash paid for SBITA liabilities- interest portion	(274)	-
Capital grants received	1,484,298	1,017,017
Net Cash Provided by (Used in) by Capital and Related Financing Activities	(1,389,995)	516,443
Investing Activities		
Interest on cash and cash equivalents	(14,558)	112,541
Net Increase (Decrease) in Cash and Cash Equivalents	(1,676,071)	147,398
Cash, Beginning of Year	1,682,704	1,535,306
Cash, End of Year	\$ 6,633	\$ 1,682,704

City of Beaumont California
Transit System
Statement of Cash Flows
Year Ended June 30, 2024
(with Comparative Totals for 2023)

	<u>2024</u>	<u>2023, As Restated</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and investments	\$ 6,633	\$ 1,682,704
Total Cash and Cash Equivalents	<u>\$ 6,633</u>	<u>\$ 1,682,704</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating loss	\$ (3,471,618)	\$ (2,592,030)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities		
Depreciation/Amortization	644,993	548,418
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(51,327)	(218)
(Increase) decrease in prepaid expenses	436	(1,436)
(Increase) decrease in deferred outflows of resources - pension	(23,970)	(291,494)
Increase (decrease) in accounts payable and accrued liabilities	(131,362)	(379,589)
Increase (decrease) in net pension liability	133,615	637,998
Increase (decrease) in deferred inflows of resources - pension	(10,731)	(857,475)
Increase (decrease) in compensated absences payable	(16,083)	15,798
Net Cash used in Operating Activities	<u>\$ (2,926,047)</u>	<u>\$ (2,920,028)</u>
Supplemental Disclosures of Noncash Capital and Financing Activities		
Subscription based asset acquired through long-term liability	<u>\$ -</u>	<u>\$ 85,648</u>

Note 1 - General Information

The financial statements of the Transit System (the System) are intended to present the financial position and results of operations of only those transactions attributable to the System, operated by the City of Beaumont, California (the City). They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2024 and the related changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. The financial statements of the System are included in the basic financial statements of the City.

As an operator of a public transportation system, the City is eligible to receive Transportation Development Act (TDA) Article 4 Funds in accordance with California Public Utilities Code §99260. Pursuant to §99260, Article 4 monies may be used for the support of public transportation systems, aid to public transportation research and demonstration projects, and contributions for the construction of grade separation projects. These Funds were allocated by the Riverside County Transportation Commission (RCTC) to supplement the City's transit operations.

Note 2 - Summary of Significant Accounting Policies

Fund Accounting

The accounts of the City are organized on the basis of funds. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, obligations, equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The City accounts for the activity of the System in its Transit System, which is an Enterprise Fund.

Enterprise funds are used to account for operations that are financed primarily through user charges, or where the governing body has decided that determination of net income is appropriate.

The accounting policies of the System conforms to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States.

Measurement Focus and Basis of Accounting

Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of related cash flows.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments with an initial maturity of three months or less at the time of purchase. The fund's share in the cash and investment pool of the City are considered cash and cash equivalents for cash flow purposes.

Grants

Grant revenues and receivables are recorded when earned on grants that have been approved and funded by the grantor. Grant sources include, Low Carbon Transit Operations Program (LCTOP), State Transit Assistance (STA), Measure A, and Local Transportation Funds (LTF).

Capital Assets

All capital assets, consisting primarily of land, vehicles, buildings and equipment, are stated at cost. The City's policy for the System is to capitalize all assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at acquisition value as of the date received. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from three to ten years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Right to use subscription IT assets with a cost greater than \$1,000 are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method and an amortization over the shorter of the subscription term or useful life.

Compensated Absences

City employees have a vested interest in varying levels of vacation, sick leave and compensatory time based on their length of employment. It is the policy of the City to pay all accumulated vacation pay and a portion of unused sick pay when an employee retires or terminates. The short-term liability is the amount that will be liquidated with current financial resources and is expected to be paid during the next fiscal year.

