

CITY OF BEVERLY HILLS, CALIFORNIA

FISCAL YEAR ENDED JUNE 30, 2012



COMPREHENSIVE ANNUAL FINANCIAL REPORT





CITY of BEVERLY HILLS
STATE of CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2012

Prepared by the Staff of the Administrative Services Department
Under the Direction of Noel E. Marquis, Acting *Director of Administrative Services, Chief Financial Officer*



CITY OF BEVERLY HILLS, CALIFORNIA

Comprehensive Annual Financial Report

Year Ended June 30, 2012

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CITY OF BEVERLY HILLS

February 6, 2013

Honorable Mayor, City Council and
Citizens of the City of Beverly Hills:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby submit the comprehensive annual financial report (CAFR) of the City of Beverly Hills, California (City) for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the City of Beverly Hills, California. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by White Nelson Diehl Evans, a public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Beverly Hills, California for the fiscal

year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Beverly Hills, California's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors in the financial section of the CAFR.

Profile of the City of Beverly Hills. The City of Beverly Hills, incorporated in 1914 under the general laws of the State of California, is a long-established residential city and commercial center located within Los Angeles County in Southern California. The City, located approximately 10 miles west of the Los Angeles City Hall, occupies a land area of approximately 5.7 square miles and serves a residential population of 34,291¹. The City estimates that services are provided to a daytime population of 100,000 to 150,000 persons during the day.

The City operates under a Council-Manager form of government. The City Council consists of five members elected at large for overlapping four-year terms. The Mayor is selected from the City Council members and serves a one-year term. The City's only other elected official is the City Treasurer whose term of office is four years. The City Council is responsible, among

¹ Estimate – State of California Dept. of Finance.



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other things, for passing ordinances, adopting the budget, appointing committees, and appointing a City Manager, City Attorney and City Clerk. In addition, the City Council appoints the members of the following advisory Commissions and Boards:

- Architectural Commission
- Cultural Heritage Commission
- Fine Art Commission
- Human Relations Commission
- Public Works Commission
- Traffic & Parking Commission
- Charitable Solicitations Commission
- Design Review Commission
- Health & Safety Commission
- Planning Commission
- Recreation & Parks Commission

In addition to sitting as the governing body of the City, the City Council also acts as the Board of Directors of two component units: the Parking Authority of the City of Beverly Hills and the Beverly Hills Public Financing Authority. The Parking Authority of the City of Beverly Hills continues as a blended component unit under the criteria of board appointment and financial burden on the primary government. On September 30, 2011, the majority of the assets of the City's Parking Enterprise Fund were transferred to the Parking Authority in order to show a total separation between the Parking Authority and the City. The Beverly Hills Public Financing Authority continues to remain a blended component unit. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's various departments and offices.

The City provides the full range of municipal services as contemplated by statute. Services provided include public safety (police and fire), street construction and maintenance, sanitation, refuse collection, water and sewer utilities, culture-recreation, public improvements, planning and zoning, and general administrative and support services.

The annual budget serves as the foundation for the City's financial planning and control. The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year for the General Fund, special revenue funds and permanent funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The City Council also adopts annual financial plans for the enterprise and internal service funds and five-year capital budget plans for capital expenditures accounted for primarily in proprietary funds. All proprietary fund types are accounted for on an economic resources measurement focus. The City is not legally mandated to report the results of operations and capital expenditures for these proprietary fund types on a budget comparison basis; therefore, budgetary data related to these funds have not been presented.

The level of appropriated budgetary control is the total adopted budget which is defined as the total budget for all funds and divisions and includes all revisions and amendments approved by the City Council subsequent to the initial budget adoption. The City Manager may authorize transfers of appropriations within the adopted budget. Supplemental appropriations during the year must be approved by the City Council. These appropriations, representing amendments to the budget during the year, were significant in relationship to the original budget as adopted. Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are reappropriated in the ensuing year's budget by action of the City Council. The City utilizes an encumbrance system, whereby commitments such as purchase orders and unperformed contracts are recorded as reserved fund balances at year-end.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. This comparison, beginning on page 36, is presented as part of the basic financial statements for the General Fund. The budget-to-actual comparisons for nonmajor governmental funds with appropriated annual budgets are presented in the Nonmajor Governmental Funds section of this report, and begin on page 101. The budget-to-actual comparison for the Infrastructure Capital Projects Fund, a Major governmental fund of the City, can be found on page 112.

Factors Affecting Financial Condition. From the beginning when the City was planned as a subdivision in 1906, Beverly Hills was designed as a special place. In subsequent years, much has changed, but not the desire to keep it special. As a result, the City has established a tradition of providing residents, business and visitors with a superior level of public safety services, premium life enrichment opportunities and a renowned physical environment.



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The City Council continued to adopt a conservative budget for Fiscal Year 2012/2013 based on the current economic conditions. Overall the City projected a broader and flatter recovery of revenues based on the impact of the world wide economic downturn on the City's retail, business and tourism trade.

With that stated, the FY 2012/2013 budget is balanced.

In developing the FY 2012/2013 budget, City staff continued its commitment to the challenge of aligning and curbing escalating fixed costs – such as increased retirement costs, MOU-related salary and benefit increases, the full funding of replacement costs for small equipment and furniture, and the restoration of certain charges to the General Fund deferred from last year – with steadily recovering revenues. The result is a fiscally responsible budget that meets the quality-of-life expectations of the community while at the same time exploring new options for revenue generation.

City Council Goals and Budget Direction

Development of the FY 2012/2013 budget was guided by the Beverly Hills City Council, through goals reflecting the community's values stated during December 2010. City staff was charged to produce a budget that achieved three general goals:

1. maintain core public safety services,
2. keep overall core service standards at present levels, and
3. preserve the City's economic viability.

These objectives, which continue to be carried over from last year, and which were refined as a result of last year's City Council goals and priorities exercise, included specific strategies:

- **Minimize the use of reserves** – preserve the City's AAA bond rating and save reserves for emergencies only
- **Monitor public safety cuts** – any reductions must preserve core services, particularly the three-minute response times for police and fire
- **Use the glide path model** – avoid layoffs if at all possible and the resulting dramatic drop in service

- **Investigate revenue-increasing options** – staff is encouraged to present new and innovative ideas

In addition to these guideposts, the FY 2012/2013 budget reflects objectives found in the revised General Plan, Economic Sustainability Plan, and Strategic Plan. All staff work is directed by these plans and refers back to City Council goals and priorities. Some of these objectives include, but are not limited to:

- Subway Monitoring – support extension and preferred alignment
- Beverly Hills Brand – develop brand enhancement programs
- Fiscal Sustainability – develop solutions to long term financial gaps between revenues and expenses, including pension reform, city facility maintenance and Parking Enterprise Fund balance
- Economic Sustainability – coordinate integration of Economic Sustainability objectives into work plans
- Technology – expand technology to improve efficiency in all initiatives including communications infrastructure and safety programs
- Revitalize Southeast Beverly Hills

Program-Based Budgeting

A useful tool in preparing the FY 2012/2013 budget was the City's program-based budget format. This approach requires an annual justification for every program, including its record in meeting objectives and providing value for dollars. Departments were able to evaluate program costs and effectiveness, and make recommendations based on this information. With narratives and financial figures for each service, the City's program-based format helped to identify areas for cost adjustments and bring transparency to funding sources and uses.

Staff continued to implement a relatively new addition to the budget for FY 2012/2013. This addition was to detail the changes in each program from the prior fiscal year (FY 2011/2012) to the new one (FY 2012/2013) so that City Council and the community can see the impacts. While it is never easy to make cuts during a budget process, a program-based approach offers a consistent framework for leaders who are compelled to reach such difficult decisions.



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Revenue and Expenditure Review

General Fund

Preliminary projections for the FY 2012/2013 budget resulted in the projection of an approximately \$5.2 million budget gap. However, with the budget cuts, deferred equipment replacement and revenue enhancements, the Council was presented with a balanced budget. For FY 2012/2013, the General Fund revenues were projected at \$173.5 million and expenditures are expected to be \$172.6 million.

At the time that the budget was prepared the projected General Fund operating expenses for FY 2011/2012 were \$166.6 million. All of the efforts done to maintain conservatism during the budget preparation process for FY 2011/2012 were necessary to produce a balanced budget, which was the result by the end of FY 2011/2012. While continuing to follow a conservative methodology, but still recognizing a broad recovery in revenues, the FY 2012/2013 General Fund operating budget is 3.6% percent higher than the FY 2011/2012 budget.

At the time the budget was prepared, property tax was projected to come in at 5.4% higher than budgeted due to higher collections for prior years taxes, penalties and assessed valuation. Additionally, sales tax and transient occupancy tax also came in higher than expected due to strong growth in luxury retail sales and increased tourism. Assuming a slight dip in revenue trends, while still maintaining a conservative approach, revenue projections for FY 2012/2013 are 2.3% below the adopted FY 2011/2012 revenue projections.

Enterprise Funds

Enterprise fund revenues, which fund storm-water, solid waste, parking, water, and wastewater operations, continue to depend on the rates the City charges to cover its expenditures. Certain rates must be increased due to the rise in fixed costs and the cost of resources (i.e., water, gas, etc.) to maintain current customer service levels.

The Water Enterprise Fund anticipates selling less water than previously forecast resulting in lower revenues even though a rate increase was

effective July 1, 2012. It is anticipated that rate increases will be required in future years for water. The Parking Enterprise Fund has been running a deficit in order to continue to offer two hours of free parking at most City facilities. The Solid Waste Enterprise Fund has made significant budget cuts and will be able to live within an automatic CPI rate adjustment this year. The fees charged for the Stormwater Fund are not sufficient to support the fund at this time. Imposition of fee increases would require approval by an election which staff is currently researching and evaluating.

Total appropriations for FY 2012/2013 were budgeted at \$373.8 million for all operating expenses (all funds) and \$41.2 million for the Capital Improvement Program (CIP) – most of which are grant or bond funded – amounting to a total of \$415 million for all requested appropriations. Total appropriations for the General Fund and total budget for FY2012/2013 are about 3.8% percent less and 6.8 percent more than the FY 2010/2011 appropriations and budget, respectively.

Recognizing the need to continue to provide for maintenance and repairs to prolong the lives of City facilities and infrastructure, the City will continue its targeted spending program for CIPs, though reduced by \$14.7 million for FY 2012/13. While construction costs are still down, the City can still maximize the effectiveness of its capital dollars by advancing infrastructure and asset enhancement projects. An \$8.5 million General Fund contribution to the Infrastructure, Information Technology, and Capital Asset Funds helps to support critical projects in the 5-year CIP. Major capital initiatives for the coming year include: installation of traffic signals for signal synchronization, improvement of Santa Monica Boulevard commencing with plans and outreach in FY 2011/12, installation of automated library materials handling system, improvement of Greystone Mansion and Park, expansion of eGov initiatives, and replacement of water mains and hydrants. The CIP has been separated into a second volume of the Budget, as it has been for the past several years, so that the project descriptions, budgets, and timelines can be easily referenced during budget discussions and throughout the year.

Cost Saving Measures

As required by law, the FY 2012/2013 budget is balanced, with all expenditures supported by available resources. In crafting this document,



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the City used a very conservative approach, making no assumptions that we will see a strong, economic growth spurt in the near future.

Based on Council’s objectives, the City’s approximately \$5.2 million shortfall was addressed in the budget through the following reductions:

Those strategies implemented in 2010/2011 to deal with the City’s revenue shortfall were continued in this budget. The strategy included reviewing department budgets and considering various alternatives. Non-essential programs that were eliminated have not been re-instated and no new programs or services have been added. New cost-saving measures included in the FY 2012/2013 budget are:

- Reduced the General Fund contribution for small equipment and furniture replacement
- Reduce the General Fund contribution for Information Technology equipment replacement
- Reduce the General Fund contribution for Policy, Administration and Legal services
- Reduce the General Fund contribution for Vehicle replacement
- Reduce the General Fund contribution for Capital Improvement Project contributions
- Utilize funds available from the budget stabilization fund

The Economic and Fiscal Context

The City of Beverly Hills traditionally holds up very well during state and national economic downturns. We have a vibrant business community with internationally recognized retail and corporate brands, a strong housing market, a low unemployment rate, high personal income levels, a relatively healthy reserve fund and financial policies and procedures that ensure economic sustainability and growth. We hold the rare and prestigious AAA bond rating from all three rating agencies. We are, however, not immune to external recessionary impacts and must deal with these rapidly to assure our continued fiscal health.

The FY 2012/13 economic outlook is one of modest growth. This budget has been trimmed for more manageable growth and sustainability, but our core services – police, fire, community services, and community development – and our internal and enterprise services remain funded at

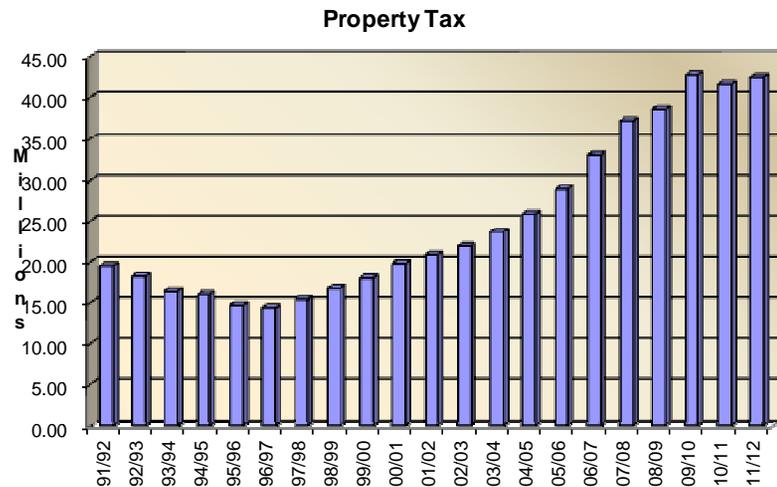
levels to ensure excellent public safety and a top-tier quality of life. This said, it must be noted that three consecutive years of cuts leave the City organization leaner, with some areas more sparsely covered.

It was no small feat to close a funding gap of more than \$18 million for fiscal year 2008/2009. To follow that with further budget reduction of \$9 million for FY 2009/2010 and FY 2010/2011, and \$4.5 million and \$5.2 million for FY 2011/2012 and FY 2012/2013 respectively. These actions speak to the fiscal will power and strength of Beverly Hills. To emerge from that effort with top-tier community services intact is even more remarkable. Credit is due to the City Council, City staff and the residents and businesses of Beverly Hills. During these fiscally trying times, their diligence, cooperation and creativity have strengthened Beverly Hills’ solid standing as one of the finest small cities in the nation.

Revenues:

The four major sources of General Fund revenue include Property Tax, Sales Tax, Business Tax and Transient Occupancy Tax (TOT).

The graph illustrates how property tax revenues respond to economic conditions. The current economic cycle began in FY 2007/2008 when we





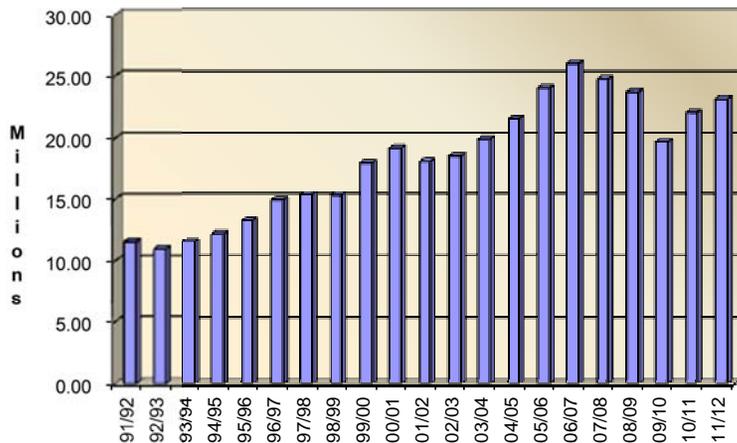
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saw a sharp drop off consumer based taxes like sales and TOT. However, Property taxes continued to grow for two more years before we see a decrease. Fiscal year 10/11 saw property tax revenues decrease slightly to \$42.1 million, a 2% decrease over the prior year. While FY 2011/2012 provides an increase we are still below the FY 2009/2010 collections.

Because property tax revenues can take as long as two years to respond to changes in economic conditions, they help the City adjust to economic downturns by lessening the immediacy of revenue loss.

Sales tax revenue responds much faster to changing economic conditions than property tax. As the accompanying chart shows, sales tax revenue responded almost immediately to the economic downturn of the early 90's and the terrorist events of September 2001. From FY 91/92 through FY 92/93 sales tax revenue declined at the rate of about 6.3%. In FY 93/94 sales tax revenues began responding to local economic improvements and continued that growth until the September 2001. Growth began again in FY 2002/2003 and continued until the recent economic downturn in FY 2007/2008.

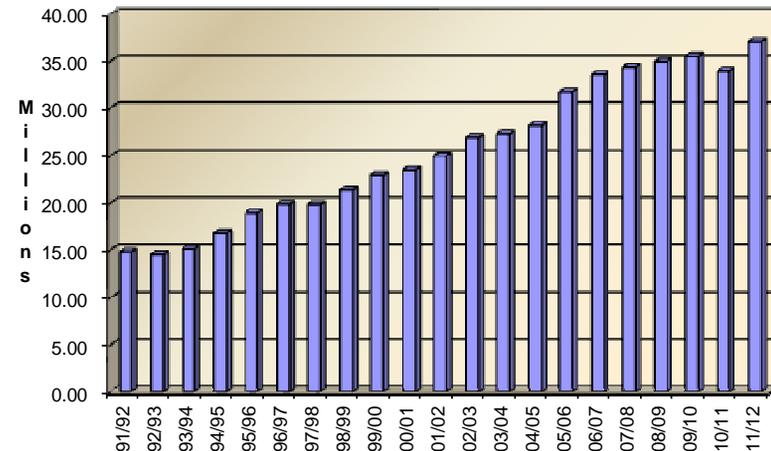
Sales Tax



Sales tax revenues ended FY 2010/2011 at \$22.1 million (11.9% increase) and 23.1 million (4.7% increase).

Business tax is paid by all local businesses. The tax rate varies depending on the type of business. Most Beverly Hills businesses pay Business Tax based on their gross receipts, which is a measure of the amount of business they do in the City (Corporate offices, professionals and some service businesses pay the tax based on their number of employees.). Business tax, being based on all business activity in the City rather than just retail sales, is much broader based than sales taxes and as such may be a better indicator of overall economic activity in the City.

Business Tax



As the chart illustrates, business taxes have been a barometer of the economic climate in Beverly Hills, responding rapidly to the changing economic climate. Recognizing that significant portions of business tax revenues are based on gross receipts, we can see how downward trends in the economy impact City revenues. Vacant office and retail space (which reflect revenue from real estate rentals) or reductions in retail sales negatively impact business tax revenues. Fiscal year 2010/2011 ended with a decrease of 4.25% (total revenues of \$34.0 million) while FY 2011/2012 saw an increase of 8.9% (\$37 million in revenue).



