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What & Where Are The 'Reserves'

Posted by [Libi Uremovic](#), June 2, 2013 at 07:11 am

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CITY OF BEAUMONT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

te 4 Cash and Investments (Continued)

As of June 30, 2011, \$15,405,699 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2011, the City's investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

Investment Type	Reported Amount
Community Facilities District Bonds	\$ 207,985,805
Blackrock Institutional Funds	25,492,158

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 in 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.

te 5 Note Receivable and Land Held for Resale or Exchange

On February 14, 1995, the Beaumont Redevelopment Agency acquired 91.56 acres of undeveloped land located within the Redevelopment Project Area from the City's Sewer Enterprise Fund. In exchange for the land, the Agency issued a promissory note payable to the City for \$1,102,000. This amount represents the appraised value of the acquired property at July 15, 1994.



The terms of the note call for payment in thirty years without interest. The principal balance may be reduced subject to availability of Agency revenues generated from the Redevelopment Project Area and the note may be subordinated to facilitate future obligations of the Agency.

The note receivable has been recorded in the Sewer Enterprise Fund (Utility Authority) at the gross amount of \$1,102,000 with an offsetting discount of \$952,243, which represents the deferred interest to be recognized over the life of the note. The cost basis of the land has been recorded in the Community Redevelopment Capital Project Fund at \$21,827, which is the net present value of the note payable at February 14, 1995 using a discount rate of 12%. As of June 30, 2011, the balance was \$196,861.

ote 6 Notes and Loans Receivable

The Redevelopment Agency of the City of Beaumont sold a parcel of land to a local business on February 16, 2000 for \$68,000. The Agency received proceeds in the amount of \$6,800 and a promissory note for the balance of \$61,200. The note carries interest at 11% and is to be amortized over 20 years. The note is secured by a deed of trust on the property. The balance of the note as of June 30, 2011 is \$35,990, which includes accrued interest in an amount of \$9,810. The amount of the note has remained constant over the past fiscal year as the Agency has suspended the requirement for payments.




The term 'Reserves' means that a company/agency has a sum of money separated from the money that is used to fund the activities of the business/agency. Reserves do not include monies in the General Fund or 'investments' where the money has no liquidity. Although not a requirement; prudent company/agency would have a large enough amount in reserves to cover daily operations for a few months.

The City of Beaumont should also have a mandatory amount of reserves exclusively for bond debt. Older bonds list the reserve amount at 10% of bond amount, but recent bond purchases by the City list slightly less.

Page 27 of Bond 2009 SERIES B (IMPROVEMENT 8D & 17B) list the reserve fund requirement at \$264,000 or 10% of the \$2,640,000 bond. However, the last few bond reserves amounts are slightly less than 10%.

2012 SERIES C (IMPROVEMENT NO. 7B & 7C) Bond is \$3,655,000 with a reserve requirement of \$333,279.09 or 9.1 %.

2013 SERIES A (IMPROVEMENT NO. 19C) Bond is \$8,810,000 with reserve requirement of \$708,883.76 or 8%.

2013 SERIES B (IMPROVEMENT 17A) Bond is \$10,875,000 with a reserve requirement of \$854,500 or 7.8%.

The City of Beaumont should have a Mandatory Reserve Fund Balance of at least \$25 Million, so where is it?

I have repeatedly requested statements from all financial institutions and we have had a very public discussion on the meaning of 'all financial institutions'. The City has only produced one (1) reserve fund – the California LAIF Account which has a total of \$1.8 Million.

Page 36, Cash and Investments Note 4 in the 2011 GAAP Audit lists the City of Beaumont investments of \$25,492,158 with 'Blackrock Institutional Funds'. I have not received any documentation for this company. This notation also has \$207,985,805 in Bond Debt listed as an investment.

On May 16, 2013 Mayor Berg publicly announced the City had \$11 Million in Reserves. \$11 Million does not fulfill the Reserve Fund requirement nor does it explain why the \$25 Million invested in Blackrock has disappeared.

A Records Request for all Financial Statements for Blackrock from 07/01/10 - 05/31/13 and all Financial Holdings for the Reserve Fund.

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Libi Uremovic May 30, 2013 at 04:52 am

the photo is page 36 of the 2011 gaap auditscariest quote of the gaap audit ...'the city investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the city to buy the securities'...\$208 million in bond debt listed with \$25 million 'investment' in blackrock.....that's a bad sign.....

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Ken June 1, 2013 at 12:35 am

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Libi Uremovic June 1, 2013 at 09:05 am

here's an article from the wall street journal regarding the s.e.c. and cities that have deceived investors regarding bond debt -

http://online.wsj.com/article/SB100014241278873246594045785012411816828?mod=wsj_valettop_email

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