Net Position

Net position is classified in the following categories:

Net investment in capital assets - net investment in capital assets represents capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to acquisition, construction or improvements of the assets.

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments. There was no restricted net position for transportation as of June 30, 2024.

Unrestricted - Unrestricted represents the amount of net position that is either not restricted or does not meet the definition of net investment in capital assets. There was an unrestricted net deficit for transportation as of June 30, 2024.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources. The separate financial statement elements represents consumption or acquisition of net assets that applies to future period(s) and will not be recognized as an outflow of resources (expense) or inflows of resources (revenue) until then. The System reports deferred outflows and inflows of resources related to the System's net pension obligation.

Unearned Revenue

Unearned revenue arises when the System receives resources before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized.

Adoption of New Accounting Standard

As of July 1, 2023, the City adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. The implementation of this standard requires additional presentation and disclosure requirements for accounting changes and error corrections. The financial statements have been updated to conform to the presentation requirements related to the error correction in the financial statements for the year ended June 30, 2024. The additional disclosures required by this standard are included in Note 11.

Note 3 - Cash and Investments

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The balance in the pooled account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The System's cash and investments as of June 30, 2024, were as follows:

Pooled cash with the City of Beaumont	\$ <u>6,633</u>
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The investments are categorized into 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.

The System's cash and investments are combined with the City's pooled investments, and therefore, do not represent specific identifiable investments. The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America as described above. Interest income is allocated on the basis of average cash balances. Investment policies and associated risk factors applicable to the System are those of the City and are included in the City's basic financial statements. The City's basic financial statements may be obtained by contacting the City's Finance Department.

Note 4 - Interfund and Intergovernmental Activity

Due from other governments as of June 30, 2024, consisted of the following:

Beaumont Unified School District	\$ 1,620
San Geronio Memorial Hospital	300
Riverside County Transportation Commission	<u>1,588,731</u>
Total	<u><u>\$ 1,590,651</u></u>

Note 5 - Capital Assets

Capital assets activity for the fiscal year ended June 30, 2024, was as follows:

	Balance at July 01, 2023	Additions/ Adjustments	Retirements/ Adjustments	Balance at June 30, 2024
Capital assets, not depreciated				
Land	\$ 1,007,300	\$ -	\$ -	\$ 1,007,300
Construction in progress	81,285	-	-	81,285
Total capital assets, not depreciated	1,088,585	-	-	1,088,585
Capital assets being depreciated				
Vehicles	5,294,747	2,989,292	-	8,284,039
Building	669,383	-	-	669,383
Equipment	1,347,453	-	-	1,347,453
Total capital assets being depreciated	7,311,583	2,989,292	-	10,300,875
Accumulated depreciation				
Vehicles	(4,391,091)	(461,229)	-	(4,852,320)
Building	(566,362)	(39,445)	-	(605,807)
Equipment	(935,459)	(85,997)	-	(1,021,456)
Total accumulated depreciation	(5,892,912)	(586,671)	-	(6,479,583)
Net depreciable capital assets	1,418,671	2,402,621	-	3,821,292
Right-to-use assets being amortized				
Subscription	266,875	-	-	266,875
Accumulated amortization	(58,322)	(58,322)	-	(116,644)
Net right-to-use subscription assets	208,553	(58,322)	-	150,231
Capital assets and right-to-use assets, net	2,715,809	2,344,299	-	5,060,108

Combined depreciation and amortization expense for the year ended June 30, 2024 was \$644,993.

Activities relating to changes in capital assets by funding source for the year ended June 30, 2024, were as follows:

	Balance at July 01, 2023	Additions	Deletions	Balance at June 30, 2024
STA Funds	\$ 6,937,789	\$ 2,960,053	\$ -	\$ 9,897,842
SGR Funds	111,790	-	-	111,790
LTF Funds	562,166	29,239	-	591,405
Measure A	95,000	-	-	95,000
Prop 1B	372,053	-	-	372,053
Operator Funds	88,026	-	-	88,026
LCTOP	203,349	-	-	203,349
Grant Funds	296,870	-	-	296,870
Total	\$ 8,667,043	\$ 2,989,292	\$ -	\$ 11,656,335

Grant Funds includes capital assets funded by MSAPR for \$25,000, South Coast Air Quality Management District for \$31,870, and Center for Sustainable Energy for \$240,000.