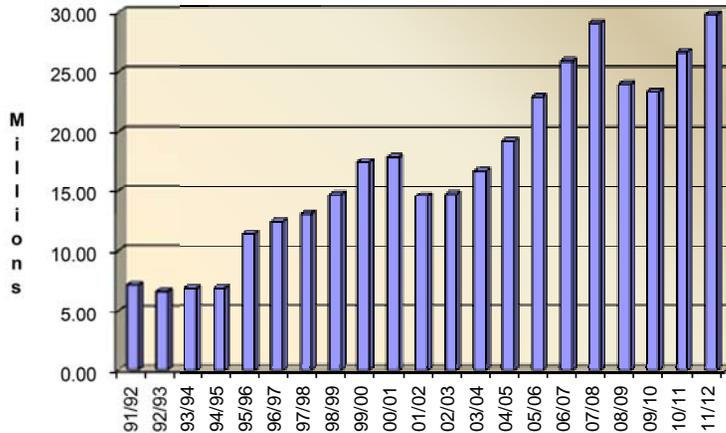
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In the transient occupancy tax (bed tax) chart the variations beginning in FY 92/93 are due to hotel closures and tax rate changes. Two world class hotels, The Beverly Hills Hotel and the L'Ermitage were closed for refurbishment in FY 1992/1993. The Beverly Hills Hotel had its reopening in June of FY 1994/1995. The L'Ermitage had its grand opening in June, 1998. In FY 1991/1992, the City raised the transient occupancy tax rate from 11% to 12% to improve revenues and remain consistent with surrounding communities. In February 1994, the City Council, at the urging of the Chamber of Commerce and the City's hotel operators, voted to increase the transient occupancy tax rate from 12% to 14% to fund local advertising/promotion campaigns. From that point until the terrorist activities of September 2001, transient occupancy taxes experienced steady growth. From \$17.8 million in revenues in FY 2000/2001, transient

9/11 growth. Fiscal year 2007/2008 exceeded all records and was far greater than anticipated at 29.1 million (a 12.48% increase). In November of 2008 the City's newest five star hotel, Montage, began operations. As a result of the current economic cycle, FY 2008/2009 revenue fell 17.53% to \$24 million and FY 2009/2010 continued the declining to \$23.4 million, 2.5% down. During FY 2010/2011 transient occupancy tax improved significantly, which is partly due to a non-recurring event, the NBA All-Star Game that contributed to greatly increase gross receipts in Beverly Hills hotels during the month of February 2011. In FY 2011/2012 we once again see a large increase of 12.1% (\$29.80 million in TOT revenues) due to the continued improvements in the European and Pacific Rim economies

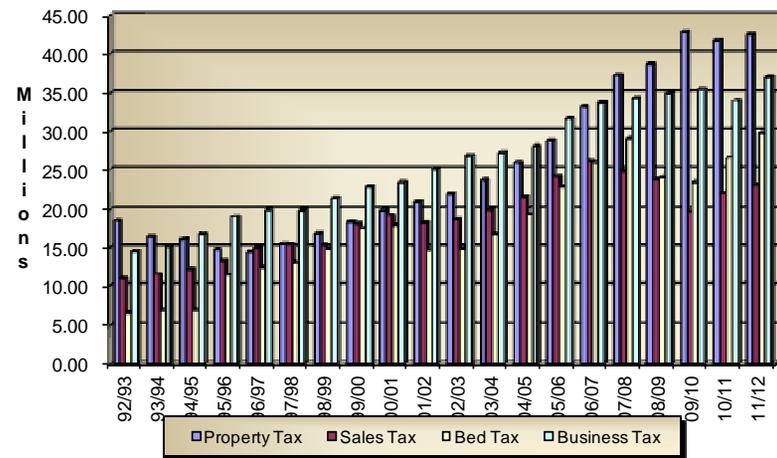
By reviewing the previous charts one can see the effect of the economy on the City's revenues and how that impacts our ability to provide services. When necessary, the City acted promptly in reducing costs to match reductions in activity. Concurrently, the City moved, in concert with the Chamber of Commerce and the business community, to promote and enhance the City's economic climate.

Transient Occupancy Tax



occupancy taxes fell about 18% to \$14.6 million in FY 02/03 and rebounded only slightly to \$14.8 million in FY 2002/2003. Revenue for FY 2003/2004 increased 12.7% to recover some of their prior strength and end the year at about \$16.7 million. Fiscal year 2004/2005 and 2005/2006 had increases of 15.5% (\$2.6 million increase for total revenues of \$19.26 million) and 18.58% (\$3.6 million increase for total revenues of \$22.8 million) respectively, far greater than anticipated and back on track to pre

**Total Tax Revenues
 Shown Individually**



In the Total Revenues chart, it is clear that transient occupancy and sales taxes responded almost immediately to the downturn of the economy. The

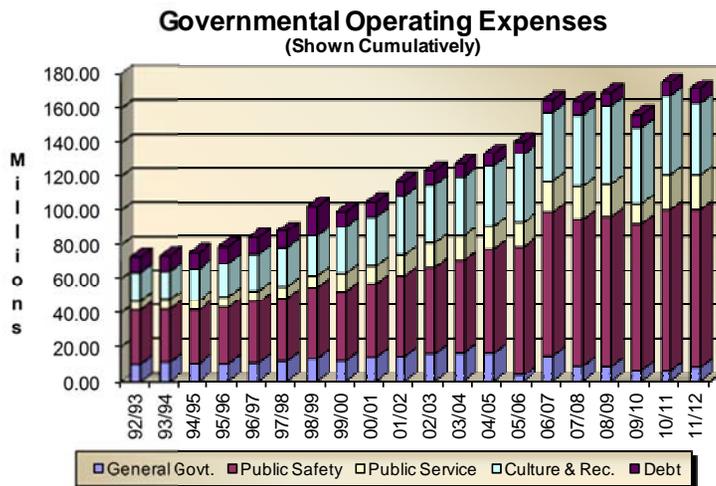


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slower response of property and business taxes provided some cushion for the City to respond to economic conditions in an educated and reasoned manner. As the graph shows, the City was able to control the process and avoid costly service cuts that could have further worsened the situation. The charts further illustrate that when property taxes caught up with the economic cycle and started falling, the City had, through actions described earlier, made improvements that increased business, transient occupancy and sales taxes.

Expenditures:

The following chart examines the City’s expenditures over the past several years and illustrates how the cost control measures implemented were able



to keep expenses within available resources.

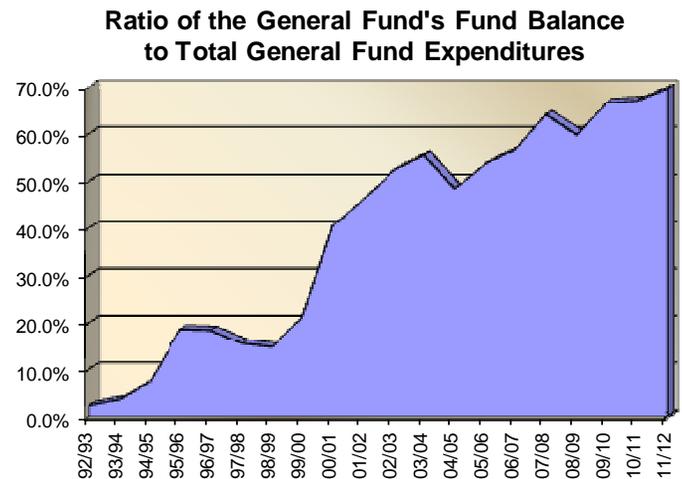
NOTE: A point of clarification for readers of this letter. The previous revenue graphs do not represent total City revenues for the periods evaluated. As noted, they represent only the City’s four largest General Fund tax revenue sources. The graph representing expenditures is for the categories shown for the City’s General Fund, Special Revenue Funds and Debt Service Funds. These graphs are intended to show the trends that developed over the

economic period discussed. They are not intended to show available resources or compare them to uses.

Further, it should be noted that as a result of the City’s change to a program based budget, much of the expenses that were identified as General Government in prior periods have become a part of the total overhead costs associated with each program.

The continued improvements in revenues provide the City with a strong economic base to build upon for the future. The City has adopted a balanced budget for FY 2012/2013. However, this budget assumes that the City is still required to address and fill budget gaps. With significant increases expected in pension and health care contribution costs for its employees (especially public safety), the soaring costs of managing claims, litigation and workers’ compensation, and the unknown impact on local government as the State attempts to balance its budget, the City Council continues to pursue strategies that maintain the City government’s fiscal health.

Perhaps the best measure of the City’s effectiveness in weathering an



economic downturn and building sustained growth for the future is its ability to build fund reserves. As a rule of thumb, a city should maintain sufficient reserves to weather the worst potential emergency scenarios.



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Ideally, municipalities would maintain a reserve equal to 25% to 50% of their annual General Fund operating expenditure budget. For Beverly Hills, that would equate to reserves between \$38.4 million and \$76.8 million for fiscal year 2011/12. In the accompanying chart, the change in the ratio of the fund balance of the City's General Fund to total expenditures is presented. As this chart demonstrates, the actions taken by the City have effectively improved revenues, controlled expenditures and allowed the City to increase its reserves for future needs.

Long-Term Financial and Strategic Planning. The City is investing in a number of significant projects and long term strategies as it begins the new millennium:

- The City has made major changes to employee benefit programs that substantially reduce current operating costs and future liabilities as follows:

<u>Benefit</u>	<u>Savings</u>
Cafeteria Benefit Plan	\$2.1 – \$4.8 million over five years
Defined contribution retiree medical	\$66.2 million over forty years
Alternative Retiree Medical Plan	\$27.0 million over forty` years
Two-Tier PERS	\$4.3 million over ten years
PERS cost sharing	\$3.5 million over five years

- The City has successfully negotiated with bargaining units to implement multi-year Memorandums of Understanding, which will slow the growth of increasing employee costs.
- The City has successfully completed and implemented an Economic Sustainability Plan which provides a framework for the City to prioritize and focus its programs on those that most support the economic vitality and attractiveness of Beverly Hills. This plan is available on the City's website at <http://www.beverlyhills.org/>
- The City has successfully completed and implemented a Strategic Plan, which is a plan developed to help the City Council establish priorities with input from City staff to make informed decisions. The plan is intended to guide and inform several existing City strategic efforts, including individual department reorganization and strategic plans, the Economic Sustainability Plan, and the City's Succession Plan.

- The City has successfully completed and implemented a Succession Plan. Succession planning is a systematic process of preparing suitable employees, through mentoring, training and job rotation, to replace key employees when they retire. Having competent candidates in-house for future position vacancies is crucial to Beverly Hills' future success as a City government. The City will proactively devote resources to developing a pool of competent candidates for positions within the organization.

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. The report satisfied both generally accepted accounting principles and applicable legal requirements.

The California Society of Municipal Finance Officers (CSMFO) no longer reviews or issues a Certificate of Award for Excellence in Public Communication to cities that receive the GFOA award.

The Certificate of Achievement from the GFOA is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Additionally, the City of Beverly Hills was given the Government Finance Officers Association (GFOA)'s 2011 Award of Excellence, as well as the 2012 CSMFO Innovation Award, for its excellent design and execution of the largely successful and ground-breaking Alternative Retiree Medical Program (ARMP). (Please see page 84 for more details on the ARMP program.)

The GFOA's Awards for Excellence in Government Finance recognize innovative programs – contributions to the practice of government finance that exemplify outstanding financial management. The awards stress practical, documented work that offers leadership to the profession and promotes improved public finance. Eight criteria are examined when considering an application for the award: local significance and value, technical significance, transferability, documentation, the cost/benefit analysis, efficiency, originality, and durability.



The Honorable Mayor, City Council and
Citizens of the City of Beverly Hills, California
Letter of Transmittal
February 6, 2013

Further, in regards to the CSMFO Innovation Award, the purpose of this award is to recognize innovation in public sector finance in the areas of accounting, budgeting, treasury, debt administration/issuance, procurement, risk management, and technology. No more than three awards are granted in any one year.

Acknowledgments. The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Administrative Services department. Each member of the department has our sincere appreciation for the contribution made in the preparation of this report.

In closing, without the leadership and support of the City Council of the City, preparation of this report, as well as the favorable financial results of the past year, would not have been possible.

Sincerely,

A blue ink signature of Jeff Kolin, consisting of stylized initials and a surname.

Jeff Kolin
City Manager

A blue ink signature of Noel Marquis, featuring a large, stylized initial 'N' followed by the surname.

Noel Marquis
Acting Chief Financial Officer

CITY OF BEVERLY HILLS, CALIFORNIA

Principal City Officials

Elected Officials

City Council

Mayor	William W. Brien, MD
Vice Mayor	John A. Mirisch
Councilmember	Lili Bosse
Councilmember	Barry Brucker
Councilmember	Julian Gold MD

City Treasurer

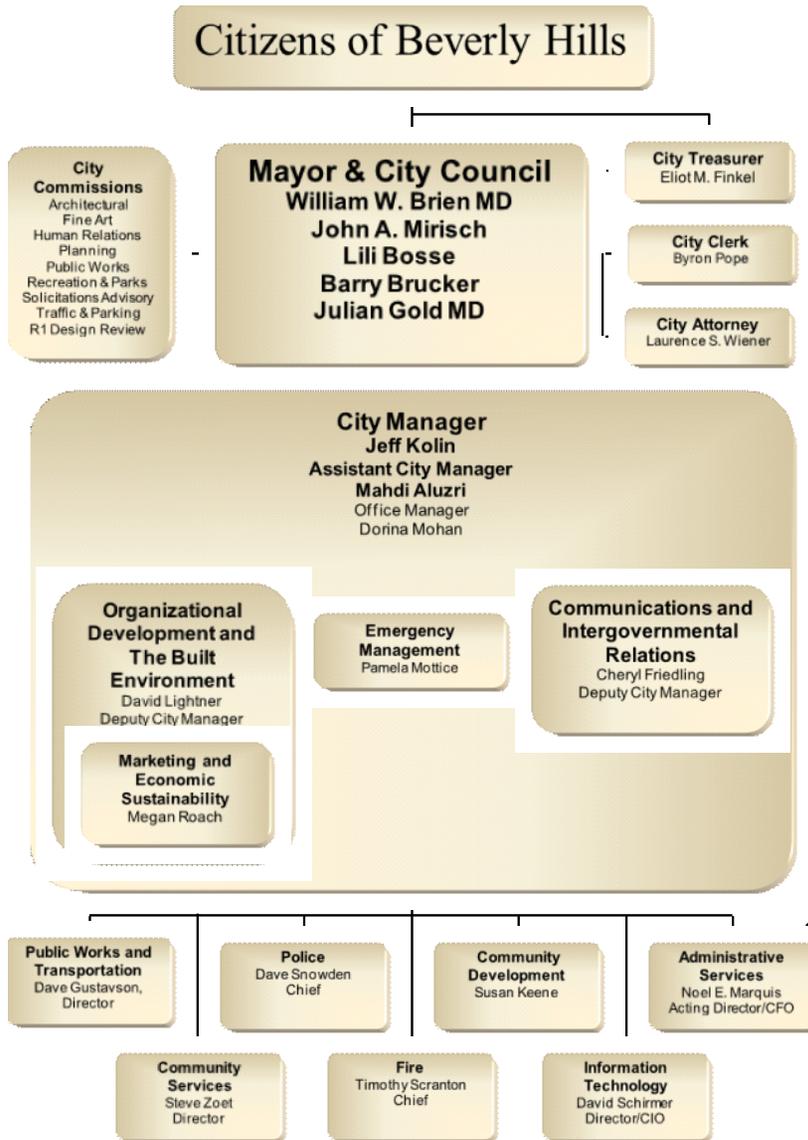
Eliot M. Finkel

Appointed Officials

City Manager	Jeff Kolin	Fire Chief	Timothy Scranton
Assistant City Manager	Mahdi Aluzri	Police Chief	David Snowden
City Attorney	Laurence S. Wiener	Director of Community Development	Susan H. Keene
City Clerk	Byron Pope	Director of Community Services	Steven Zoet
Acting Director, Administrative Services		Director of Public Works and	
Chief Financial Officer	Noel Marquis	Transportation	David Gustavson
Deputy City Manager/Economic		Director of Information Technology	David Schirmer
Development	David Lightner		
Deputy City Manager/Communications			
and Intergovernmental Relations	Cheryl Friedling		

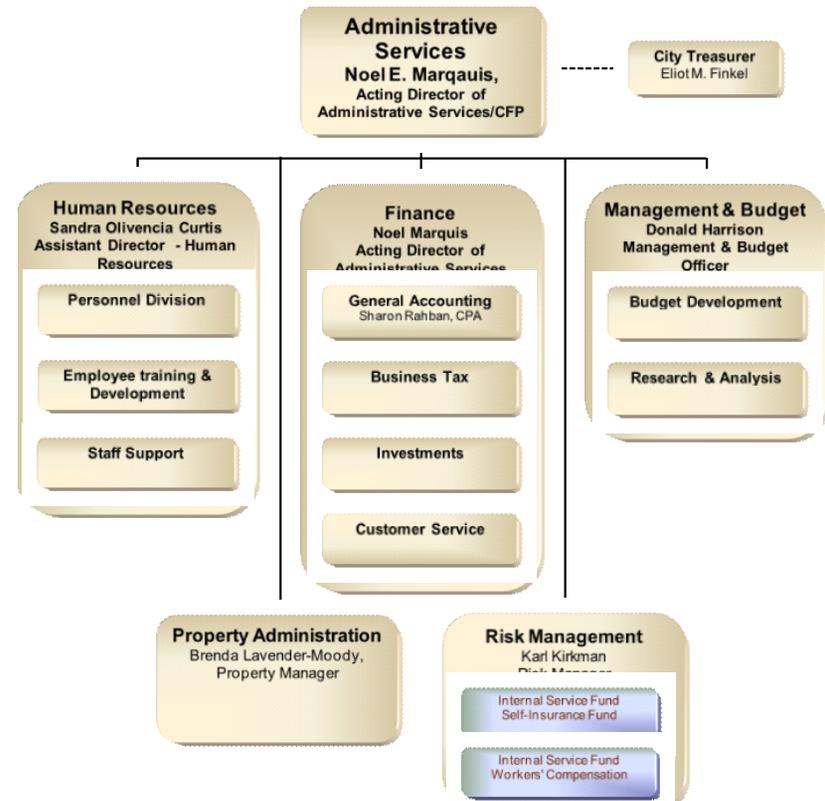
CITY OF BEVERLY HILLS, CALIFORNIA

Organizational Chart



CITY OF BEVERLY HILLS, CALIFORNIA

Department of Administrative Services Organizational Chart





The Honorable Mayor, City Council and
 Citizens of the City of Beverly Hills, California
 Letter of Transmittal
 February 6, 2013

**Certificate of
 Achievement
 for Excellence
 in Financial
 Reporting**

Presented to

**City of Beverly Hills
 California**

For its Comprehensive Annual
 Financial Report
 for the Fiscal Year Ended
 June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beverly Hills for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the twenty-fourth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.



Linda C. Dawson

President

Jeffrey R. Egan

Executive Director



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Beverly Hills
Beverly Hills, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Beverly Hills. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, California, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, of the City of Beverly Hills, California and the budgetary comparison information for the general fund of the City for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2013 on our consideration of the City of Beverly Hills, California's internal control over financial reporting and 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.

The Honorable Mayor and Members of City Council
City of Beverly Hills
Beverly Hills, California

The management's discussion and analysis and schedule of funding progress, identified as required supplementary information in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is 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 management's discussion and analysis and the schedule of funding progress 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Beverly Hills, California as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

White Nelson Dick Evans LLP

Irvine, California
February 6, 2013





CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis

June 30, 2012

As management of the City of Beverly Hills, California (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 10 of this report.

(A) Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$709,432,402 (*net assets*). Of this amount, \$275,211,914 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$53,861,902.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$156,459,704, an increase of \$8,473,065 from the prior year. Of this amount, \$105,603,746 or approximately 67.5% of total fund balances are reported as Committed (\$29,954,772), Assigned (\$5,725,916), or Unassigned (\$69,923,058) fund balances making them available for spending at the City's discretion (*in compliance with Governmental Accounting Standards Board's (GASB) Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions see Note 15*).
- The increase in the City's governmental funds reported combined fund balances was the result of an increase in Excess of Revenues over Expenditures of \$5,606,509 and a decrease in Other financing sources (uses) of \$6,497,538. The increase was the result of the overall economic improvements providing a substantial increase in revenues while the decrease was the result of not transferring additional monies to the City's Employee Benefits internal service fund to increase the funding for the City's Other Post Employment Benefit (OPEB) account.
- At the end of the current fiscal year, the Committed, Assigned and Unassigned fund balance for the General Fund was \$83,627,695 or 78.0% of total General Fund balance.
- The City's net capital assets increased by \$7,296,270 from the prior year as a result of the current capital replacement program activities completing several projects started in prior years (including upgrades to the City's street lighting system, renovations of the City's historic Greystone park and mansion, a new Computer Aided Dispatch and Records Management Public Safety System, replacement of aging water mains, and upgrades to Public Safety facilities) but initiating no new major projects during the course of the fiscal year.
- The City's net long-term liabilities decreased by \$28,780,726 or 8.19% primarily as the result of refunding several earlier issue with the City of Beverly Hills Public Financing Authority 2012 Water Revenue Refunding Bonds, Second Series A (\$38,925,000) and the City of Beverly Hills Public Financing Authority 2012 Lease Revenue Refunding Bonds, Series A (\$58,140,000 2007 Refunding Project).

B) Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: government-wide financial statements, fund financial statements and notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2012

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation 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 services, culture and recreation and debt service. The business-type activities of the City include operations of its water, wastewater and solid waste utilities, parking facilities operations and stormwater activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also activities of three legally separate component units: the Parking Authority of the City of Beverly Hills, the Beverly Hills Public Financing Authority, The City of Beverly Hills Charitable Community Foundation. Because the City Council acts as (or appoints) the governing board for each of these component units and because they function as part of the City government, their activities are blended with those of the primary government.

The government-wide financial statements can be found on page 29-31 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is 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 two categories: governmental funds and proprietary funds.

Governmental 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

fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

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 City'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 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Infrastructure Capital Projects Fund, each of which are considered to be major funds. Data from the other 18 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 in the *Additional Financial Information* section of this report.

The City adopts an annual appropriated budget for its General Fund, each of its special revenue funds, its debt service fund, its capital projects fund and its permanent funds. A budgetary comparison statement is provided for each of the City's governmental funds to demonstrate compliance with this budget. The budgetary comparison statement for the General Fund is located in the basic financial statements; the budgetary comparison statements for the Infrastructure Capital Projects Fund and the nonmajor governmental funds are presented in the Additional Financial Information section of this report.

The basic governmental fund financial statements can be found on pages 32-37 of this report.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2012

Proprietary Funds

The City maintains two different types of 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 water, wastewater and solid waste utilities, its parking facilities operations and its stormwater activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the following activities:

- Information technology assets and services,
- Governmental capital assets and related debt (except for infrastructure and fine art collection assets and related debt which are each maintained in a separate fund and reported as part of the governmental activities columns of the government-wide financial statements),
- Vehicles and wheeled equipment,
- Office and Operational Equipment,
- Reprographics equipment and operations,
- Cable television operations,
- Policy, Administration and Legal services,
- Self-insurance activities, including:
 - Liability insurance,
 - Workers' compensation,
 - Unemployment insurance, and
 - Employee benefits.

Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater, Solid Waste, Parking Facility, Stormwater and Parking

Authority operations, each of which is considered a major fund of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the *Additional Financial Information* section of this report.

The basic proprietary fund financial statements can be found on pages 38-42 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 43-92 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 93-94 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds, together with information on the Infrastructure Capital Projects Fund budget comparison and capital assets used in the operation of governmental funds (those capital assets not included in internal service funds), are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules, and information on governmental fund capital assets can be found on pages 116 to 118 of this report.

(C) Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$709,432,402 at the close of the most recent fiscal year.

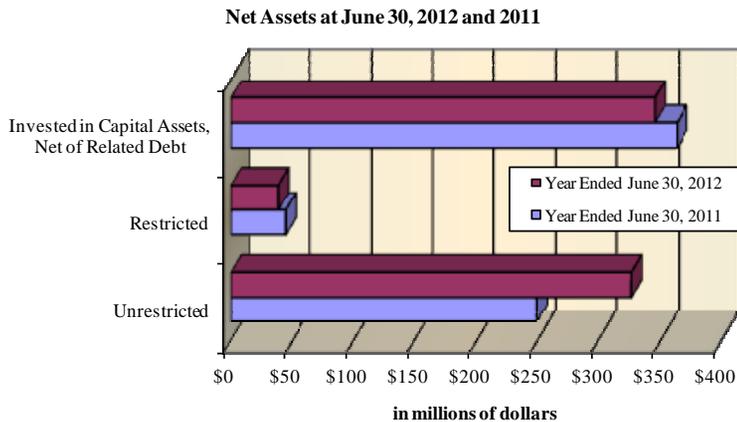
The second largest portion of the City's net assets (45.95%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2012

The largest portion of the City's net assets (48.65%) reflects its investment in capital assets (e.g., land, buildings, utility and general government infrastructure, machinery and equipment, etc.), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



An additional portion of the City's net assets (5.40%) represents resources that are subject to external restrictions on how they may be used. Of these restricted net assets 29.32% is for repayment of long-term debt, 39.98% is for construction of capital assets (unspent proceeds from long-term debt issues) and 30.70% relates to restrictions in the City's special revenue and permanent funds.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the City as a whole, as well as for its separate governmental and business activities. However, as a result of maintaining its free parking program, in the Parking Facil-

ities Fund the business-type activities invested in capital category had a negative \$353,761, as well as negative unrestricted net assets of \$23,999,235. The Parking Authority's business-type activities unrestricted category had a negative \$54,375,567. At the end of the prior fiscal year the City reported positive balances in all three categories of net assets for the City as a whole, as well as for its separate governmental activities.

City of Beverly Hills' Net Assets (000's)						
As of June 30, 2012 and 2011						
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 302,935	274,324	92,929	59,471	395,864	333,795
Restricted and other assets	77,441	94,070	(35,854)	(1,013)	41,587	93,057
Capital assets	<u>354,930</u>	<u>348,392</u>	<u>303,666</u>	<u>302,908</u>	<u>658,596</u>	<u>651,300</u>
Total assets	<u>735,306</u>	<u>716,786</u>	<u>360,741</u>	<u>361,366</u>	<u>1,096,047</u>	<u>1,078,152</u>
Current liabilities	42,660	47,443	20,652	23,710	63,312	71,153
Long-term liabilities, net of current portion	181,091	194,289	142,213	157,139	323,304	351,428
Other liabilities	-	-	-	-	-	-
Total liabilities	<u>223,751</u>	<u>241,732</u>	<u>162,865</u>	<u>180,849</u>	<u>386,616</u>	<u>422,581</u>
Net assets:						
Invested in capital assets, net of related debt	185,561	163,966	210,326	198,616	395,887	362,582
Restricted	29,263	34,272	9,070	10,176	38,333	44,448
Unrestricted	<u>296,731</u>	<u>276,816</u>	<u>(21,519)</u>	<u>(28,276)</u>	<u>275,212</u>	<u>248,540</u>
Total net assets	<u>\$ 511,555</u>	<u>475,054</u>	<u>197,877</u>	<u>180,516</u>	<u>709,432</u>	<u>655,570</u>

The City's governmental current assets increased by \$28,611,091, which resulted primarily from an increase of \$23,255,741 in Cash and Investments, and Intergovernmental receivable of \$3,351,485 and moderate increases in all other categories totaling \$2,006,865. The governmental restricted assets decreased by \$5,523,083, recognizing the continued progress in completing bonded capital projects.

The City's business-type current assets increased by \$33,458,434, primarily from an increase in Cash and investments of \$33,216,373. Restricted assets decreased by \$45,649,777 as the result of the progress in completing bonded capital projects.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

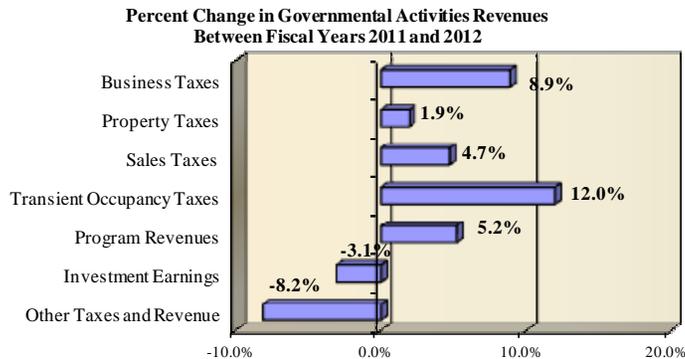
June 30, 2012

City of Beverly Hills' Changes in Net Assets (000's)						
As of June 30, 2012 and 2011						
	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 55,137	54,341	102,231	86,303	157,368	140,644
Op. grants & cont.	4,068	4,858	-	17	4,068	4,875
Cap. grants & cont.	4,522	1,385	387	373	4,909	1,758
General revenues:						
Taxes	135,923	128,162	-	-	135,923	128,162
Investment earnings	10,717	11,061	1,039	1,374	11,756	12,435
Other	2,315	2,525	4,553	34	6,868	2,559
Total revenues	212,682	202,332	108,210	88,101	320,892	290,433
Expenses:						
General government	8,906	6,908	-	-	8,906	6,908
Public safety	92,347	94,175	-	-	92,347	94,175
Public services	19,761	19,915	-	-	19,761	19,915
Culture and recreation	41,918	46,237	-	-	41,918	46,237
Interest on LT debt	8,693	8,222	-	-	8,693	8,222
Water	-	-	27,819	27,099	27,819	27,099
Parking facilities	-	-	18,505	23,552	18,505	23,552
Solid waste	-	-	12,982	13,893	12,982	13,893
Wastewater	-	-	10,034	6,450	10,034	6,450
Stormwater	-	-	2,580	3,137	2,580	3,137
Parking authority	-	-	23,486	-	23,486	-
Total expenses	171,625	175,457	95,406	74,131	267,031	249,588
					200,909	
Excess (deficiency) of revenues over expenditures	41,057	26,875	12,804	13,970	53,861	40,845
Transfers	(4,556)	1,011	4,556	(1,010)	-	1
Increase in net assets	36,501	27,886	17,360	12,960	53,861	40,846
Net assets, July 1	475,054	447,169	180,516	167,556	655,570	614,725
Net assets, June 30	\$ 511,555	475,055	197,876	180,516	709,431	655,571

The City reported a net increase of \$7,296,274 in capital assets, \$6,537,942 in governmental activities and \$758,322 in business-type activities. The net increase in both governmental and business-type activities was the result of the completion of several large projects including adding new Buildings (\$6,195,453), upgrades and replacements of

utility systems (\$36,357,347) reductions from the end of life of some Machinery and equipment (\$9,718,032), a decrease in Construction in progress (\$37,496,141) and increased depreciation (\$10,221,973).

The City's net assets increased by \$53,861,907 during the current fiscal year, a 31.86% increase over the prior year. Total adjusted revenues increased 10.49% (\$30.5 million). The City experienced an increase of 6.06% in tax revenues (\$7.8 million), and a 13.99% (\$22.7 million) increase in other revenues. The increase reflects the overall improvement to economic conditions in our area.



Expenses increased by 6.99% (\$17.4 million) over the prior year. The increases were from the Parking Authority, Wastewater Enterprise and General Government as all other areas experienced a 6.34% (\$12.7 million) decrease in expenses.

Governmental Activities

Governmental activities net assets increased by \$36,501,702 thereby accounting for 67.8% of the total growth in the net assets of the City. Key elements of the increase in governmental activities net assets are as follows:

- Taxes, 74.04% of total governmental activities revenues, increased by \$7.81 million (6.09%) from the prior year.

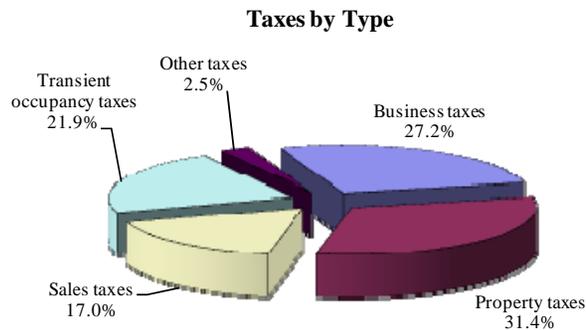
CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2012

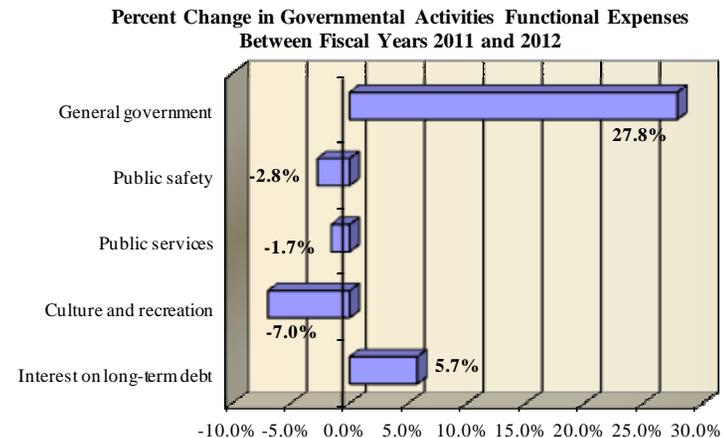
- Business taxes, which are primarily levied based on the gross receipts of the business in the prior calendar year, increased by \$3,017,896 (8.88%).
- Property taxes are levied based on assessed values, although increases in the assessed values of properties that do not change ownership are generally limited to 2% annually. Real estate sales in FY 2012 were up as the market begins to recover from the decreased values and foreclosures throughout the industry. This resulted in an \$807,690 (1.93%) Increase.
- Sales taxes are a direct reflection of the general economy; the increase of \$1,040,925 (4.72%) reflects the continuing improvement in the economy.
- Transient occupancy tax revenues increased 12.01% (\$3,194,374) from the prior year also as a result of improving economic conditions.
- Investment earnings decreased by \$344,096 (3.11%) during the year. This was primarily a result of a reduced yield of the portfolio.

The four major tax sources are relatively evenly split, reducing the City's reliance on any one source.



The City continued its efforts to maintain effective cost controls. Governmental activities expenses increased 8.29% during FY 2012.

- General government expenses increased 27.79% (\$1,919,550).
- Decrease in public safety of 2.80% (\$2,641,079).
- Public services decreased 1.65% (\$329,002).
- Culture and recreation decreased 7.04% (\$3,253,577).
- Interest on long-term debt increased (5.72%) because of new debt issues and scheduled debt payments.



Business-type Activities

Business-type activities increased the City's net assets by \$17,360,205 or 32.23% of the growth in the City's net assets. Key elements of this increase in business-type activities net assets are as follows:

- Charges for services, representing 94.47% of total business-type activities revenues, decreased by \$2,209,102 (2.41%) from the prior year.
- Expenses in the business-type activities decreased by 3.07% (\$2,211,188) in FY 2012.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2012

(D) 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 and outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds report combined ending fund balances of \$156,459,704 an increase of \$8,473,065 from the prior year. This increase is the net result of an \$8.6 million (4.88%) increase in revenues, a \$2.96 million (1.79%) decrease in expenditures and a \$6.5 million (47.81%) decrease in Other financing sources.

In compliance with GASB Statement No. 54, the components of the new fund balance include the following line items:

- a) **Nonspendable fund balance** -\$23,581,899 (inherently nonspendable) include the portion of net resources that cannot be spent because of their form, and the portion of net resources that cannot be spent because they must be maintained intact
- b) **Restricted fund balance** - \$27,192,678 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other government
- c) **Committed fund balance** - \$29,954,772 (self imposed limitation set in place prior to the end of the period) Limitation imposed at the highest level of decision making that requires formal action at the same level to remove.
- d) **Assigned fund balance** - \$5,725,916 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.

- e) **Unassigned fund balance** - \$69,923,058 (residual net resources) is the total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance and the excess of nonspendable, restricted, and committed fund balance over total fund balance.

The implementation of these new components is intended to decrease confusion and help serve the needs of the financial statement users. *(Please see Note 15 for more information)*

The General Fund is the chief operating fund of the City. At the end of the current fiscal year the fund balance components were reported as nonspendable \$23,663,280, committed \$10,363,227, assigned \$3,300,000 and unassigned \$69,923,058 for a total General Fund balance of \$107,208,994.

The fund balance of the City's General Fund increased by \$9,224,838 during the current fiscal year. Key factors in this increase are as follows:

- Tax revenues increased \$8.22 million (6.55%). The majority of tax revenues is reported in and benefits General Fund activities. The nature of the taxes and the reasons for the change in these revenue sources is the same as described earlier for governmental activities. The specific changes in these tax revenue sources at the General Fund level from FY 2011 are: business taxes increased by \$3.0 million, (8.88%), property taxes increased by \$807,690 (1.93%), sales taxes increased \$1.0 million (4.72%) and transient occupancy taxes increased \$3.2 million (12.01%). The category Licenses and permits increased 1.0 million (8.50%).
- The City experienced an increase of 5.20% (\$7.6 million) in General Fund expenditures during FY 2012. General Government expenses increased \$1.3 million (22.37%), Public Safety increased by \$6.1 million (7.42%), Public Service increased \$620,800 (3.18%) and Culture and recreation decreased \$413,488 (1.06%).

Activities in the Infrastructure Capital Projects Fund continued a very aggressive program in FY 2012. These projects include the citywide

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

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streetlight replacement program, resurfacing of major streets, parks capital improvement projects and traffic signal upgrades.

Nonmajor governmental funds' fund balances decreased \$108,842 (3.2%) during FY 2012.

Enterprise Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the enterprise funds totaled a negative \$ 21.5 million, an increase of \$6.7 million (23.9%). The improvement to unrestricted net assets is the result of improvements to the financial position of the Water, Solid Waste and Wastewater Enterprise funds. On September 30, 2011, the majority of the assets of the City's Parking Enterprise Fund were transferred to the Parking Authority in order to show a total separation between the Parking Authority and the City. As a result the unrestricted net assets of the Parking Facilities are now shown in the Parking Facilities Enterprise Fund (\$23,999,235) and the Parking Authority (\$54,375,567). The Total growth in net assets for these funds was an increase of \$17.36 million (9.62%). Other factors concerning the finances of these funds are as follows:

- Operating revenue for the Water Enterprise decreased \$694,928 (2.18%), operating expenses increased \$719,616 (2.7%), operating income decreased by \$1.5 million (18.23%), income after non-operating items decreased \$1.5 million (29.87%) and change in net assets decreased by \$1.26 million (23.38%).
- Operating revenue for the Parking Enterprise decreased \$1.2 million (4.60%) operating expenses decreased \$5.05 million (21.4%), operating income increased \$503,844 (5.66%), income after non-operating items increased \$5.87 million (256.21%) providing a decrease in change in net assets of \$56.92 million as a result of transferring the majority of the assets to the Parking Authority on September 30, 2011.
- Operating revenue for the Solid Waste Enterprise increased \$174,613 (1.2%) operating expenses decreased \$910,531 (6.6%), operating income increased \$1.09 million (158.61%), income after non-operating items increased \$982,222 (104.63%) providing an increase to change in net assets of \$1.13 million (171.10%).

- Operating revenues for the Wastewater Enterprise decreased \$304,937 (2.34%), expenses increased \$3.58 million (55.6%), operating income decreased \$3.9 million (54.90%), income after non-operating items decreased \$2.46 million (35.36%) translating to a decrease in change in net assets of \$2.48 million (35.74%).
- Operating revenues for the Stormwater Enterprise decreased \$50,100 (2.75%), expenses decreased \$556,864 (17.8%), operating income increased by \$506,764 (38.6%), income after non-operating items increased by \$513,146 (39.24%) resulted in an increase in change in net assets of \$470,576.
- Operating revenues for the Parking Authority were \$17.96 million, expenses were \$23.5 million, Operating income was a loss of \$6.6 million, income after non-operating was a loss of \$4.6 million and change in net assets 63.4 million.

Internal Service Funds

The City's internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its information technology assets and services, governmental capital assets and related debt (except for infrastructure and fine art collection assets and related debt), reprographics equipment and operations, cable television operations and the Policy, Administration and Legal services provided. The City also uses internal service funds to account for its self-insurance activities, including liability insurance, workers' compensation, unemployment insurance and employee benefits. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Factors concerning the finances of the internal service funds have already been addressed in the discussion of the City's governmental activities.

(E) Budgetary Highlights

The City adopts annual appropriated operating budgets for its governmental funds (General Fund, special revenue funds, debt service fund, capital projects fund and permanent funds), and reports the results of operations on a budgetary comparison basis. The City also uses annual

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2012

financial plans as a management tool for its enterprise and internal service funds, although the City does not report the results of these funds on a budgetary comparison basis.

In preparing its budgets, the City attempts to estimate its revenues using realistic, but conservative, methods so as to budget its expenditure appropriations and activities in a prudent manner. As a result, the City Council adopts budget adjustments during the course of the fiscal year to reflect both changed priorities and availability of additional revenues to allow for expansion of existing programs. During the course of the year, the City Council amended the originally adopted budget to reappropriate prior year approved projects and expenditures, increase legal and professional services, move up the timing of expenditures for several capital projects, provide additional community support, and tourism and promotions.

General Fund

The General Fund reflected a net total favorable budget variance of \$16.4 million (before transfers) when comparing actual amounts to the final budget for the current fiscal year. This budget variance reflects a favorable variance in revenues of \$10.5 million and a favorable variance in total expenditures of \$5.9 million.

(F) Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$658,596,366 (net of accumulated depreciation of \$340,412,449) as of June 30, 2012. This investment in capital assets includes land, buildings, utility systems, improvements other than buildings, infrastructure (roads, sidewalks, streetlights, etc.), machinery and equipment, the City's fine art collection and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 5.98% before depreciation (an increase of 2.08% for governmental activities and 10.87% for business-type activities).

The change in governmental activity capital assets primarily reflects the investments in buildings and infrastructure and equipment upgrades and replacements. The increase in business-type activity capital assets primarily reflects additions for utility systems.

The City has an aggressive capital improvement program totaling over \$155.8 million over the next five years (the City budgets its capital program in rolling 5-year increments). The City budgets these projects in six major categories: general government buildings, infrastructure and properties; streets, alleys and sidewalks; parks and recreation facilities; enterprise buildings, infrastructure and properties; and major development and infrastructure projects. Among these categories, the major projects include scheduled replacement of vehicles (\$8.5 million), improvements to City infrastructure (\$14.7 million), improvements to City buildings and facilities (\$12.2 million), improvements to the City's parks and recreation facilities (\$8.4 million), improvements to streetscape, street resurfacing and replacement of street lights (\$14.7 million), upgrades to the City's information technology infrastructure (\$18.0 million) and repairs and upgrades to the City's utility systems (\$55.0 million). The City has budgeted capital projects expenditures totaling \$41.2 million for FY 2013.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 51,602	51,602	33,114	33,114	84,716	84,716
Buildings	153,054	152,039	124,704	94,985	277,758	247,024
Utility systems	-	-	134,154	129,181	134,154	129,181
Improvements other						
than buildings	18,152	17,788	2,804	3,075	20,956	20,863
Infrastructure	83,423	73,103	-	-	83,423	73,103
Machinery and equipment	28,061	29,571	3,190	3,007	31,251	32,578
Fine art collection	1,746	1,746	-	-	1,746	1,746
Construction in progress	18,892	22,543	5,701	39,546	24,593	62,089
Total capital assets, net	\$ 354,930	348,392	303,667	302,908	658,597	651,300

Additional information on the City's capital assets can be found in Note 8 to the basic financial statements on pages 67-71 of this report.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$292,099,602, including current portion of \$19,850,000. Of this amount, \$292,099,602 represents revenue bonds secured solely by specified revenue sources. Other long-term obligations include notes payable \$29,939,602, employee-compensated absences of \$13,967,814, including current portion of \$1,072,501 and outstanding claims of \$9,978,036.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2012

Additions to the City's long-term debt included a revenue bonds issue of \$129.2 million, current year claims totaling \$2.8 million, additions to compensated absences of \$309,572 and capital leases payable of \$434,742. Deductions include a revenue bond refunding and debt payments of \$154.8 million, notes payable of \$1.4 million, compensated absences paid of \$641,572, payments against claims totaling \$5.8 million, payment of capital leases of \$1.7 million.