Note 6 - Unearned Revenue

TDA Article 4 Funds allocated to the System by RCTC for specific operating and capital projects are considered earned when they are properly spent for the specific projects authorized. Allocations and any interest received, but not used are recorded as unearned revenue. Unearned revenue activity related to operating assistance and LCTOP for the year ended June 30, 2024, was as follows:

	LTF	Measure A	LCTOP	Total
Operating Assistance				
Excess of operating funds at June 30, 2023	\$ 490,000	\$ -	\$ 1,435	\$ 491,435
Allocations received	2,656,495	169,000	-	2,825,495
Interest	64,297	-	7,945	72,242
Grants received	-	-	323,000	323,000
Funds available	3,210,792	169,000	332,380	3,712,172
Excess of operating funds paid back	(490,000)	-	-	(490,000)
Less eligible costs - capitalized	(29,239)	-	-	(29,239)
Less eligible costs - operating	(1,916,145)	(169,000)	(119,265)	(2,204,410)
Excess of operating funds at June 30, 2024	\$ 775,408	\$ -	\$ 213,115	\$ 988,523

LTF operating assistance in the amount of \$2,656,495 was received by allocation under Article 4 for the year ended June 30, 2024.

Unearned revenue activities related to capital assistance for the year ended June 30, 2024, were as follows:

	STA
Capital Assistance	
Excess of capital funds at June 30, 2023	\$ -
Allocations received	<u>2,964,848</u>
Funds available	2,964,848
Less eligible costs	(2,960,053)
Less eligible costs not capitalized	<u>(4,795)</u>
Excess of capital funds at June 30, 2024	<u><u>\$ -</u></u>

Note 7 - Employees' Retirement Plan

The City participates in the Public Employees' Retirement System of the State of California (CalPERS) covering all of its permanent employees. The excess, if any, of the actuarially computed value of vested benefits over the amounts available in the pension trust fund administered by CalPERS would be a liability of the City as a whole, not of the System, except for those liabilities which are specifically allocated to the System. As a method to demonstrate how the liability will be funded by City resources, portions of the liability were allocated to the System. The City allocated 11% of the total net pension liability, deferred outflows and inflows of resources, and pension expense to the System for fiscal year ended June 30, 2024. Information regarding the plan description, funding status, actuarially determined contribution requirements and contributions made and trend information may be found in the City's annual financial report.

Note 8 - Farebox Recovery Ratio

The City's Dial-A-Ride program serves the elderly and the disabled. The System is subject to the provisions of the California Public Utilities Code section 99268.3 and must maintain a minimum farebox recovery of 20% for the fixed route and 10% for the Dial-A-Ride pursuant to California Code of Regulations 6633.2 and 6633.5, respectively.

Assembly Bill 149 (AB149), effective July 16, 2021, amended Section 99268.17 of the Public Utilities Code (PUC) and the definition of "operating costs" for the purpose of calculating any required ratios of passenger fares to operating costs. Further, if fare revenues were insufficient to meet the applicable ratio of fare revenues to operating costs, an operator may supplement its fare revenues with local funds. It further amended PUC Section 99268.9 and (AB90) by prohibiting the imposition of a penalty on operators that do not maintain the required ratio of the fare revenues to operating cost during fiscal years 2019-20, 2020-21, 2021-22, 2022-23, 2023-24, 2024-25, and 2025-26.