City of Beverly Hills' Outstanding Long-Term Debt (000's)						
As of June 30, 2012 and 2011						
	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Revenue bonds	140,657	152,886	151,442	164,843	292,099	317,729
Capital leases	-	-	-	-	-	-
OPEB obligations	-	-	-	-	-	-
Note payable	29,940	31,336	-	-	29,940	31,336
Compensated absences	13,968	14,300	-	-	13,968	14,300
Claims payable	9,978	13,028	-	-	9,978	13,028
Capital lease payable	371	1,670	-	-	371	1,670
Total debt	\$ 194,914	213,220	151,442	164,843	346,356	378,063

Under requirements of the state of California, the City's legal debt limit is 3.75% of its total assessed value. This limit is generally not applicable to bonds paid from enterprise funds, other lease revenue bonds, capital leases, compensated absences and outstanding claims. Accordingly, the debt limit at June 30, 2012 is \$799.6 million and is available for future general obligation debt issues.

In December 2002, the Community Facilities District 2002-A (Business Triangle) of the City of Beverly Hills (Community Facilities District) issued \$16,215,000 of Special Tax Bonds, Series 2002. These bonds were issued by the Community Facilities District, a special assessment district within the Business Triangle of the City, the location of world famous retail businesses, restaurants and hotels. The net proceeds of these bonds together with a contribution from the City of approximately \$2.7 million, is being used to fund a \$15 million Urban Design Program within the City's Business Triangle. This program provided for pedestrian and other infrastructure improvements which will be owned and maintained by the City upon completion of the project. The Community Facility District Bonds, payable solely from net special assessments on taxable properties within the District, are not

obligations of the City, but rather are limited obligations of the Community Facilities District.

Ratings on outstanding bonds are provided below. The ratings are from Moody's Investor Services, Fitch, Inc. and Standard and Poor's. (Note that the insured rating is given rather than the underlying rating on insured issues.)

City of Beverly Hills' Debt Ratings			
Debt Issue	Moody's	Fitch's	S & P
Revenue bonds:			
2003 Refunding Lease	Aaa*	AA	—
2008 Water Revenue	Aa1	AA+	AAA
2008 Wastewater Revenue	Aa3	AA+	AAA
2009 Lease Revenue Bonds	Aa2	AA+	AA+
2010 Lease Revenue Bonds	Aa2	AA+	AA+
2012 Refunding Lease Revenue	Aa2	AA+	AA+
2012 Refunding Water Revenue	Aaa	AAA	AAA

* Underlying rating is Aa3.

Additional information on the City's long-term debt can be found in note 9 to the basic financial statements on pages 71-80 of this report.

(G) Economic Factors and Next Year's Budgets and Rates

The City Council adopted a conservative budget for Fiscal Year 2012/2013.

The proposed budget contains many ambitious work plan objectives that are intended to address the highest priorities in the community and the goals of the City Council. The budget attempts to categorize these priorities into the five initiatives.

1. Community Reinvestment
2. Communication and Outreach
3. Organizational Development – Being the Best
4. Improving Services and Results
5. Sustaining Beverly Hills' Reputation for Excellence

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

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This budget also sets the financial foundation to establish an accurate and understandable assessment and tracking of the uses and sources of all funds. The 2012/2013 budget presents a number of opportunities and challenges to improve overall service to the community while dealing with an economic downturn. By any standard this is a very aggressive program of work that will challenge the capacity of staff and the City Council to accomplish under the revenue assumptions.

The proposed General Fund budget for Fiscal Year 2012/2013 includes the following assumptions:

- Realization of slower growth in revenues as a result of current economic conditions.
- Decreases in operating expenditures consistent with the revenue forecasts.
- Maintenance of service levels and program to the extent possible and minimal reductions in service levels where appropriate.

(H) Requests for Information

This financial report is designed to provide a general overview of the City's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Noel E. Marquis, Acting Director of Administrative Services/Chief Financial Officer, City of Beverly Hills, 455 N. Rexford Drive, Room 350, Beverly Hills, California 90210-4817. Additional information, including the prior years CAFR and prior and current year budgets are available on the City's WEB site at www.beverlyhills.org.



CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments (note 4)	\$ 269,938,503	79,344,628	349,283,131
Accounts receivable, net (note 5)	8,640,372	11,885,017	20,525,389
Interest receivable (note 5)	770,185	255,558	1,025,743
Taxes receivable (note 5)	14,174,961	—	14,174,961
Intergovernmental receivables (note 5)	7,613,709	—	7,613,709
Inventories	356,154	1,382,299	1,738,453
Prepaid expenses	1,441,457	56,263	1,497,720
Deposits	—	5,552	5,552
Total current assets	<u>302,935,341</u>	<u>92,929,317</u>	<u>395,864,658</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash and investments (notes 4C and 9)	2,536,855	17,397,889	19,934,744
Interest receivable (note 5)	899	2,490	3,389
Permanently restricted:			
Cash and investments (note 4C)	81,381	—	81,381
Total restricted assets	<u>2,619,135</u>	<u>17,400,379</u>	<u>20,019,514</u>
Other noncurrent assets:			
Deferred bond issuance costs, net (note 9)	1,590,450	1,746,083	3,336,533
Internal balances	55,551,443	(55,551,443)	—
Net pension assets (note 10)	12,412,433	550,943	12,963,376
Other post employment benefit asset (note 12)	5,267,331	—	5,267,331
Total other noncurrent assets	<u>74,821,657</u>	<u>(53,254,417)</u>	<u>21,567,240</u>
Capital assets (note 8):			
Land	51,601,692	33,114,045	84,715,737
Buildings	233,182,010	210,747,127	443,929,137
Utility systems	—	194,564,920	194,564,920
Improvements other than buildings	32,872,599	4,308,169	37,180,768
Infrastructure	134,174,693	—	134,174,693
Machinery and equipment	68,245,809	9,859,233	78,105,042
Fine art collection	1,746,411	—	1,746,411
	<u>521,823,214</u>	<u>452,593,494</u>	<u>974,416,708</u>
Less accumulated depreciation	(185,784,683)	(154,627,766)	(340,412,449)
Construction in progress	18,891,556	5,700,551	24,592,107
Total capital assets, net	<u>354,930,087</u>	<u>303,666,279</u>	<u>658,596,366</u>
Total noncurrent assets	<u>432,370,879</u>	<u>267,812,241</u>	<u>700,183,120</u>
Total assets	<u>735,306,220</u>	<u>360,741,558</u>	<u>1,096,047,778</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 8,330,500	4,455,612	12,786,112
Contracts payable	600,106	380,924	981,030
Accrued payroll	4,733,999	361,621	5,095,620
Interest payable (note 9)	516,197	579,154	1,095,351
Current portion of long-term liabilities :			
Compensated absences (note 9)	1,072,501	—	1,072,501
Outstanding claims (note 9)	2,972,433	—	2,972,433
Capital leases (note 9)	114,137	—	114,137
Note payable (note 9)	1,484,982	—	1,484,982
Revenue bonds (note 9)	8,461,413	11,388,587	19,850,000
Intergovernmental liabilities	1,515,535	1,499,197	3,014,732
Customer deposits	6,189,504	1,485,205	7,674,709
Unearned revenue (note 5)	6,668,237	481,743	7,149,980
Total current liabilities	<u>42,659,544</u>	<u>20,652,043</u>	<u>63,311,587</u>
Long-term liabilities, net of current portion:			
Compensated absences (note 9)	12,895,313	—	12,895,313
Outstanding claims (note 9)	7,005,603	—	7,005,603
Unearned revenue (note 5)	—	507,275	507,275
Capital leases (note 9)	256,932	—	256,932
Note payable (note 9)	28,454,620	—	28,454,620
Revenue bonds (note 9)	137,762,535	144,119,904	281,882,439
Deferred amount on refunding, net (note 9)	(5,566,571)	(4,066,266)	(9,632,837)
Leased property deposits	282,337	655,576	937,913
Deferred credit from sale-leaseback transactions (note 11)	—	996,531	996,531
Total long-term liabilities	<u>181,090,769</u>	<u>142,213,020</u>	<u>323,303,789</u>
Total liabilities	<u>223,750,313</u>	<u>162,865,063</u>	<u>386,615,376</u>
NET ASSETS			
Invested in capital assets, net of related debt (note 14)	185,561,158	210,325,789	395,886,947
Restricted for:			
Debt service	2,169,308	9,069,847	11,239,155
Construction of capital assets	15,324,339	—	15,324,339
Streets, highways, bikeways, public transit and other related purposes	7,392,191	—	7,392,191
Endowment or trust agreement:			
Expendable	173,734	—	173,734
Nonexpendable	81,381	—	81,381
Other purposes	4,122,741	—	4,122,741
Unrestricted	296,731,055	(21,519,141)	275,211,914
Total net assets	<u>\$ 511,555,907</u>	<u>197,876,495</u>	<u>709,432,402</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ (8,906,226)	1,229,863	20,953	1,004,990	(6,650,421)	—	(6,650,421)
Public safety	(92,347,684)	25,384,542	2,634,208	2,012,951	(62,315,983)	—	(62,315,983)
Public service	(19,760,641)	19,687,499	1,347,832	1,503,966	2,778,656	—	2,778,656
Culture and recreation	(41,918,369)	8,834,940	65,090	—	(33,018,339)	—	(33,018,339)
Interest on long-term debt	(8,692,906)	—	—	—	(8,692,906)	—	(8,692,906)
Total governmental activities	<u>(171,625,827)</u>	<u>55,136,844</u>	<u>4,068,083</u>	<u>4,521,907</u>	<u>(107,898,993)</u>	<u>—</u>	<u>(107,898,993)</u>
Business-type activities:							
Water	(27,818,745)	31,124,854	—	—	—	3,306,109	3,306,109
Parking facilities	(18,505,054)	23,921,578	—	—	—	5,416,524	5,416,524
Solid waste	(12,982,426)	14,751,733	—	387,198	—	2,156,505	2,156,505
Wastewater	(10,033,862)	12,700,804	—	—	—	2,666,942	2,666,942
Stormwater	(2,579,803)	1,774,698	—	—	—	(805,105)	(805,105)
Parking authority	(23,486,489)	17,957,515	—	—	—	(5,528,974)	(5,528,974)
Total business-type activities	<u>(95,406,379)</u>	<u>102,231,182</u>	<u>—</u>	<u>387,198</u>	<u>—</u>	<u>7,212,001</u>	<u>7,212,001</u>
Total	<u>\$ (267,032,206)</u>	<u>157,368,026</u>	<u>4,068,083</u>	<u>4,909,105</u>	<u>(107,898,993)</u>	<u>7,212,001</u>	<u>(100,686,992)</u>
General revenues:							
Taxes:							
Business					37,011,611	—	37,011,611
Property					42,622,470	—	42,622,470
Sales					23,093,786	—	23,093,786
Transient occupancy					29,789,182	—	29,789,182
Other					3,406,104	—	3,406,104
Grants and contributions not restricted to specific programs:					409,274	—	409,274
Unrestricted investment earnings					11,280,401	1,231,589	12,511,990
Net change in fair value of investments:					(563,322)	(192,556)	(755,878)
Gain (loss) on sale of capital assets					—	931	931
Miscellaneous					1,906,938	4,552,486	6,459,424
Transfers (note 7)					444,249	(444,249)	—
Contributions to Parking Authority (note 14)					(5,000,000)	5,000,000	—
Total general revenues and transfers					<u>144,400,693</u>	<u>10,148,201</u>	<u>154,548,894</u>
Change in net assets					<u>36,501,700</u>	<u>17,360,202</u>	<u>53,861,902</u>
Net assets, July 1					<u>475,054,207</u>	<u>180,516,293</u>	<u>655,570,500</u>
Net assets, June 30					<u>\$ 511,555,907</u>	<u>197,876,495</u>	<u>709,432,402</u>

See accompanying notes to basic financial statements

CITY OF BEVERLY HILLS, CALIFORNIA

Balance Sheet

Governmental Funds

June 30, 2012

Assets	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
Cash and investments (note 4)	\$ 78,263,921	15,413,502	27,753,393	—	121,430,816
Accounts receivable, net (note 5)	7,890,386	549,693	51,260	—	8,491,339
Interest receivable (note 5)	187,854	50,411	83,300	—	321,565
Taxes receivable (note 5)	14,174,961	—	—	—	14,174,961
Interfund receivables (note 6)	68,943	—	—	(68,943)	—
Intergovernmental receivables (note 5)	6,742,668	560,755	310,286	—	7,613,709
Prepaid items	770,611	—	175,000	—	945,611
Advances to other funds (note 6)	17,758,428	—	7,559,096	—	25,317,524
Restricted assets:					
Cash and investments (note 4C)	—	—	304,364	—	304,364
Interest receivable (note 5)	—	—	899	—	899
Total assets	<u>\$ 125,857,772</u>	<u>16,574,361</u>	<u>36,237,598</u>	<u>(68,943)</u>	<u>178,600,788</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 3,096,238	197,091	357,837	—	3,651,166
Contracts payable	—	463,219	59,843	—	523,062
Accrued payroll	3,958,264	—	36,194	—	3,994,458
Interfund payables (note 6)	—	—	68,943	(68,943)	—
Intergovernmental payables	1,508,598	—	6,937	—	1,515,535
Customer deposits	4,564,211	—	1,625,293	—	6,189,504
Deferred revenue (note 5)	5,521,467	589,712	156,180	—	6,267,359
Total liabilities	<u>18,648,778</u>	<u>1,250,022</u>	<u>2,311,227</u>	<u>(68,943)</u>	<u>22,141,084</u>
Fund balances (note 15):					
Nonspendable	23,581,899	—	81,381	—	23,663,280
Restricted	—	15,324,339	11,868,339	—	27,192,678
Committed	10,363,227	—	19,591,545	—	29,954,772
Assigned	3,300,000	—	2,425,916	—	5,725,916
Unassigned	69,963,868	—	(40,810)	—	69,923,058
Total fund balances	<u>107,208,994</u>	<u>15,324,339</u>	<u>33,926,371</u>	<u>—</u>	<u>156,459,704</u>
Total liabilities and fund balances	<u>\$ 125,857,772</u>	<u>16,574,361</u>	<u>36,237,598</u>	<u>(68,943)</u>	<u>178,600,788</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets

June 30, 2012

Total governmental fund balances (page 32)	\$ 156,459,704
Amounts reported for governmental activities in the statement of net assets are different because (note 2):	
– Capital assets used in governmental activities, that are not included in internal service funds, are not financial resources and, therefore, are not reported in the funds.	123,123,565
– The pension contribution is a use of current financial resources and an expenditure at the fund level but is deferred and recognized as a net pension asset on the statement of net assets.	11,092,986
– Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	107,907
– Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,753,731
– Internal service funds are used by management to charge the costs of acquisition, construction, financing, maintenance and capital accumulation for the replacement of governmental capital assets (except for infrastructure and fine art collection assets); operations of the City’s computer services, reprographics and cable TV operations; the City’s self-insurance programs and its employee benefits to individual user funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	248,179,366
– Governmental long-term liabilities, excluding those liabilities in the City’s internal service funds, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(30,161,352)</u>
Net assets of governmental activities (page 30)	<u><u>\$ 511,555,907</u></u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2012

	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
Revenues:					
Taxes	\$ 133,832,425	—	2,373,703	—	136,206,128
Licenses and permits	13,153,624	—	—	—	13,153,624
Intergovernmental	588,538	1,369,845	6,585,591	—	8,543,974
Charges for service	10,645,349	—	164,093	(215,571)	10,593,871
Fines, forfeitures and penalties	7,353,794	—	—	—	7,353,794
Use of money and property	5,964,184	278,666	742,293	—	6,985,143
Net change in fair value of investments	(177,197)	(34,722)	(57,927)	—	(269,846)
Miscellaneous	1,404,027	—	—	—	1,404,027
Total revenues	172,764,744	1,613,789	9,807,753	(215,571)	183,970,715
Expenditures:					
Current:					
General government	7,186,913	—	—	(215,571)	6,971,342
Public safety	87,666,070	—	647,476	—	88,313,546
Public service	20,163,084	—	1,205,897	—	21,368,981
Culture and recreation	38,511,128	—	6,468	—	38,517,596
Debt service:					
Interest	—	—	1,623,429	—	1,623,429
Principal	—	—	719,104	—	719,104
Capital outlay	130,126	6,065,015	4,696,707	—	10,891,848
Total expenditures	153,657,321	6,065,015	8,899,081	(215,571)	168,405,846
Excess (deficiency) of revenues over expenditures	19,107,423	(4,451,226)	908,672	—	15,564,869
Other financing sources (uses):					
Transfers in (note 7)	2,406,000	3,808,295	1,961,366	(6,081,295)	2,094,366
Insurance recoveries	3,052	—	—	—	3,052
Transfers out (note 7)	(7,291,637)	—	(914,295)	6,081,295	(2,124,637)
Proceeds of bonds	—	—	32,665,980	—	32,665,980
Payment to bond escrow agent	—	—	(34,730,565)	—	(34,730,565)
Contributions to Parking Authority (note 14)	(5,000,000)	—	—	—	(5,000,000)
Total other financing sources (uses)	(9,882,585)	3,808,295	(1,017,514)	—	(7,091,804)
Net change in fund balances	9,224,838	(642,931)	(108,842)	—	8,473,065
Fund balances, July 1	97,984,156	15,967,270	34,035,213	—	147,986,639
Fund balances, June 30	\$ 107,208,994	15,324,339	33,926,371	—	156,459,704

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2012

Net change in fund balances – total governmental funds (page 34)	\$	8,473,065
Amounts reported for governmental activities in the statement of activities are different because (note 2):		
– Tax revenues:		
• Certain property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,753,731
• Property tax revenues that become available and are recognized in the current year that relate to prior years are not reported as revenues in the statement of activities.		(3,036,706)
– Interest revenues:		
• Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		107,907
• Interest revenues that become available and are recognized in the current year that relate to prior years are not reported as revenues in the statement of activities		(488,817)
– Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue (expense) of certain activities of internal service funds is reported as governmental activities.		18,616,514
– The pension contribution, is a use of current financial resources and an expenditure at the fund level but is deferred and recognized as a net pension asset on the statement of net assets.		1,131,937
– Costs for infrastructure and fine art collection assets are reported as capital outlay expenditures in the fund financial statements. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceed depreciation expense in the current period.		6,183,542
– The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of certain long-term debt and related items.		<u>2,760,527</u>
Change in net assets of governmental activities (page 31)	\$	<u><u>36,501,700</u></u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

General Fund

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget – Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Business	\$ 34,100,000	34,100,000	37,011,611	2,911,611
Property	41,716,600	41,716,600	42,905,445	1,188,845
Sales	22,130,000	22,130,000	23,093,786	963,786
Transient occupancy	26,075,000	26,075,000	29,789,182	3,714,182
Other	832,000	832,000	1,032,401	200,401
Licenses and permits	11,577,606	11,577,606	13,153,624	1,576,018
Intergovernmental	1,028,764	1,097,922	588,538	(509,384)
Charges for services	9,668,371	9,728,441	10,645,349	916,908
Fines, forfeitures and penalties	8,160,355	8,160,355	7,353,794	(806,561)
Use of money and property	5,905,003	5,905,003	5,964,184	59,181
Net change in fair value of investments	—	—	(177,197)	(177,197)
Miscellaneous	875,246	897,571	1,404,027	506,456
Total revenues	<u>162,068,945</u>	<u>162,220,498</u>	<u>172,764,744</u>	<u>10,544,246</u>
Expenditures:				
Current:				
General government:				
Financial services	822,982	822,982	882,970	59,988
Economic development	3,585,000	4,296,536	3,315,354	(981,182)
Non-departmental	4,278,492	4,223,992	2,988,589	(1,235,403)
Total general government	<u>8,686,474</u>	<u>9,343,510</u>	<u>7,186,913</u>	<u>(2,156,597)</u>
Public safety:				
Police services	52,280,789	52,357,990	51,751,477	(606,513)
Fire control	31,604,655	31,830,355	31,510,644	(319,711)
Building and safety	4,249,876	4,274,876	4,403,949	129,073
Hazard Mitigation	—	9,647	—	(9,647)
Total public safety	<u>88,135,320</u>	<u>88,472,868</u>	<u>87,666,070</u>	<u>(806,798)</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued

General Fund

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final		
Public service:				
Engineering and administration	\$ 915,898	931,435	795,266	(136,169)
Streets and subdrains	4,791,405	4,791,646	4,659,881	(131,765)
Planning services	5,756,173	5,911,020	5,578,718	(332,302)
Community services	9,020,323	9,449,180	9,129,219	(319,961)
Total public service	<u>20,483,799</u>	<u>21,083,281</u>	<u>20,163,084</u>	<u>(920,197)</u>
Culture and recreation:				
Recreation and parks	18,576,026	18,703,809	17,540,317	(1,163,492)
Library	10,662,235	10,682,744	10,288,753	(393,991)
Education	10,349,142	10,349,142	10,319,759	(29,383)
Promotion and tourism	250,000	450,000	362,299	(87,701)
Total culture and recreation	<u>39,837,403</u>	<u>40,185,695</u>	<u>38,511,128</u>	<u>(1,674,567)</u>
Capital outlay	<u>—</u>	<u>448,000</u>	<u>130,126</u>	<u>(317,874)</u>
Total expenditures	<u>157,142,996</u>	<u>159,533,354</u>	<u>153,657,321</u>	<u>(5,876,033)</u>
Excess of revenues over expenditures	<u>4,925,949</u>	<u>2,687,144</u>	<u>19,107,423</u>	<u>16,420,279</u>
Other financing sources (uses):				
Transfers in (note 7)	2,406,000	2,406,000	2,406,000	—
Insurance recoveries	—	—	3,052	3,052
Transfers out (note 7)	(7,128,400)	(7,291,637)	(7,291,637)	—
Contribution to Parking Authority (note 14)	—	(5,000,000)	(5,000,000)	—
Total other financing sources (uses)	<u>(4,722,400)</u>	<u>(9,885,637)</u>	<u>(9,882,585)</u>	<u>3,052</u>
Net change in fund balances	203,549	(7,198,493)	9,224,838	16,423,331
Fund balance, July 1	<u>97,984,156</u>	<u>97,984,156</u>	<u>97,984,156</u>	<u>—</u>
Fund balance, June 30	<u>\$ 98,187,705</u>	<u>90,785,663</u>	<u>107,208,994</u>	<u>16,423,331</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Business-type Activities – Enterprise Funds						Governmental	
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater	Parking Authority	Business-type Total	Internal Service Funds
ASSETS								
Current assets:								
Cash and investments (note 4)	\$ 13,900,264	27,815,546	11,875,157	23,478,147	277,578	1,997,936	79,344,628	148,507,687
Accounts receivable, net (note 5)	5,815,451	68,548	3,098,101	2,353,638	408,375	140,904	11,885,017	149,033
Interest receivable (note 5)	56,196	86,078	37,210	74,938	1,136	—	255,558	448,620
Interfund receivable (note 6)	—	—	6,254	—	—	—	6,254	—
Inventories	1,382,299	—	—	—	—	—	1,382,299	356,154
Prepaid expenses	—	56,263	—	—	—	—	56,263	495,846
Deposits	3,470	2,082	—	—	—	—	5,552	—
Total current assets	21,157,680	28,028,517	15,016,722	25,906,723	687,089	2,138,840	92,935,571	149,957,340
Noncurrent assets:								
Restricted assets:								
Cash and investments (notes 4C and 9)	13,610,535	2,163,604	—	1,623,750	—	—	17,397,889	2,313,872
Interest and other receivables (note 5)	2,490	—	—	—	—	—	2,490	—
Total restricted assets	13,613,025	2,163,604	—	1,623,750	—	—	17,400,379	2,313,872
Deferred bond issuance costs, net	733,458	817,003	—	195,622	—	—	1,746,083	1,312,409
Advances to other funds (note 6)	—	—	1,800,000	—	(1,800,000)	—	—	30,236,384
Net pension assets	196,423	83,779	149,397	49,312	72,032	—	550,943	1,319,447
Other post employment benefit asset	—	—	—	—	—	—	—	5,267,331
Total other noncurrent assets	929,881	900,782	1,949,397	244,934	(1,727,968)	—	2,297,026	38,135,571
Capital assets (note 8):								
Land	5,260,911	7,291,981	—	8,709,000	—	11,852,153	33,114,045	32,041,706
Buildings	16,683,327	24,618,685	—	—	—	169,445,115	210,747,127	226,118,233
Utility systems	129,323,051	—	—	55,140,219	10,101,650	—	194,564,920	—
Improvements other than buildings	—	493,851	—	—	—	3,814,318	4,308,169	29,598,989
Machinery and equipment	5,774,158	48,163	1,232,511	689,382	67,533	2,047,486	9,859,233	65,001,948
Infrastructure	—	—	—	—	—	—	—	659,445
	157,041,447	32,452,680	1,232,511	64,538,601	10,169,183	187,159,072	452,593,494	353,420,321
Less accumulated depreciation	(49,067,657)	(12,001,873)	(858,782)	(16,756,752)	(6,553,469)	(69,389,233)	(154,627,766)	(134,023,242)
Construction in progress	4,745,902	460,660	—	493,989	—	—	5,700,551	12,409,443
Total capital assets, net	112,719,692	20,911,467	373,729	48,275,838	3,615,714	117,769,839	303,666,279	231,806,522
Total noncurrent assets	127,262,598	23,975,853	2,323,126	50,144,522	1,887,746	117,769,839	323,363,684	272,255,965
Total assets	148,420,278	52,004,370	17,339,848	76,051,245	2,574,835	119,908,679	416,299,255	422,213,305

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets, Continued

Proprietary Funds

June 30, 2012

	Business-type Activities – Enterprise Funds						Governmental	
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater	Parking Authority	Business-type Total	Internal Service Funds
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 2,170,000	1,200,025	886,389	190,838	8,360	—	4,455,612	4,679,334
Contracts payable	380,924	—	—	—	—	—	380,924	77,044
Accrued payroll	107,303	122,539	64,907	31,335	35,537	—	361,621	739,541
Interest payable	233,444	302,147	—	43,563	—	—	579,154	407,280
Current portion of long-term liabilities:								
Compensated absences (note 9)	—	—	—	—	—	—	—	1,072,501
Outstanding claims (note 9)	—	—	—	—	—	—	—	2,972,433
Advances from other funds (note 6)	—	—	—	—	—	2,985,053	2,985,053	—
Revenue bonds (note 9)	2,090,000	8,203,587	—	1,095,000	—	—	11,388,587	8,461,413
Capital leases (note 9)	—	—	—	—	—	—	—	114,137
Notes payable (note 9)	—	—	—	—	—	—	—	1,484,982
Interfund payable	3,489	86	—	214	—	—	3,789	2,465
Intergovernmental payable	1,825	—	—	1,497,372	—	—	1,499,197	—
Customer deposits	1,477,905	—	—	7,300	—	—	1,485,205	—
Unearned revenue (note 5)	170,582	26,238	—	—	—	284,923	481,743	3,262,516
Other current liabilities	—	—	—	—	—	20,000	20,000	—
Total current liabilities	6,635,472	9,854,622	951,296	2,865,622	43,897	3,289,976	23,640,885	23,273,646
Long-term liabilities (net of current portion):								
Compensated absences (note 9)	—	—	—	—	—	—	—	12,895,313
Outstanding claims (note 9)	—	—	—	—	—	—	—	7,005,603
Unearned revenue (note 5)	—	507,275	—	—	—	—	507,275	—
Capital leases (note 9)	—	—	—	—	—	—	—	256,932
Advances from other funds (note 6)	—	—	—	—	—	52,568,855	52,568,855	—
Revenue bonds (note 9)	66,031,987	65,836,018	—	12,251,899	—	—	144,119,904	105,836,906
Deferred amount on refunding, net (note 9)	(1,837,338)	(1,245,143)	—	(983,785)	—	—	(4,066,266)	(3,971,418)
Notes payable (note 9)	—	—	—	—	—	—	—	28,454,620
Leased property deposits	—	—	—	—	—	655,576	655,576	282,337
Deferred credit from sale-leaseback transactions (note 11)	—	996,531	—	—	—	—	996,531	—
Total long-term liabilities	64,194,649	66,094,681	—	11,268,114	—	53,224,431	194,781,875	150,760,293
Total liabilities	70,830,121	75,949,303	951,296	14,133,736	43,897	56,514,407	218,422,760	174,033,939
NET ASSETS								
Invested in capital assets, net of related debt (note 14)	53,007,544	(353,761)	373,729	35,912,724	3,615,714	117,769,839	210,325,789	107,809,218
Restricted for:								
Debt service	7,038,034	408,063	—	1,623,750	—	—	9,069,847	2,140,826
Unrestricted (note 14)	17,544,579	(23,999,235)	16,014,823	24,381,035	(1,084,776)	(54,375,567)	(21,519,141)	138,229,322
Total net assets (deficit)	\$ 77,590,157	(23,944,933)	16,388,552	61,917,509	2,530,938	63,394,272	197,876,495	248,179,366

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the Year Ended June 30, 2012

	Business-type Activities – Enterprise Funds						Governmental	
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater	Parking Authority	Business-type Internal Service Funds	
Operating revenues:								
Sales, service charges and fees	\$ 31,124,854	23,921,578	14,751,733	12,700,804	1,774,698	17,957,515	102,231,182	76,114,223
Operating expenses:								
Salaries and employee benefits	2,730,989	3,195,774	1,875,651	859,977	988,556	—	9,650,947	21,704,484
Maintenance and operation	17,786,590	9,065,042	10,693,488	7,127,280	1,243,846	16,890,900	62,807,146	17,289,022
Insurance premiums, settlements and provisions	—	—	—	—	—	—	—	3,817,056
Depreciation (note 8)	3,765,700	2,212,773	413,287	1,412,404	347,401	4,346,100	12,497,665	12,943,283
Amortization of issuance costs	12,269	40,478	—	84,959	—	—	137,706	509,910
Total operating expenses	24,295,548	14,514,067	12,982,426	9,484,620	2,579,803	21,237,000	85,093,464	56,263,755
Operating income (loss)	6,829,306	9,407,511	1,769,307	3,216,184	(805,105)	(3,279,485)	17,137,718	19,850,468
Nonoperating revenues (expenses):								
Investment revenue	285,020	394,359	179,473	365,857	6,880	—	1,231,589	4,676,168
Net change in fair value of investments	(45,806)	(59,103)	(29,546)	(55,669)	(2,432)	—	(192,556)	(293,476)
Interest expense	(3,523,197)	(3,990,987)	—	(549,242)	—	(2,249,489)	(10,312,915)	(7,046,315)
Intergovernmental revenue	—	387,198	—	—	—	—	387,198	455,290
Gain (loss) on sale of capital assets	—	—	931	—	—	—	931	(387,406)
Other revenue (expense)	32,905	2,015,762	786	1,514,448	6,051	982,534	4,552,486	887,265
Total nonoperating revenues (expenses)	(3,251,078)	(1,252,771)	151,644	1,275,394	10,499	(1,266,955)	(4,333,267)	(1,708,474)
Income (loss) before contributions and operating transfers	3,578,228	8,154,740	1,920,951	4,491,578	(794,606)	(4,546,440)	12,804,451	18,141,994
Transfers in (note 7)	11,618,602	899,496	—	—	60,000	—	12,578,098	12,593,122
Transfers out (note 7)	(11,287,347)	(1,539,500)	(126,100)	(26,800)	(42,600)	—	(13,022,347)	(12,118,602)
Contribution received by (paid to) Parking Authority (note 14)	—	(62,940,712)	—	—	—	67,940,712	5,000,000	—
Change in net assets	3,909,483	(55,425,976)	1,794,851	4,464,778	(777,206)	63,394,272	17,360,202	18,616,514
Net assets, July 1	73,680,674	31,481,043	14,593,701	57,452,731	3,308,144	—	180,516,293	229,562,852
Net assets (deficit), June 30	\$ 77,590,157	(23,944,933)	16,388,552	61,917,509	2,530,938	63,394,272	197,876,495	248,179,366

See accompanying notes to basic financial statements.





CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2012

	Business-type Activities – Enterprise Funds						Business-type Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater	Parking Authority		
Cash flows from operating activities:								
Cash received from customers	\$ 30,655,011	19,957,783	14,767,542	12,887,525	1,777,401	18,030,180	98,075,442	95,682,623
Rents received under property leases	14,724	2,881,041	—	—	—	—	2,895,765	—
Cash payments to employees for services	(2,715,092)	(3,196,651)	(1,874,472)	(853,327)	(984,178)	—	(9,623,720)	(23,333,365)
Cash payments for goods and services	(17,990,314)	(8,920,338)	(10,315,408)	(8,655,096)	(1,274,728)	(16,890,900)	(64,046,784)	(34,013,190)
Cash payments for insurance premiums, settle- ments and claims	—	—	—	—	—	—	—	(5,219,108)
Net cash provided by (used in) operating activities	9,964,329	10,721,835	2,577,662	3,379,102	(481,505)	1,139,280	27,300,703	33,116,960
Cash flows from noncapital financing activities:								
Grant receipts and other revenue	14,547	2,242,059	1,716	1,514,448	6,051	982,534	4,761,355	1,059,833
Intergovernmental revenue	—	—	—	—	—	—	—	282,722
Cash received (paid) from unfunded liabilities	(20,008)	(8,534)	(15,218)	(5,023)	(7,337)	—	(56,120)	(134,601)
Cash received from other funds	—	102,045	—	—	17,400	5,000,000	5,119,445	2,064,137
Cash paid to other funds	(63,582)	(640,004)	(126,100)	(26,800)	—	—	(856,486)	(1,194,780)
Net cash provided by (used in) noncapital financing activities	(69,043)	1,695,566	(139,602)	1,482,625	16,114	5,982,534	8,968,194	2,077,311
Cash flows from capital financing activities:								
Proceeds from sale of property	—	—	—	—	—	—	—	71,705
Acquisition and construction of capital assets	(4,855,500)	(10,778,910)	(462,883)	16,441	—	—	(16,080,852)	(14,412,527)
Proceeds from (issuance of) interfund advance	—	—	—	—	600,000	—	600,000	—
Proceeds from issuance of bonds	44,394,162	15,801,771	—	—	—	—	60,195,933	14,425,398
Repayment of construction loan	—	—	—	—	—	—	—	(1,301,047)
Payments of bond issue costs	—	—	—	—	—	—	—	(4,824)
Payments to defeased bonds escrow trustee	(46,289,866)	(16,161,950)	—	—	—	—	(62,451,816)	(18,436,297)
Principal received (payments) on interfund advance	—	(8,000,000)	(600,000)	—	—	—	(8,600,000)	2,545,592
Interest received (paid) on note receivable	—	—	—	—	—	—	—	737,468
Interest received on interfund advance	—	—	—	—	—	—	—	—
Interest received (paid) on interfund advance	—	—	—	—	—	—	—	474,547
Principal payments on debt	(2,890,000)	(6,172,625)	—	(1,070,000)	—	(2,874,389)	(13,007,014)	(9,930,109)
Interest payments on debt	(3,550,875)	(4,018,398)	—	(551,650)	—	(2,249,489)	(10,370,412)	(7,079,003)
Net cash provided by (used in) capital financing activities	(13,192,079)	(29,330,112)	(1,062,883)	(1,605,209)	600,000	(5,123,878)	(49,714,161)	(32,909,097)
Cash flows from investing activities:								
Earnings on investments	245,664	318,913	153,658	309,104	3,312	—	1,030,651	3,308,206
Net cash provided by investing activities	245,664	318,913	153,658	309,104	3,312	—	1,030,651	3,308,206
Net increase (decrease) in cash and cash equivalents	(3,051,129)	(16,593,798)	1,528,835	3,565,622	137,921	1,997,936	(12,414,613)	5,593,380
Cash and cash equivalents, July 1	30,561,928	46,572,948	10,346,322	21,536,275	139,657	—	109,157,130	145,228,179
Cash and cash equivalents, June 30	\$ 27,510,799	29,979,150	11,875,157	25,101,897	277,578	1,997,936	96,742,517	150,821,559

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows, Continued

Proprietary Funds

For the Year Ended June 30, 2012

	Business-type Activities – Enterprise Funds						Governmental	
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater	Parking Authority	Business-type Total	Activities – Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ 6,829,306	9,407,511	1,769,307	3,216,184	(805,105)	(3,279,485)	17,137,718	19,850,468
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation	3,765,700	2,212,773	413,287	1,412,404	347,401	4,346,100	12,497,665	12,943,283
Amortization of issuance costs	12,269	40,478	—	84,959	—	—	137,706	2,758,853
Changes in assets and liabilities:								
Increase (decrease) in other post-employment benefit obligations	—	—	—	—	—	—	—	1,651,142
(Increase) decrease in accounts receivable	(32,502)	143,951	21,648	182,497	2,702	(11,935)	306,361	(521,523)
(Increase) decrease in inventory	(336,014)	—	—	—	—	—	(336,014)	(26,182)
(Increase) decrease in prepaid expenses	—	—	—	—	—	—	—	(253,558)
Increase (decrease) in accounts payable	130,481	144,704	378,080	(13,954)	(30,882)	—	608,429	(588,559)
Increase (decrease) in intergovernmental payable	(1,679)	—	—	—	—	—	(1,679)	(86,216)
Increase (decrease) in interfund payable	—	—	—	—	—	—	—	2,464
(Increase) decrease in interfund receivable	—	—	(5,839)	—	—	—	(5,839)	666,415
Increase (decrease) in accrued payroll	15,897	(877)	1,179	6,650	4,379	—	27,228	(720)
Increase (decrease) in other liabilities	3,488	—	—	(1,513,863)	—	—	(1,510,375)	—
Increase (decrease) in accrued compensated absences	—	—	—	—	—	—	—	(332,000)
Increase in outstanding claims	—	—	—	—	—	—	—	(2,946,907)
Increase in deferred revenue	—	(395,003)	—	—	—	—	(395,003)	—
Increase (decrease) in customer deposits	(422,617)	(831,702)	—	4,225	—	84,600	(1,165,494)	—
Total adjustments	3,135,023	1,314,324	808,355	162,918	323,600	4,418,765	10,162,985	13,266,492
Net cash provided by (used in) operating activities	\$ 9,964,329	10,721,835	2,577,662	3,379,102	(481,505)	1,139,280	27,300,703	33,116,960
Cash and investments	\$ 13,900,264	27,815,546	11,875,157	23,478,147	277,578	1,997,936	79,344,628	148,507,687
Restricted cash and investments	13,610,535	2,163,604	—	1,623,750	—	—	17,397,889	2,313,872
Total cash and cash equivalents	\$ 27,510,799	29,979,150	11,875,157	25,101,897	277,578	1,997,936	96,742,517	150,821,559
Significant noncash investing and financing activities:								
– Amortization of bond issuance costs, premiums, discounts and deferred amounts on refunding (note 9)	\$ 12,269	40,478	—	84,959	—	—	137,706	2,758,853
– Value of capital asset under lease (note 9)	—	—	—	—	—	—	—	371,069
– Change in fair value of investments	(45,806)	(59,103)	(29,546)	(55,669)	(2,432)	—	(192,556)	(293,476)
See accompanying notes to basic financial statements.								





CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Beverly Hills, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). 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. Financial Reporting Entity

The accompanying basic financial statements present the financial activity of the City of Beverly Hills (primary government) and its component units, entities for which the primary government is considered to be financially accountable. A component unit is a legally separate organization that does not qualify as the primary government and which exhibits financial accountability. Financial accountability stems from specific subsets of the qualities of fiscal dependence, board appointment, financial benefit, burden relationship, or ability to impose will. Blended component units, although separate legal entities, are, in substance, part of the government's operations. Their funds are treated similarly to funds of the primary government (other than the general fund). Discretely presented component units represent other legally separate organizations for which the primary government is financially accountable or for which the nature and significance of their relationship to the primary government are such that exclusion would cause the City's reporting entity to be misleading or incomplete. Discretely presented component units do not function as an integral part of the primary government, and its data would only be shown separately from the primary government. The City's component units are blended; there are no discretely presented component units in the Financial Reporting Entity.

City of Beverly Hills

The City (primary government) was incorporated in 1914 under the general laws of the State of California. The City provides the full range of municipal services as contemplated by statute. Services provided include public safety (police and fire), street construction and maintenance, sanitation, refuse collection, water and sewer utilities, culture-recreation, public improvements, planning and zoning, and general administrative and support services.