During the fiscal year ended June 30, 2024, the System's farebox recovery ratio was calculated as follows:

Passenger fares	\$ 101,975
Interest income	72,242
Lease Revenue	126,000
LCTOP (AB-149 discounted or reduced fares)	117,838
Measure A (AB-149 discounted or reduced fares)	199,000
Local funds (City transfers in)	<u>36,573</u>
Total operating revenues	653,628
Exclusions:	
Fare revenues related to new routes or extensions of services	(5,006)
Dial-A-Ride Passenger Fares	(9,146)
LCTOP used for Dial-A-Ride Free Fares	<u>(6,720)</u>
Net operating revenues	<u>\$ 632,756</u>
Operating expenses, including transfers out	\$ 3,573,593
Exclusion:	
Depreciation	(586,671)
Amortization	(58,322)
Dial-A-Ride expenses	(176,337)
Operating expenses related to new routes or extension of services	<u>(279,431)</u>
Net Operating Expenses	<u>\$ 2,472,832</u>
Farebox Recovery Ratio	<u>25.59%</u>

Note 9 - Comparative Financial Data

The amounts shown for 2023 in the accompanying financial statements are included only to provide a basis for comparison with 2024 and are not intended to present all information necessary for a fair presentation in accordance with generally accepted accounting principles.

Note 10 - Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings or claims in the ordinary course of operations.

Note 11 - Correction of an Error in Previously Issued Financial Statements

During fiscal year 2024, the System identified a subscription liability that should not have been recorded in the prior year. Accordingly, subscription liability and expense as of June 30, 2024, were overstated by \$181,227.

The System restated its previously issued financial statements to appropriately reflect the June 30, 2023 subscription liability and expenditure.

The following is a summary of the effects of the restatement in the System's June 30, 2023 Statement of Net Position:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Subscription liability	\$ 197,419	\$ (181,227)	\$ 16,192
Net Position			
Net investment in capital assets	2,518,390	181,227	2,699,617
Total Net Position	2,727,878	181,227	2,909,105

The following is a summary of the effects of the restatement in the System's June 30, 2023 Statement of Revenues, Expenses and Changes in Net Position:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Fuels, lubricants and maintenance expenses	\$ 477,202	\$ (181,227)	\$ 295,975
Increase in net position	74,960	181,227	256,187
Net position, end of year	2,727,878	181,227	2,909,105

The following is a summary of the effects of the restatement in the System's June 30, 2023 Statement of Cash Flows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Operating Activities			
Cash paid to suppliers for goods or services	\$ (1,155,204)	\$ 181,227	\$ (973,977)
Capital and Related Financing Activities			
Cash paid for SBITA liabilities- principal portion	(69,456)	(181,227)	(250,683)
Reconciliation of Operating Loss to Net			
Cash Used for Operating Activities			
Operating loss	(2,773,257)	181,227	(2,592,030)
Supplemental Disclosures of Noncash			
Capital and Financing Activities			
Subscription based asset acquired through long-term liability	266,875	(181,227)	85,648

Note 12 - Net Position Unrestricted Deficit

As of June 30, 2024, the System ended the year in a deficit unrestricted net position. The unrestricted net position (deficit) results primarily from the recording of the System's net pension liability.

Implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to the System had a significant impact on unrestricted net position. The respective net pension liability and related deferred inflows of resources exceeds the value of the assets and deferred outflows of resources, resulting in a negative unrestricted net position. The unrestricted deficit does not necessarily indicate a current financial concern of the System. Since the net pension liability is a long-term liability, the City is looking at long-term solutions for mitigating the liability through effective pension management.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Commissioners
Riverside County Transportation Commission
Riverside, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Transit Services Fund (the Fund) of the Transit System (the System) of the City of Beaumont, California (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2025. Our report includes an emphasis of matter paragraph indicating the financial statements present only the Fund of the City for the year ended June 30, 2024, and restatement of beginning net position for the correction of an error.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6667 of Part 21 of the California Code of Regulations and policies and procedures adopted by the Riverside County Transportation Commission, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including the requirements of Section 6667 of part 21 of the California Code of Regulations and policies and procedures adopted by the Riverside County Transportation Commission.