The City operates under a Council-Manager form of government. The City Council consists of five members elected at large for overlapping four-year terms. The Mayor is selected from the City Council members and serves a one-year term. The City's only other elected official is the City Treasurer whose term of office is four years. The City Council appoints a City Manager, City Attorney and City Clerk. In addition, the City

Council appoints the members of the following advisory Commissions and Boards:

- Architectural Commission
- Public Works Commission
- Civil Service Commission
- Fine Art Commission
- Planning Commission
- R-1 Design Review Commission
- Human Relations Commission
- Seismic Safety Appeals Board
- Recreation & Parks Commission
- Traffic & Parking Commission
- Solicitations Advisory Commission

In addition to sitting as the governing board of the City, the City Council also acts as the Board of Directors of two blended component units: the Parking Authority of the City of Beverly Hills and the Beverly Hills Public Financing Authority.

Parking Authority of the City of Beverly Hills

The Parking Authority of the City of Beverly Hills (Parking Authority) is a public financing agency established by the City under the State of California Parking Law of 1949 to provide public parking facilities on a citywide basis. The Parking Authority provides for the acquisition and/or construction of parking facilities that are leased to the City for the general benefit of its citizens.

The Parking Authority is a blended component unit under the criteria of board appointment and financial burden on the primary government. In regards to board appointment, State law provides that the Mayor of the City, with the approval of the rest of the City Council, shall appoint 5 electors as the governing body. Alternatively, the City Council can declare itself as the governing body of the Parking Authority. If the Council is the governing body, the Council can at any time, by resolution, determine that it is no longer the governing body of the Parking Authority, in which event the mayor, with the approval of the rest of the Council, shall appoint 5 electors. As of June 30, 2012, the City Council continues to act as the governing body of the Parking Authority. In regards to financial burden, the City collateralizes the outstanding bonds payable that were used to construct many of the Parking Authority's assets. During the fiscal year ended, the City also entered into a financial burden while contributing \$5,000,000 to support the operations of the Parking Authority.

The history of the Parking Authority's relationship to the City has included repetitive transitions. Prior to the fiscal year ended June 30, 1983, the Parking Authority was a discretely presented component unit of the City, as its data was shown separately from the City. As of June 30, 1983, as a result of the National Council on Governmental Accounting (NCGA) Statement No. 3, the City presented the Parking Authority as a blended component unit. During the year ended June 30, 1994, the assets of the Parking Authority were transferred to the Parking Facilities Enterprise Fund and no Parking Authority financial transactions occurred in subse-

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

_(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

quent fiscal years. However, the Parking Authority still remained a legal entity.

On September 30, 2011, the majority of the assets of the City's Parking Enterprise Fund were transferred to the Parking Authority in order to show a total separation between the Parking Authority and the City, see Note 14. The Parking Authority is blended as an Enterprise Fund of the City.

Beverly Hills Public Financing Authority

The City of Beverly Hills Public Financing Authority (Public Financing Authority) is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated November 10, 1992 between the City and the Parking Authority. The Joint Powers Agreement was entered into pursuant to the provisions of Article 1 of Chapter 5 of the California Government Code (the Act). The Public Financing Authority was created for the purpose of providing financing for public capital improvements for the City through the acquisition by the Public Financing Authority of such public capital improvements and/or the purchase by the Public Financing Authority of local obligations within the meaning of the Act. Under the Act, the Public Financing Authority has the power to issue bonds to pay the costs of public capital improvements.

Required lease payments between the City and the Public Financing Authority exactly match debt service requirements of the underlying debt. Accordingly, the leases between the City and the Public Financing Authority are eliminated and the underlying debt is reported as debt of the City. Separate financial statements are not prepared for the Public Financing Authority. Activities of the Public Financing Authority are presented within the debt service fund, as well as within Long-Term Liabilities Note 9. Please contact the Director of Administrative Services/Chief Financial Officer for more information.

City of Beverly Hills Charitable Community Foundation

On January 20th, 2012, the Internal Revenue Service recognized the City's newly formed 501(c)(3) not-for-profit corporation entitled, "City of Beverly Hills Community Charitable Foundation" (Foundation). This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public and charitable purposes. The specific purposes of the Foundation are to enhance the services and programs to the Beverly Hills community and its citizens, as well as augment the physical and cultural environment of the City of Beverly Hills.

The property of the Foundation is irrevocably dedicated to charitable purposes. No part of the net earnings or assets of this corporation shall inure

to the benefit of any of its directors, trustees, officers, private shareholders or members, or to any private individual. There are five authorized directors of the Foundation and all must be residents of the City of Beverly Hills. Three of the five directors are comprised of the following: The Treasurer, Vice Mayor and a Councilmember of the City chosen by the Mayor and ratified by the City Council (collectively "Elected Official Directors"). The remaining two directors are selected by the City Council of the City (each, a "Resident Director").

Upon the dissolution or winding up of the Foundation, its assets remaining after payment, or provision for payment, of all debts and liabilities of the Foundation shall be distributed to the City of Beverly Hills for public purposes or to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable or educational purposes that benefit the residents of the City of Beverly Hills and which has established its tax exempt status under Internal Revenue Code Section 501(c)(3).

The Foundation is a Fiduciary fund of the City. A Fiduciary fund is used to report the assets held by the City in trust for the Foundation because these assets cannot be used for the City's own programs. Therefore, such funds are excluded from the government-wide financial statements. They are generally reported, however, as part of the basic financial statements to endure fiscal accountability. In Fiscal Year 2011-2012 there were no Foundation assets or financial transactions, therefore, there was no presentation of fiduciary fund statements within the basic financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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 function 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 and proprietary funds. Major individual

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. The measurement focus describes what type of information a given fund represents. The basis of accounting describes when changes are recognized. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes and taxpayer-assessed tax revenues (e.g., franchise taxes, sales taxes, motor vehicle fees, etc.), net of estimated refunds and uncollectible amounts, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measureable and available only when cash is received by the government.

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Infrastructure Capital Projects Fund* accounts for the construction expenditures of certain public capital improvement projects, including, but not limited to, replacement of the City's street lighting system, street improvements and other infrastructure projects.
- The *Debt Service Fund* accounts for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.
- The *Special Revenue Funds* are used to account for specific revenues that are legally restricted to expenditure for a particular purpose.

The City reports the following major proprietary funds:

- The *Water Enterprise Fund* accounts for all financial aspects of the City's water operations. The City currently obtains its water from the Metropolitan Water District of Southern California and distributes it throughout the City and portions of the City of West Hollywood. The City has completed construction of a water treatment facility through a lease-purchase-operate-finance arrangement to treat local well water that is anticipated to meet approximately 20% of its water needs. The acquisition and construction of water system facilities have primarily been financed through the issuance of general obligation and revenue bonds supported by water service charges established by City Council action.
- The *Parking Facilities Enterprise Fund* accounts for the City's parking operations. The acquisition and construction of parking facilities have primarily been financed through the issuance of revenue bonds supported by parking fees charged to the public and lease payments from retail facilities located in the parking structures.
- The *Solid Waste Enterprise Fund* accounts for the collection and disposal of solid waste generated by commercial and residential users in the City. Solid waste operations are primarily financed through user charges established by City Council action.
- The *Wastewater Enterprise Fund* accounts for the collection and disposal of wastewater generated within the City. The acquisition and construction of wastewater facilities and capacity rights in the City of Los Angeles Hyperion Treatment Plant have primarily been financed through the issuance of revenue bonds supported by user charges established by City Council action.
- The *Stormwater Enterprise Fund* accounts for the certain standards for street sweeping, storm drain maintenance and other environmental

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

quality programs mandated under the Federal “Clean Up the Bay” program. Stormwater operations are financed through user charges established by City Council action.

- The *Parking Authority of the City of Beverly Hills* (Parking Authority) is a public financing agency established by the City under the State of
- California Parking Law of 1949 to provide public parking facilities on a citywide basis. The Parking Authority provides for the acquisition and/or construction of parking facilities that are leased to the City for the general benefit of its citizens. The Parking Authority is a blended component unit. See Note 1, Section A for more information about the Parking Authority.

Additionally, the City reports the following fund type:

- *Internal service funds* account for a variety of services provided to other departments or agencies of the City on a cost reimbursement basis. These services include information technology, capital assets (governmental capital assets excluding infrastructure assets and the City’s fine art collection) and related maintenance and financing, reprographics, cable television, liability insurance, workers’ compensation insurance, unemployment insurance and employee benefits. Rentals to user departments and divisions for internal service capital assets are based on 1) capital replacement, 2) repairs and maintenance costs and 3) fuel usage. The capital replacement charge, based on the estimated net replacement cost of the asset allocated over the asset’s estimated useful life, is used by the City to reduce budgetary swings in user departments for periodic capital replacement.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The City also has the *option* of following subsequent private-sector guidance for its business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are internal service fund charges and charges for billing, legislative assistance and similar services to business-type activities, as well as certain other charges to business-type activities and various other functions of the City. 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges for sales and services. Operating expenses for enterprise and internal service funds include salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities, Net Assets or Equity

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 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 earned on pooled cash and investments is allocated monthly to the various funds based on month-end balances. 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, except for certain short-term money market investments, which are carried at amortized cost. 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. Local Agency Investment Fund (LAIF) determines the fair value of its portfolio quarterly and reports 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 on a quarterly basis. Based on management decision, investment income of certain funds has been assigned to the General Fund. Such assignments are included in transfers to the General Fund. For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

petty cash funds, equity in the City’s cash and investment pool, and restricted, non-pooled investments with initial maturities of three months or less. The City follows the disclosure requirements of GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3*.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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 outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance non-spendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Assessed values for purposes of property taxes are determined on an annual basis for the period July 1 to June 30 by the Los Angeles County Assessor as of March 1. Taxes are levied annually on July 1 and become a lien on real property at January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively, at which time applicable penalties and interest are assessed.

Inventories and Prepaid Items

All materials and supplies inventories are valued at cost using the average cost method. Inventories in governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Restricted Assets

Certain proceeds of the City’s revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The proceeds of certain en-

dowments, together with cumulative unspent earnings thereon, are also classified as restricted assets on the balance sheet because their use is limited by the terms of the endowments.

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 or 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.

Capital Assets

Capital assets, which include land, property, plant, equipment, fine art and infrastructure assets (e.g., roads, bridges, sidewalks, traffic lights and signals, street lights and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$10,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2012.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 to 45
Improvements other than buildings	10 to 45
Infrastructure	15 to 50
Utility systems	20 to 50
Vehicles	3 to 30
Computer equipment	2 to 5
Other equipment and furnishings	5 to 25

The City’s fine art collection is not depreciated. It is the City’s opinion that such assets are not wasting and are not subject to periodic decrease in value. Periodic restoration and maintenance costs on particular items are charged to expense as incurred.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation and sick leave benefits are accrued as earned by employees. A portion of unused sick leave benefits, varying by employee bargaining unit, vests and is payable upon retirement. For all funds the estimated compensated absences liability due within one year is included as a current liability in the *Employee Benefits Internal Service Fund* and the balance is included as a long-term liability in the *Employee Benefits Internal Service Fund*.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, 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 lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount or deferred amount on refunding. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets and Fund Equity

In the government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments). The nonexpendable portion of permanent fund trusts and endowments is reported as permanently restricted. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unre-

stricted. Please also refer to Note 14 for more information on net assets invested in capital assets, net of related debt.

As of the Fiscal Year ended June 30, 2009, the City has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Please see Note 15 for more details about the new fund balance section of governmental funds.

Estimates

The preparation of financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Self-Insurance Programs

The City has initiated self-insurance programs to provide for general liability, workers' compensation claims and unemployment insurance claims. These activities are accounted for in self-insurance internal service funds.

Fund revenues are primarily premium charges to other funds and are planned to match estimated payments resulting from self-insurance programs, operating expenses, and reinsurance premiums. The fund expenses the estimated liability for claims in cases where such amounts are reasonably determinable and where liability is probable, including an estimate for claims that are incurred but not reported.

The City's Risk Manager oversees the self-insurance programs. It is his duty to ensure that the programs are operated in accordance with City policies. The Risk Manager also provides budget guidance, reserves and claims analysis and acts as liaison with independently contracted claims administrators.

The contracted claims administrators provide services to process liability and workers' compensation self-insurance claims. The process includes the estimation of loss reserves. It is the City's intent to maintain cash reserves in the self-insurance funds equal to or greater than the estimated loss reserves.

The City is fully self-insured for workers' compensation claims and maintains a self insurance retention level of \$1,000,000 for general liability claims. Excess workers' compensation insurance was not renewed at the expiration of the policy on July 1, 2003. Significant increases in premiums for such excess coverage were not cost justifiable based on the City's historical low claims costs against such coverage. General liability claims in excess of \$1,000,000 up to \$26 million combined-single-limit per occurrence are covered by insurance. No significant reduction in insurance coverage occurred during the last two fiscal years. During each of the preceding three fiscal years no claim settlement exceeded insurance coverage.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The following represents changes in the liabilities for claims for each of the City's self-insurance funds (general liability, workers' compensation and unemployment), for the years ended June 30, 2012 and 2011:

FY	Liability Balance – Beginning of FY	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance – End of FY
<i>General Liability:</i>				
2011	4,183,398	8,538,361	(6,273,579)	6,448,180
2012	6,448,180	2,042,647	(5,567,516)	2,923,311
<i>Workers' Compensation:</i>				
2011	5,130,366	1,594,840	(243,765)	6,481,441
2012	6,481,441	808,272	(259,484)	7,030,229
<i>Unemployment Insurance:</i>				
2011	14,458	107,409	(21,193)	100,674
2012	100,674	21,806	(97,984)	24,496

(2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported in the government-wide financial statements are different from those reported in the fund financial statements due to differences in measurement focus, basis of accounting and composition. The following reconciliations explain the significant differences between the fund financial statements and the corresponding column in the government-wide financial statements:

Pronouncements Implemented

The GASB has issued several pronouncements during the fiscal year that have effective dates that impact current and future financial presentations.

The following newly emerged pronouncements have been considered but had no effect on the City for the current fiscal year.

- i. GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple Employer Plans
- ii. GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, CONTINUED

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

	Total Governmental Funds	Net Pension Asset	Capital Assets	Long-Term Liabilities	Internal Service Funds	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS							
Cash and investments	\$ 121,430,816	—	—	—	148,507,687	—	269,938,503
Accounts receivable, net	8,491,339	—	—	—	149,033	—	8,640,372
Interest receivable	321,565	—	—	—	448,620	—	770,185
Taxes receivable	14,174,961	—	—	—	—	—	14,174,961
Intergovernmental receivable	7,613,709	—	—	—	—	—	7,613,709
Inventory	—	—	—	—	356,154	—	356,154
Prepaid expenses	945,611	—	—	—	495,846	—	1,441,457
Restricted assets:							
Cash and investments	304,364	—	—	—	2,313,872	—	2,618,236
Interest receivable	899	—	—	—	—	—	899
Deferred bond issuance costs, net	—	—	—	278,041	1,312,409	—	1,590,450
Advances to other funds	25,317,524	—	—	—	30,236,384	(2,465)	55,551,443
Net pension assets	—	11,092,986	—	—	1,319,447	—	12,412,433
Other Post Employment Benefit asset	—	—	—	—	5,267,331	—	5,267,331
Capital assets, net	—	—	123,123,565	—	231,806,522	—	354,930,087
Total assets	178,600,788	11,092,986	123,123,565	278,041	422,213,305	(2,465)	735,306,220
LIABILITIES							
Accounts payable	3,651,166	—	—	—	4,679,334	—	8,330,500
Contracts payable	523,062	—	—	—	77,044	—	600,106
Accrued payroll	3,994,458	—	—	—	739,541	—	4,733,999
Interest payable	—	—	—	108,917	407,280	—	516,197
Current portion of long-term liabilities	—	—	—	—	14,105,466	—	14,105,466
Advances to other funds	—	—	—	—	2,465	(2,465)	—
Intergovernmental payables	1,515,535	—	—	—	—	—	1,515,535
Customer deposits	6,189,504	—	—	—	282,337	—	6,471,841
Deferred revenue	6,267,359	—	—	—	3,262,516	(2,861,638)	6,668,237
Long-term liabilities, net of current portion:							
Note Payable	—	—	—	—	28,454,620	—	28,454,620
Compensated absences	—	—	—	—	12,895,313	—	12,895,313
Outstanding claims	—	—	—	—	7,005,603	—	7,005,603
Revenue bonds	—	—	—	29,037,983	97,593,369	—	126,631,352
Original issue premium, net	—	—	—	2,887,646	8,243,537	—	11,131,183
Deferred amount on refunding, net	—	—	—	(1,595,153)	(3,971,418)	—	(5,566,571)
Capital lease	—	—	—	—	256,932	—	256,932
Total liabilities	22,141,084	—	—	30,439,393	174,033,939	(2,864,103)	223,750,313
FUND BALANCES/NET ASSETS							
Fund balances:							
Nonspendable	23,663,280	—	—	—	—	(23,663,280)	—
Restricted	27,192,678	—	—	—	—	(27,192,678)	—
Committed	29,954,772	—	—	—	—	(29,954,772)	—
Assigned	5,725,916	—	—	—	—	(5,725,916)	—
Unassigned	69,923,058	—	—	—	—	(69,923,058)	—
Net assets:							
Invested in capital assets, net of related debt	—	—	123,123,565	(30,330,476)	107,809,218	(15,041,149)	185,561,158
Restricted	—	—	—	—	2,140,826	27,122,868	29,263,694
Unrestricted	—	11,092,986	—	169,124	138,229,322	147,239,623	296,731,055
Total fund balances/net assets	\$ 156,459,704	11,092,986	123,123,565	(30,161,352)	248,179,366	2,861,638	511,555,907

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, CONTINUED

1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet:	
Cost of Construction in Progress, Fine Art, Improvements, Machinery and Equipment, and Infrastructure capital assets	\$ 174,885,006
Accumulated depreciation	<u>(51,761,441)</u>
General capital assets, net	<u>\$ 123,123,565</u>
2) Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet:	
Bonds payable	\$ 29,037,983
Add: original issue discount (amortized over the life of the bonds to interest expense)	2,887,646
Less: deferred bond issuance costs (amortized over the life of the bonds to interest expense)	(278,041)
Less: deferred amount on refunding (amortized over the life of the bonds to interest expense)	(1,595,153)
Plus: interest payable	<u>108,917</u>
Infrastructure long-term liabilities, net	<u>\$ 30,161,352</u>
3) Internal service funds are used by management to charge to individual user funds the costs of acquisition, construction, financing, maintenance and capital accumulation for the replacement of governmental capital assets (except for infrastructure and fine art assets – see #1 above); operations of the City’s computer, reprographics and cable TV operations, the City’s self-insurance programs and its employee benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Net assets total:	
Invested in capital assets, net of related debt	\$ 107,809,218
Restricted	2,140,826
Unrestricted	<u>138,229,322</u>
Internal service funds net assets	<u>\$ 248,179,366</u>

4) Certain reclassifications and eliminations are required to properly state governmental activities in the statement of net assets:	
– Pension contribution, is a use of current financial resources and an expenditure at the fund level, is deferred and recognized as a net pension asset on the Statement of Net assets	\$ <u>11,092,986</u>
– Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	107,907
Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	<u>2,753,731</u>
Net reduction in deferred revenue	<u>2,861,638</u>
– Fund balances are reclassified and restated into three categories of net assets: invested in capital assets net of related debt, restricted and unrestricted.	
Fund balances,	
Nonspendable	(23,663,280)
Restricted	(27,192,678)
Committed	(29,954,772)
Assigned	(5,725,916)
Unassigned	(69,923,058)
Net Assets, Invested in capital assets, net of related debt	(15,041,149)
Net assets, restricted	27,122,868
Net assets, unrestricted	<u>147,239,623</u>
Net fund balance reclassifications	<u>2,861,638</u>
Net reclasses and eliminations	\$ <u>-</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, CONTINUED

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

	Total Governmental Funds	Net Pension Asset	Infrastructure		Internal Service Funds	Reclassifications and Eliminations	Statement of Activities Totals
			Capital Assets	Long-Term Liabilities			
Revenues:							
Program revenues:							
Charges for services	\$ 10,593,871	—	—	—	76,114,223	(31,571,250)	55,136,844
Operating grants and contributions	—	—	—	—	—	4,068,083	4,068,083
Capital grants and contributions	—	—	—	—	—	4,521,907	4,521,907
Licenses and permits	13,153,624	—	—	—	—	(13,153,624)	—
Fines, forfeitures and penalties	7,353,794	—	—	—	—	(7,353,794)	—
General revenues:							
Taxes	136,206,128	—	—	—	—	(282,975)	135,923,153
Intergovernmental	8,543,974	—	—	—	455,290	(8,999,264)	—
Grants and contributions not restricted to specific programs	—	—	—	—	—	409,274	409,274
Investment earnings	6,985,143	—	—	—	4,676,168	(380,910)	11,280,401
Net change in fair value of investments	(269,846)	—	—	—	(293,476)	—	(563,322)
Gain (loss) on sale of capital assets	—	—	—	—	(387,406)	387,406	—
Miscellaneous	1,404,027	—	—	—	887,265	(384,354)	1,906,938
Transfers in	2,094,366	—	—	—	12,593,122	(1,768,637)	12,918,851
Total revenues and transfers in	<u>186,065,081</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>94,045,186</u>	<u>(54,508,138)</u>	<u>225,602,129</u>
Expenditures/expenses:							
General government	6,971,342	—	—	—	—	1,934,884	8,906,226
Public safety	88,313,546	—	—	—	—	4,034,138	92,347,684
Public service	21,368,981	—	—	—	—	(1,608,340)	19,760,641
Culture and recreation	38,517,596	—	—	—	—	3,400,773	41,918,369
Debt service:							
Principal retirement	719,104	—	—	(719,104)	—	—	—
Interest	1,623,429	—	—	23,162	7,046,315	—	8,692,906
Capital outlay	10,891,848	—	—	—	—	(10,891,848)	—
Internal service fund operating expenses:							
Salaries and employee benefits	—	—	—	—	21,704,484	(21,704,484)	—
Maintenance and operation	—	—	—	—	17,289,022	(17,289,022)	—
Insurance premiums, settlements and provisions	—	—	—	—	3,817,056	(3,817,056)	—
Depreciation and amortization	—	—	3,826,614	—	12,943,283	(16,769,897)	—
Amortization of debt issue costs	—	—	—	—	509,910	(509,910)	—
Transfers out	2,124,637	—	—	—	12,118,602	(1,768,637)	12,474,602
Contribution to Parking Authority	5,000,000	—	—	—	—	—	5,000,000
Insurance Recoveries	(3,052)	—	—	—	—	3,052	—
Proceeds of bonds	(32,665,980)	—	—	32,665,980	—	—	—
Payment to refunded bond escrow agent	34,730,565	—	—	(34,456,887)	—	(273,678)	—
Deferred bond issue costs	—	—	—	(273,678)	—	273,678	—
Infrastructure, fine art assets, and net pension assets completed and transferred	—	(1,131,937)	(10,010,156)	—	—	11,142,093	—
Total expenditures/expenses and transfers out	<u>177,592,016</u>	<u>(1,131,937)</u>	<u>(6,183,542)</u>	<u>(2,760,527)</u>	<u>75,428,672</u>	<u>(53,844,253)</u>	<u>189,100,429</u>
Change in fund balances/net assets	8,473,065	1,131,937	6,183,542	2,760,527	18,616,514	(663,885)	36,501,700
Fund balances/net assets, July 1	147,986,639	9,961,049	116,940,023	(32,921,879)	229,562,852	3,525,523	475,054,207
Fund balances/net assets, June 30	<u>\$ 156,459,704</u>	<u>11,092,986</u>	<u>123,123,565</u>	<u>(30,161,352)</u>	<u>248,179,366</u>	<u>2,861,638</u>	<u>511,555,907</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, CONTINUED

5) Costs for the purchase or construction of infrastructure and fine art collection capital assets are reported as capital outlay expenditures in the fund financial statements. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 10,891,848
Items not capitalized are reclassified	(881,692)
Depreciation expense	<u>(3,826,614)</u>

Excess of capital outlay expenditures over depreciation expense in the current period	\$ <u>6,183,542</u>
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6) Bond issuance costs and original issue discount are expended when incurred in governmental funds, but are deferred and amortized over the life of the bonds in the statement of activities

	\$ <u>23,162</u>
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7) Internal service funds are used by management to charge to individual user funds the costs of acquisition, construction, financing, maintenance and capital accumulation for the replacement of governmental capital assets (except for infrastructure and fine art assets – see #A1 above), operations of the City’s computer, reprographics and cable TV operations, the City’s self-insurance programs and its employee benefits. The net revenue of the activities of the internal service funds is reported as governmental activities in the statement of activities

	\$ <u>18,616,514</u>
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8) Certain reclassifications and eliminations are required to properly state governmental activities in the statement of activities:

– Certain receivables that do not provide current financial resources are not reported as revenues in the governmental funds:	
Property taxes	\$ 2,753,731
Interest	<u>107,907</u>
Net reduction in deferred revenue	<u>2,861,638</u>

– Revenues that become available and are recognized in the fund financial statements that relate to prior years are not reported as revenues in the statement of activities:	
Property taxes	(3,036,706)
Interest revenue	(488,817)
Net assets, beginning	<u>3,525,523</u>

Net reduction in revenues related to prior periods	<u>—</u>
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– The effect of internal service fund activities is eliminated in the statement of activities:	
Charges for services	(52,048,859)
General government expenditures	1,311,963
Public safety expenditures	29,557,772
Public services expenditures	8,767,490
Culture and recreation expenditures	<u>12,411,634</u>

Net effect of elimination of internal service fund activities	<u>—</u>
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– Licenses and permits revenues and fines, forfeitures and penalties revenues are reported as charges for services in program revenues:	
Charges for services	20,507,418
Licenses and permits	(13,153,624)
Fines, forfeitures and penalties	<u>(7,353,794)</u>

Net effect of reclassification of certain revenues	<u>—</u>
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CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(2) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, CONTINUED

– Program specific intergovernmental revenues are reported as operating grants and contributions and capital grants and contributions:	
Operating grants and contributions	\$ 4,068,083
Capital grants and contributions	4,066,617
Grants and contributions not restricted to specific programs	409,274
Intergovernmental revenues	<u>(8,543,974)</u>
Net effect of reclassification of certain program-specific revenues	<u>—</u>
– Internal service fund operating expenses and other governmental expenses are reclassified in the major governmental activities classifications:	
General government	3,297,766
Public safety	34,237,460
Public service	7,342,990
Culture and recreation	15,212,153
Salaries and employee benefits	(21,704,484)
Maintenance and operation	(17,289,022)
Insurance premiums and settlements	(3,817,056)
Depreciation and amortization	<u>(17,279,807)</u>
Net effect of reclassification of internal service funds operating expenses	<u>—</u>
– Operating transfers within governmental activities are eliminated:	
Reduction in transfers in	(1,768,637)
Reduction in transfers out	<u>1,768,637</u>
Net effect of elimination of transfers within governmental funds	<u>—</u>
– Certain capital outlay expenditures were not capitalized and are reclassified as functional expenses in the statement of activities:	
Culture and recreation expense	881,692
Capital outlay expense	<u>(881,692)</u>
Net effect of reclassification of capital outlay not capitalized	<u>—</u>
Net reclassifications and eliminations	\$ <u><u>2,861,638</u></u>

A. Budgetary Information

The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year for the General Fund, and special revenue, debt service, capital projects and permanent funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The City Council also adopts annual financial plans for the enterprise and internal service funds and five-year capital budget plans for capital expenditures accounted for primarily in proprietary funds. All proprietary fund types are accounted for on an economic resources measurement focus. The City is not legally mandated to report the results of operations and capital expenditures for these proprietary fund types on a budgetary comparison basis; therefore, budgetary data related to these funds have not been presented.

The level of appropriated budgetary control is the total adopted budget which is defined as the total budget for all funds and divisions and includes all revisions and amendments approved by the City Council subsequent to the initial budget adoption. The City Manager may authorize transfers of appropriations within the adopted budget. Supplemental appropriations during the year must be approved by the City Council. These appropriations, representing amendments to the budget during the year, were significant in relationship to the original budget as adopted and detailed below. Unexpended or unencumbered appropriations lapse at the end of the fiscal year. Encumbered appropriations are reappropriated in the ensuing year's budget by action of the City Council.

The City utilizes an encumbrance system, whereby commitments such as purchase orders and unperformed contracts are recorded as committed fund balances at year-end.

(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Supplemental Budget Appropriations and Adjustments

The budget at June 30, 2012 includes appropriations based on encumbrances outstanding and approved re-appropriations at June 30, 2011 and excludes amounts reserved for encumbrances outstanding and approved re-appropriations at June 30, 2012.

During the year, several supplemental budget appropriations were adopted by the City Council as amendments to the annual budget. These changes to appropriations are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Original budget	\$ 164,284,633	13,527,047
Reappropriation of prior year approved projects and expenditures	1,564,416	4,432,200
Additional appropriations for:		
Community support, tourism and promotions	25,000	-
Various programs and capital projects	950,942	2,635,534
Amended budget	<u>166,824,991</u>	<u>20,594,781</u>
Encumbrances outstanding at year-end	(366,185)	(958,714)
Other reappropriations:		
Reappropriations by Fund to 2012-13	<u>(1,676,679)</u>	<u>(11,745,873)</u>
Final budget	<u>\$ 164,782,127</u>	<u>7,890,194</u>

C. Excess of Expenditures and Other Uses Over Appropriations

For the fiscal year ended June 30, 2012, the following funds reflected expenditures in excess of budgeted amounts:

	<u>Amount of Excess</u>
Special Revenue Fund	
Proposition A	\$ 25,939
Permanent Fund	
Burton Green	<u>2,000</u>
Total:	<u>\$ 27,939</u>

D. Deficit Fund Equity

For the fiscal year ended June 30, 2012 the Community Development Block Grant fund was in a fund equity deficit position of \$40,810 due to a timing difference in grant reimbursement. The deficit will be eliminated once the grant proceeds have been received. Please see Note 14 for a description of the deficit of \$23,944,933 in the Parking Enterprise Fund.

(4) CASH AND INVESTMENTS

A. Cash and Investments

The City follows the practice of pooling cash and investments of all funds, except for investments required to be held by outside fiscal agents under the provisions of bond indentures.

In accordance with the California Government Code Section 53600 et seq. the City adopts an investment policy annually that, among other things, authorizes types of allowable investments, maximum maturities, maximum concentration of investments by type of investment and issuer, minimum ratings for certain types of investments and how the investments may be held. The City's policy follows the requirements of, or is more restrictive than, the California Government Code. These limitations mitigate the City's interest rate risk, credit risk, concentration of credit risk and custodial credit risk related to its various investments. Authorized investments include:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Dollar or Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
• State Treasurer's Local Agency Investment Fund (LAIF)	On Demand	LAIF Maximum	N/A
• Securities of the U.S. government or its agencies	5 Years	N/A	N/A
• Obligations of the State of California or any local agency of the State of California	5 Years	25% of Total Portfolio	N/A
• Repurchase Agreements	7 Days	25% of Total Portfolio	N/A
• Certificates of deposit (or time deposits)	1 Year	N/A	\$250,000
• Negotiable certificates of deposit	36 Months	30% of Total Portfolio	N/A
• Bankers' acceptances	180 Days	15%	N/A
• Commercial paper	270 Days	25% of Total Portfolio	N/A
• Corporate medium-term notes	5 Years	30% of Total Portfolio	N/A
• Corporate bonds	5 Years	30% of Total Portfolio	N/A
• Shares of money market funds	On Demand	20% of Total Portfolio	N/A

The City's cash and investments at June 30, 2012 are summarized as follows.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(4) CASH AND INVESTMENTS, CONTINUED

June 30, 2012	Unrestricted Cash and Investments				Restricted Cash and Investments			
	Governmental Activities	Business-type Activities	Government-wide Subtotal	Total	Governmental Activities	Business-type Activities	Total	Total
Major funds:								
General	\$ 78,263,921	—	78,263,921	78,263,921	—	—	—	78,263,921
Infrastructure Capital Projects	15,413,502	—	15,413,502	15,413,502	—	—	—	15,413,502
Water Enterprise	—	13,900,264	13,900,264	13,900,264	—	13,610,535	13,610,535	27,510,799
Parking Facilities Enterprise	—	27,815,546	27,815,546	27,815,546	—	2,163,604	2,163,604	29,979,150
Solid Waste Enterprise	—	11,875,157	11,875,157	11,875,157	—	—	—	11,875,157
Wastewater Enterprise	—	23,478,147	23,478,147	23,478,147	—	1,623,750	1,623,750	25,101,897
Stormwater Enterprise	—	277,578	277,578	277,578	—	—	—	277,578
Parking Authority	—	1,997,936	1,997,936	1,997,936	—	—	—	1,997,936
	93,677,423	79,344,628	173,022,051	173,022,051	—	17,397,889	17,397,889	190,419,940
Other governmental funds:	27,753,393	—	27,753,393	27,753,393	304,364	—	304,364	28,057,757
Total fund type	121,430,816	79,344,628	200,775,444	200,775,444	304,364	17,397,889	17,702,253	218,477,697
Internal service funds:	148,507,687	—	148,507,687	148,507,687	2,313,872	—	2,313,872	150,821,559
Total	\$ 269,938,503	79,344,628	349,283,131	349,283,131	2,618,236	17,397,889	20,016,125	369,299,256
Components of cash and investments:								
Cash in demand deposits			\$ 105,238,209	105,238,209			—	105,238,209
Change and petty cash funds			18,724	18,724			—	18,724
Pooled investments			244,026,198	244,026,198			275,882	244,302,080
Investments with fiscal agents			—	—			19,740,243	19,740,243
Total cash and investments			\$ 349,283,131	349,283,131			20,016,125	369,299,256

B. Financial Risks

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 rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits its entire general investment portfolio to maturities of less than five years, unless a specific investment is tied to a particular cash flow need and is specifically approved by City Council. Investment in corporate debt securities are further limited (commercial paper – 270 days, medium term corporate notes – 5 years, corporate bonds – 5 years). Maturities are also limited for repurchase agreements (7 days), time certificates of deposit (1 year), negotiable certificates of deposit (36 months) and bankers' acceptances (180 days).

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City mitigates its credit risk generally by following its three primary investment objectives, in order, of safety, liquidity and yield. The California Government Code generally limits allowable investments to those classes of investments with lower risk (and therefore lower yields). The City's investment policy further restricts these investments to the highest quality within a category, excludes certain otherwise allowable investments as not meeting the City's liquidity requirement and limits the portion of the total general portfolio for certain investment types. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, and debt agreements, and the actual rating as of year end for each investment type.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(4) CASH AND INVESTMENTS, CONTINUED

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City 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. For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy generally requires that all securities be held in the City's name by a third-party custodian (not the counterparty) and evidenced by safekeeping receipts. Certain investments held by fiscal agents may be held by the counterparty's trust department or agent in the City's name.

At June 30, 2012, the carrying amount of the City's various demand deposit accounts totaled \$105,238,209. Please note that in prior years, overnight sweep deposits were categorized as pooled investments. Beginning in FY2011/12 and onwards, overnight sweep deposits will be categorized as cash and demand deposits because they are indeed demand deposits and can be liquidated at any time. Bank balances at June 30, 2012 totaling \$106,827,369, were either covered by Federal Deposit Insurance or were fully collateralized by investments held in the bank's trust department. The California Government Code requires California banks and savings and loan associations to secure a local governmental agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a government agency's deposits. California law also allows financial institutions to secure a government agency's deposits by pledging seasoned first trust deed mortgage notes having a value of 150% of a governmental agency's total deposits. Change and petty cash funds totaled \$18,724 at June 30, 2012.

On January 26th, 2009 the City of Beverly Hills Public Financing Authority entered into an agreement with City National Bank to borrow against a line of credit up to an amount of \$32,000,000 for the construction of a 72,460 sq. ft. four story office building at 331 N. Foothill Road, Beverly Hills, CA 90210. This line of credit required the City to set up a certificate of deposit with City National Bank in the amount of \$32,000,000 in order to have sufficient funds available for all payments and other charges as and when they are due on the line of credit. For further detail about the line of credit please see Note 9. The bank balance as well as the carrying amount of the certificate of deposit was \$32,000,000. \$250,000 of the \$32,000,000 was covered by Federal depository insurance and \$31,750,000 was fully collateralized by investments held by the bank's trust department. The certificate of deposit was in the City's name, and the custodian was City National Bank. As of January 6, 2011, the line of credit was converted into a long-term note payable, and thus the certificate of

deposit expired and was no longer required by City National Bank. The funds were returned to the City's general demand deposit account.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. 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
California Statewide Communities Development Authority	State Municipal	\$ 20,779,800
Federal Home Loan Banks	Federal Agency Securities	\$ 59,967,263
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$ 45,137,050
First American Prime Obligations Money Market Mutual Fund	Federal Agency Securitates	\$ 25,947,343
General Electric Cap	Mid Term Corp. Note	\$ 22,799,013

Investments of all funds and reporting units are pooled, thus investments in any one issuer that represent 5% or more of total investments by reporting unit (primary government, discretely presented component unit, governmental activities, major fund, non-major funds in the aggregate, etc.) are irrelevant.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(4) CASH AND INVESTMENTS, CONTINUED

June 30, 2012	Fair Value	Investment Maturities				
		<1 Year	<2 Years	<3 Years	<4 Years	<5 Years
Pooled investments:						
U.S. Federal Agency securities	\$ 137,989,038	—	9,994,400	—	17,779,175	110,215,463
State Municipal Bond	20,779,800	10,439,000	—	—	10,340,800	—
State Treasurer's Local Agency Investment Fund	25,947,342	25,947,342	—	—	—	—
Corporate Bonds	59,585,901	10,089,750	14,939,058	34,557,093	—	—
Total pooled investments	244,302,081	46,476,092	24,933,458	34,557,093	28,119,975	110,215,463
Investments held by fiscal agents:						
Money market mutual funds	19,740,242	19,740,242	—	—	—	—
Total investments held by fiscal agents	19,740,242	19,740,242	—	—	—	—
Total investments	\$ 264,042,323	66,216,334	24,933,458	34,557,093	28,119,975	110,215,463

	Minimum Legal Rating	Total	Rating as of Year End				
			Aaa	Aa2	Aa3	A1	A2
Pooled investments:							
U.S. Federal Agency securities	N/A	\$ 137,989,038	137,989,038	—	—	—	—
State Municipal Bond	A1	20,779,800	—	—	—	20,779,800	—
State Treasurer's Local Agency Investment Fund	N/A	25,947,342	—	—	—	25,947,342	—
Corporate Bonds	A	59,585,901	—	5,278,400	9,660,658	22,799,013	21,847,830
Total pooled investments		244,302,081	137,989,038	5,278,400	9,660,658	69,526,155	21,847,830
Investments held by fiscal agents:							
Money market mutual funds	AAAm	19,740,242	19,740,242	—	—	—	—
Total investments held by fiscal agents		19,740,242	19,740,242	—	—	—	—
Total investments		\$ 264,042,323	157,729,280	5,278,400	9,660,658	69,526,155	21,847,830

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(4) CASH AND INVESTMENTS, CONTINUED

State Treasurer’s Local Agency Investment Fund

At June 30, 2012, the City had \$25,947,343 deposited in the California State Treasurer’s Local Agency Investment Fund (LAIF), a non-SEC registered, government-sponsored external investment pool. LAIF is a voluntary program established under Section 16429.1-3 of the California Government Code.

LAIF is part of the Pooled Money Investment Account (PMIA) and has oversight provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB Board members are the State Treasurer, Director of Finance and the State Controller. Additionally, LAIF has oversight by the Local Investment Advisory Board, which consists of five members, as designated by statute. The Chairman is the State Treasurer, who appoints the other four members to two-year terms.

From time to time, the PMIA invests in asset-backed securities. At June 30, 2012, such investments represent 3.47% of the total PMIA portfolio of \$60.5 billion (cost basis). The PMIA does not invest in derivative products.

C. Restricted Cash and Investments

The City is required by bond covenants to retain various cash reserves and restricted cash amounts. In the absence of specific statutory provisions governing the issuance of bonds, certificates or leases, these monies may be invested in accordance with the ordinance, resolutions or 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.

The City also maintains cash and investments restricted under the terms of several endowment trust agreements. The earnings from these monies, accounted for in the City’s permanent funds, may be spent in accordance with the endowment trust restrictions. The monies are included in the City’s pooled cash and investment program.

Restricted cash and investments comprised of:

Temporarily restricted	\$ 19,934,744
Permanently restricted	<u>81,381</u>
	<u>\$ 20,016,125</u>

**Restricted Cash and Investments
June 30, 2012**

<u>Debt Issues/Capital Projects/Endowments</u>	<u>Amount</u>
Governmental activities:	
Nonmajor funds:	
Infrastructure Debt Service Fund - project funds	\$ 28,482
Permanent Funds:	
Temporarily restricted:	
Buck Fund endowment	173,061
Burton Green Fund endowment	<u>21,440</u>
	<u>194,501</u>
Permanently restricted:	
Buck Fund endowment	34,641
Burton Green Fund endowment	<u>46,740</u>
	<u>81,381</u>
Total permanent funds	<u>275,882</u>
Total governmental funds	<u>304,364</u>
Capital Assets Internal Service Fund:	
2009 Refunding Bonds reserve funds	2,116,519
2012 Lease Revenue Bonds project funds	24,307
Employee Benefits Internal Service Fund:	
2010 Lease Revenue Bonds project funds	<u>173,046</u>
Total internal service funds	<u>2,313,872</u>
Total governmental activities	<u>2,618,236</u>
Business-type activities:	
Water Enterprise Fund:	
2008 Refunding Water Bonds reserve funds	2,737,338
2009 Refunding Bonds construction funds	6,549,520
2009 Refunding Bonds reserve funds	4,300,696
2012 Water Revenue Bonds project funds	<u>22,981</u>
Total Water Enterprise Fund	<u>13,610,535</u>
Parking Facilities Enterprise Fund:	
2010 Lease Revenue Bonds construction funds	1,742,182
2009 Refunding Bonds reserve funds	408,063
2012 Lease Revenue Bonds project funds	<u>13,359</u>
Total Parking Facilities Enterprise Fund	<u>2,163,604</u>
Wastewater Enterprise Fund:	
2008 Ref. Wastewater Bonds reserve funds	<u>1,623,750</u>
Total business-type activities	<u>17,397,889</u>
Total restricted cash and investments	<u>\$ 20,016,125</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(4) CASH AND INVESTMENTS, CONTINUED

D. Cash and Investments – Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City deposits deferred compensation plan assets with the International City Managers’ Association (ICMA). Federal legislation requires that the assets of such plans be held in trust for the exclusive benefit of the plan participants and their beneficiaries. ICMA acts as the trustee for the plan assets and the City is considered to have limited fiduciary responsibility for the plan assets. As such, the City does not report the deferred compensation plan assets on its financial statements. (See Note 10B to the basic financial statements for additional information about this plan.)