System's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the System's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The System's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
March 31, 2025

**2024-001 Financial Reporting and Closing
Material Weakness**

Criteria:

Management is responsible for the preparation of the basic financial statements and all accompanying information as well as representation contained therein, and the fair presentation in conformity with U.S. generally accepted accounting principles. This requires management to perform a year-end closing process to accumulate, reconcile and summarize information for inclusion in the annual financial statements.

Condition:

During the audit we identified adjustments which were posted as part of the audit, for the following:

- \$223,745 to decrease net position due to prior year audit adjustments.
- \$547,090 to decrease LTF revenue and increase unearned revenue recognized based on eligible operating costs.
- \$86,800 to correct under-allocation of interest revenue and decreasing grant revenue.
- \$181,227 to record a prior period adjustment for an overstatement of amounts previously reported for subscription liability and expense.

Cause:

The City's procedures did not allow for timely adjustments required for financial reporting.

Effect:

Journal entries were posted, and adjustment made to the financial statements, in order to fairly present the financial statements.

Recommendation:

We recommend the City review its closing policies and procedures in place to ensure amounts are properly captured, reconciled, and reported in a timely manner.

Management's Response:

The City acknowledges the auditor's finding and supports the goal of improving year-end financial reporting processes to ensure timely, accurate, and complete financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

During the FY 2023-24 audit cycle, several adjustments related to the transit fund—such as prior period corrections, revenue recognition, and liability adjustments—were proposed late in the process and required the City to post entries in the next year as to not delay the completion of the City’s Annual Comprehensive Financial Report (ACFR). This is similar to FY 2022-23 audit process and as a result has initiated this finding.

Transit Audit Coordination and Reporting Deadlines:

A key factor contributing to this issue was the delayed timing of the transit audit overseen by the Riverside County Transportation Commission (RCTC) and its independent audit firm. The engagement began after the City had substantially completed its financial close, resulting in audit entries that were not available in time to be incorporated during the City’s normal year-end process.

While there is no statutory deadline requiring cities to issue audited financial statements within a specific timeframe, the Government Finance Officers Association (GFOA) recommends that ACFRs be issued within 180 days of fiscal year-end as a best practice for transparency and accountability. Furthermore, the City is subject to contractual deadlines related to grant reporting, bond covenants, and oversight agency requirements, many of which are dependent on the timely issuance of audited financials.

Delays resulting from late audit adjustments increase the risk of financial misstatement, reduce stakeholder confidence, and conflict with GASB guidance, which emphasizes the importance of presenting financial information that reflects conditions as of year-end based on information known or knowable at that time.

To address these concerns, the City held a coordination meeting with RCTC and its audit firm. All parties agreed to advance the timing of the transit audit so that it aligns with the City’s financial audit and closing schedule in future years. This adjustment will help ensure that all necessary audit entries are identified and posted during the normal year-end closing process.

Corrective Actions:

1. Aligned Audit Scheduling:

The City will work proactively with RCTC to ensure the transit audit begins earlier and is completed concurrently with the Citywide audit timeline.

2. Formalized Coordination Protocols:

The City will establish clear communication channels and timelines with RCTC and external auditors to ensure key financial data is reviewed, adjusted, and finalized within the City’s closing calendar.

3. Policy Enhancements:

Internal policies and procedures will be updated to include guidelines for incorporating component unit or agency audit adjustments and a requirement for early engagement when audit dependencies exist.

4. Training and Compliance Monitoring:

City finance staff will receive training on GFOA and GASB guidance regarding timely reporting and will implement checklists and review processes to ensure compliance with financial reporting obligations tied to grants, bonds, and other oversight entities.

Timeline:

These actions will be implemented for the FY 2024-25 audit cycle, with progress tracked quarterly to ensure deadlines are met and coordination is maintained.

Responsible Party:

Finance Director, in coordination with RCTC and its audit firm.

City of Beaumont California
Transit System
Summary Schedule of Prior Audit Findings
June 30, 2024

<u>Finding No.</u>	<u>Description</u>	<u>Status</u>
2023-001	Internal Controls Over the Financial Reporting Process	Repeated as Finding 2024-001