(5) RECEIVABLES AND DEFERRED REVENUE

A. Receivables

All receivables are expected to be collected within one year, except for delinquent property taxes, and the notes receivable from the City Manager, Jeff Kolin, Chief Financial Officer, Scott G. Miller, from the Chief Information Officer, David Schirmer, Assistant Director of Community Development, Jonathan Lait, Assistant Director of Community Services- Recreation and Parks Steven Zoet, Assistant Director of Community Services – Library, Nancy Hunt Coffey, Director of Parking Operations, Chad Lynn,. (See Note 11 for a more comprehensive description of this receivable.)

Receivables at June 30, 2012 for the City’s individual major funds, and non-major and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are detailed below:

<u>Receivables</u>	<u>General</u>	<u>Infra-structure</u>	<u>Nonmajor Govern-mental</u>	<u>Internal Service</u>	<u>Total</u>
Governmental activities:					
Accounts	\$ 8,102,208	549,693	51,260	149,033	8,852,194
Taxes	14,174,961	—	—	—	14,174,961
Interest – unrestricted	187,854	50,411	83,300	448,620	770,185
Intergovernmental	6,742,668	560,755	310,286	—	7,613,709
Interest and other – restricted	—	—	899	—	899
Advances to other funds	17,758,428	—	7,559,096	—	25,317,524
Gross receivables	46,966,119	1,160,859	8,004,841	597,653	56,729,472
Less: allowance for uncollectibles	(211,822)	—	—	—	(211,822)
Net receivables	\$ 46,754,297	1,160,859	8,004,841	597,653	56,517,650

<u>Receivables</u>	<u>Water</u>	<u>Parking Facilities</u>	<u>Solid Waste</u>	<u>Waste-water</u>	<u>Storm-water</u>	<u>Parking Authority</u>	<u>Total</u>
Business-type activities:							
Accounts	\$ 6,176,970	68,656	3,228,394	2,505,601	461,594	140,904	12,582,119
Interest – unrestricted	56,196	86,078	37,210	74,938	1,136	—	255,558
Interest and other – restricted	2,490	—	—	—	—	—	2,490
Gross receivables	6,235,656	154,734	3,265,604	2,580,539	462,730	140,904	12,840,167
Less: allowance for uncollectibles	(361,519)	(108)	(130,293)	(151,963)	(53,219)	—	(697,102)
Net receivables	\$ 5,874,137	154,626	3,135,311	2,428,576	409,511	140,904	12,143,065

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(5) RECEIVABLES AND UNEARNED REVENUE, CONTINUED

B. Deferred / Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. All funds defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2012, the various components of deferred revenue and unearned revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>		<u>Unearned</u>
Governmental funds:				Business-type activities:	
General fund:				Utility accounts credit balances	\$ 170,582
Delinquent property taxes	\$ 2,753,731	—	2,753,731	Prepaid monthly parking fees	197,692
Business tax	—	409,446	409,446	Prepaid property leases	113,469
Interest receivable	107,907	—	107,907	Prepaid Post Office lease	<u>507,275</u>
Prepaid Community Development services	—	612,548	612,548		\$ <u>989,018</u>
Federal grant revenue	117,761		117,761		
Prepaid recreation services	—	<u>1,520,074</u>	<u>1,520,074</u>		
General fund total	<u>2,979,399</u>	<u>2,542,068</u>	<u>5,521,467</u>		
Infrastructure capital projects fund	589,712	—	589,712		
Other governmental funds	<u>156,180</u>	—	<u>156,180</u>		
Governmental funds total	<u>3,725,291</u>	<u>2,542,068</u>	<u>6,267,359</u>		
Internal Service funds total	\$ <u>—</u>	<u>3,262,516</u>	<u>3,262,516</u>		

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(6) INTERFUND RECEIVABLES/PAYABLES

Interfund receivable/payable balances at June 30, 2012 consist of the following:

- The Community Development Block Grant Special Revenue Fund borrowed \$68,943 from the General Fund to cover overdrafts of the cash and investment pool. These overdrafts resulted from timing differences on collection of grants receivable.
- The Capital Assets Fund advanced a total of \$8,300,000 to the Information Technology Fund to cover the radio infrastructure project expenditures. Total advances from the Capital Assts Fund represent 100% of the \$8,300,000 million project cost. The advance will be repaid at 5.0% interest over a 7 year period commencing Fiscal Year 2006-2007. As of June 30, 2012 the balance of these advances that is owed to the Capital Assets Fund is \$1,366,099.
- The Solid Waste Enterprise Fund had unbilled services to the Capital Asset Fund for \$2,465; Water Enterprise Fund for \$3,489; Parking Enterprise Fund for \$86; and Wastewater Fund for \$214. The total balance of this interfund receivable is \$6,254.
- The Stormwater fund was advanced a total of \$1,800,000 from the Solid Waste fund for operational purposes.
- In 2004, the General Fund advanced a total of \$17,137,709 to the Parking Enterprise Fund to cover Beverly Canon parking lot project expenditures. Total advances from the General Fund represent 51.7% of the \$34.1 million project cost. In FY 2011-2012, the Parking Authority assumed the debt at a new rate of 3.85%. As of June 30, 2012, the balance of the receivable is \$13,376,278.
- During Fiscal Year 2008-2009 the General Fund advanced a total of \$5,830,000 to the Parking Enterprise Fund to cover tenant improvements. These advances from the General Fund represent 89.3% of the \$6.5 million budgeted project cost. In FY 2011-2012, the Parking Authority assumed the debt at a new rate of 3.85%. As of June 30, 2012, the balance of the receivable is \$4,382,150.
- The Parks and Recreation Facilities and Capital Assets Internal Service Funds advanced the Parking Enterprise Fund a combined total of \$37,100,000 to cover Public Gardens Parking lot project expenditures during Fiscal Year 2006-07. In FY 2011-2012, the Parking Authority assumed the debt at a new rate of 3.85%. As of June 30, 2012, the balance of these receivables is \$37,795,480, consisting of \$7,559,096 owed to the Parks and Recreation Facilities fund, \$18,397,758 owed to the Capital Assets Fund, and \$11,838,626 is owed to the Vehicles Internal Service fund. The terms of the borrowing require unpaid interest to add to the principal.

As of June 30, 2012, the total balance of interfund receivables due to the City from the Parking Authority is \$55,553,908, which consists of the following:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>					
	General Fund	Parks and Recreation Facilities Fund	Capital Assets Fund*	Vehicles Fund*	Solid Waste Enterprise Fund	Total
Governmental Activities:						
Community Development Block Grant	\$ 68,943	-	-	-	-	68,943
Capital Asset Fund *	-	-	-	-	2,465	2,465
Information Technology Fund *	-	-	1,366,100	-	-	1,366,100
Governmental Activities Total:	68,943	-	1,366,100	-	2,465	1,437,508
Business-type Activities:						
Water Enterprise Fund	-	-	-	-	3,489	3,489
Parking Enterprise Fund	-	-	-	-	86	86
Wastewater Enterprise Fund	-	-	-	-	214	214
Stormwater Enterprise Fund	-	-	-	-	1,800,000	1,800,000
Parking Authority	17,758,428	7,559,096	18,397,758	11,838,626	-	55,553,908
Business-type Activities Total:	17,758,428	7,559,096	18,397,758	11,838,626	1,803,789	57,357,697
Total:	\$ 17,827,371	7,559,096	19,763,858	11,838,626	1,806,254	58,795,205

* Internal service fund

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(7) TRANSFERS

Significant interfund transfers during the year ended June 30, 2012 consist of the following:

- The General Fund transferred \$3,400,000 to the Infrastructure fund and \$1,867,000 to the Debt Service fund to pay for capital improvement projects and debt service, respectively. It transferred \$1,055,400 to designate funds for Other Post Employment Benefits (OPEB). It transferred \$706,000 to the Parking Enterprise fund for operational support. It also transferred \$150,000 to the Parking Enterprise Fund to pay for appraisal and title fees. Lastly, the General Fund transferred \$100,000 to the Information Technology Fund to support the CAD/RMS computer software upgrade.
- The Parks and Recreation Facilities fund transferred \$400,000 to the General fund to support the cost of tree maintenance.
- The State Gas Tax Fund transferred \$408,295 to the Infrastructure Fund for street resurfacing and \$6,000 to the General Fund for street maintenance.
- The Air Quality Fund transferred \$100,000 to the Vehicle Fund for street sweepers.
- The Policy, Administration and Legal Fund (PAL) transferred \$500,000 to the General Fund to pay for legal fees.
- The Community Development Technology Fund transferred \$13,237 to the Information Technology Fund for the purchase of Vocera pagers.
- The Parking Enterprise Fund transferred \$1,500,000 to the General fund for parking meter revenue transition to the Parking Enterprise Fund.
- The Solid Waste Fund transferred \$60,000 to the Stormwater Fund for its share of street sweeping expenditures.
- The Employee Benefits Fund received transfers totaling \$1,891,900 from the following funds for debt service related to post employment benefit programs because of employees within those funds benefiting from those programs: General, Capital Assets, Information Technology, Cable Television, Graphics, Liability Claims Resolution, Workers' Compensation, PAL, Vehicle, Water, Parking Enterprise, Solid Waste, Waste Water, and Storm Water Funds.
- The Capital Assets Fund transferred \$10,969,866 to the Water Enterprise Fund to transfer ownership of the liability related to the 2007 Lease Revenue Bond resulting from the 2012 Lease Revenue and 2012 Water Revenue Bond transactions. There is a transfer into this fund for the same amount. Please see the description of the transfer for the Water Enterprise Fund below. For more information, please refer to Note 9.
- The Water Enterprise Fund transferred \$10,969,866 to the Capital Assets Fund, Infrastructure Debt Fund and Parking Enterprise Fund to transfer ownership of the liability related to the 2003 and 2009 Lease Revenue Bonds, resulting from the 2012 Lease Revenue bond transaction during April 2012. There is a transfer into this fund for the same amount. Please see the description of the transfers out for the Capital Assets fund above. For more information, please refer to Note 9.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(7) TRANSFERS, CONTINUED

Following is a summary of transfers between funds during the year ended June 30, 2012:

Fund Transferred From	Fund Transferred To										
	Governmental Activities						Business-type Activities			Total	
	General	Infra-structure Capital Projects	Other Govern- mental Funds	Infor- mation Tech- nology	Capital Assets	Employee Health Benefits	Vehicle	Water	Parking		Storm Water
Governmental funds:											
General Fund:	\$ —	3,400,000	1,867,000	100,000	—	1,055,400	—	—	856,000	—	7,278,400
Nonmajor governmental funds:											
Streets & Highways State Gas Tax	6,000	408,295	—	—	—	—	—	—	—	—	414,295
Parks and Recreation Facilities	400,000	—	—	—	—	—	—	—	—	—	400,000
Air Quality Improvement	—	—	—	—	—	—	100,000	—	—	—	100,000
Community Development Technology	—	—	—	13,237	—	—	—	—	—	—	13,237
Total Nonmajor governmental funds	406,000	408,295	—	13,237	—	—	100,000	—	—	—	927,532
Internal service funds :											
Capital Assets	—	—	—	—	—	50,500	—	11,618,602	—	—	11,669,102
Vehicle Replacement	—	—	—	—	—	41,000	—	—	—	—	41,000
Information Technology	—	—	—	—	—	700	—	—	—	—	700
Reprographics	—	—	—	—	—	26,000	—	—	—	—	26,000
Cable TV	—	—	—	—	—	13,000	—	—	—	—	13,000
Liability Insurance	—	—	—	—	—	4,300	—	—	—	—	4,300
Workers' Compensation	—	—	—	—	—	4,300	—	—	—	—	4,300
Policy, Administration, and Legal	500,000	—	—	—	—	439,200	—	—	—	—	939,200
Total internal service funds	500,000	—	—	—	—	579,000	—	11,618,602	—	—	12,697,602
Enterprise funds:											
Water	—	—	94,365	—	11,066,986	82,500	—	—	43,496	—	11,287,347
Parking	1,500,000	—	—	—	—	39,500	—	—	—	—	1,539,500
Solid Waste	—	—	—	—	—	66,100	—	—	—	60,000	126,100
Wastewater	—	—	—	—	—	26,800	—	—	—	—	26,800
Stormwater	—	—	—	—	—	42,600	—	—	—	—	42,600
Total Enterprise funds	1,500,000	—	94,365	—	11,066,986	257,500	—	—	43,496	60,000	13,022,347
Total	\$ 2,406,000	3,808,295	1,961,365	113,237	11,066,986	1,891,900	100,000	11,618,602	899,496	60,000	33,925,881

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(8) CAPITAL ASSETS

A. Capital Assets – Governmental Activities

Infrastructure assets and the City’s fine art collection are reported only in the government-wide statement of net assets; all other governmental capital assets are reported in internal service funds. The changes in capital assets for governmental activities for the year ended June 30, 2012 were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Acquisition and Construction/ Depreciation</u>	<u>Sales and Other Dispositions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 51,601,692	—	—	—	51,601,692
Fine Art Collection	1,746,411	—	—	—	1,746,411
Construction in progress	22,542,655	25,002,500	—	(28,653,599)	18,891,556
Total capital assets not being depreciated	<u>75,890,758</u>	<u>25,002,500</u>	<u>—</u>	<u>(28,653,599)</u>	<u>72,239,659</u>
Capital assets being depreciated:					
Buildings	226,986,557	—	—	6,195,453	233,182,010
Improvements other than buildings	31,593,750	434,742	—	844,107	32,872,599
Infrastructure	121,963,532	—	(1,426,625)	13,637,786	134,174,693
Machinery and equipment	77,291,986	—	(17,022,430)	7,976,253	68,245,809
Total capital assets being depreciated	<u>457,835,825</u>	<u>434,742</u>	<u>(18,449,055)</u>	<u>28,653,599</u>	<u>468,475,111</u>
Less accumulated depreciation for:					
Buildings	(74,947,917)	(5,204,637)	—	24,448	(80,128,106)
Improvements other than buildings	(13,805,722)	(915,037)	—	—	(14,720,759)
Infrastructure	(48,860,101)	(3,317,919)	1,426,625	—	(50,751,395)
Machinery and equipment	(47,720,698)	(7,332,304)	14,893,027	(24,448)	(40,184,423)
Total accumulated depreciation	<u>(185,334,438)</u>	<u>(16,769,897)</u>	<u>16,319,652</u>	<u>—</u>	<u>(185,784,683)</u>
Net capital assets being depreciated	<u>272,501,387</u>	<u>(16,335,155)</u>	<u>(2,129,403)</u>	<u>28,653,599</u>	<u>282,690,428</u>
Total net capital assets – governmental activities	<u>\$ 348,392,145</u>	<u>8,667,345</u>	<u>(2,129,403)</u>	<u>—</u>	<u>354,930,087</u>

	<u>Depreciation</u>
General government	\$ (920,334)
Public safety	(9,554,920)
Public service	(2,049,267)
Culture and recreation	(4,245,377)
Total depreciation expense – governmental activities	<u>\$ (16,769,897)</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(8) CAPITAL ASSETS, CONTINUED

B. Capital Assets – Business-type Activities

Changes in capital assets for business-type activities for the year ended June 30, 2012 were as follows:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Acquisition and Construction/ Depreciation</u>	<u>Sales and Other Dispositions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 33,114,045	—	—	—	33,114,045
Construction in progress	39,545,595	12,691,953	—	(46,536,997)	5,700,551
Total capital assets not being depreciated	<u>72,659,640</u>	<u>12,691,953</u>	<u>—</u>	<u>(46,536,997)</u>	<u>38,814,596</u>
Capital assets being depreciated:					
Buildings	174,389,780	—	(97,892)	36,455,239	210,747,127
Utility systems	186,025,842	29,857	(1,145,446)	9,654,667	194,564,920
Improvements other than buildings	4,436,417	—	(143,928)	15,680	4,308,169
Machinery and equipment	10,252,311	587,288	(1,391,777)	411,411	9,859,233
Total capital assets being depreciated	<u>375,104,350</u>	<u>617,145</u>	<u>(2,779,043)</u>	<u>46,536,997</u>	<u>419,479,449</u>
Less accumulated depreciation for:					
Buildings	(79,404,541)	(6,715,923)	77,184	—	(86,043,280)
Utility systems	(56,845,088)	(4,706,202)	1,140,310	—	(60,410,980)
Improvements other than buildings	(1,361,129)	(259,928)	116,669	—	(1,504,388)
Machinery and equipment	(7,245,284)	(815,612)	1,391,778	—	(6,669,118)
Total accumulated depreciation	<u>(144,856,042)</u>	<u>(12,497,665)</u>	<u>2,725,941</u>	<u>—</u>	<u>(154,627,766)</u>
Net capital assets being depreciated	<u>230,248,308</u>	<u>(11,880,520)</u>	<u>(53,102)</u>	<u>46,536,997</u>	<u>264,851,683</u>
Total net capital assets – business-type activities	\$ <u>302,907,948</u>	<u>811,433</u>	<u>(53,102)</u>	<u>—</u>	<u>303,666,279</u>
		<u>Depreciation</u>			
Water	\$ (3,765,700)				
Parking facilities	(2,212,773)				
Solid waste	(413,288)				
Wastewater	(1,412,403)				
Stormwater	(347,401)				
Parking Authority	(4,346,100)				
Total depreciation expense – business-type activities	\$ <u>(12,497,665)</u>				

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(8) CAPITAL ASSETS, CONTINUED

C. Capital Assets – Major Proprietary Funds:

Changes in capital assets for major proprietary funds for the year ended June 30, 2012 were as follows:

Major Proprietary Funds	Beginning Balance	Acquisition and Construction/ Depreciation	Sales and Other Dispositions	Transfers	Ending Balance
Water Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 5,260,911	—	—	—	5,260,911
Construction in progress	9,662,925	3,793,903	—	(8,710,926)	4,745,902
Total capital assets not being depreciated	<u>14,923,836</u>	<u>3,793,903</u>	<u>—</u>	<u>(8,710,926)</u>	<u>10,006,813</u>
Capital assets being depreciated:					
Buildings	16,642,634	—	—	40,693	16,683,327
Utility systems	121,768,407	29,857	(1,145,446)	8,670,233	129,323,051
Machinery and equipment	5,774,158	—	—	—	5,774,158
Total capital assets being depreciated	<u>144,185,199</u>	<u>29,857</u>	<u>(1,145,446)</u>	<u>8,710,926</u>	<u>151,780,536</u>
Less accumulated depreciation for:					
Buildings	(6,441,076)	(567,308)	—	—	(7,008,384)
Utility systems	(35,613,409)	(3,001,149)	1,140,310	—	(37,474,248)
Machinery and equipment	(4,387,782)	(197,243)	—	—	(4,585,025)
Total accumulated depreciation	<u>(46,442,267)</u>	<u>(3,765,700)</u>	<u>1,140,310</u>	<u>—</u>	<u>(49,067,657)</u>
Net capital assets being depreciated	<u>97,742,932</u>	<u>(3,735,843)</u>	<u>(5,136)</u>	<u>8,710,926</u>	<u>102,712,879</u>
Total net capital assets – Water Enterprise Fund	<u>\$ 112,666,768</u>	<u>58,060</u>	<u>(5,136)</u>	<u>—</u>	<u>112,719,692</u>
Parking Facilities Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 19,144,134	—	—	(11,852,153)	7,291,981
Construction in progress	28,289,659	8,777,504	—	(36,606,503)	460,660
Total capital assets not being depreciated	<u>47,433,793</u>	<u>8,777,504</u>	<u>—</u>	<u>(48,458,656)</u>	<u>7,752,641</u>
Capital assets being depreciated:					
Buildings	157,747,146	—	(97,892)	(133,030,569)	24,618,685
Improvements other than buildings	4,436,417	—	(143,928)	(3,798,638)	493,851
Machinery and equipment	2,946,749	19,635	(1,182,377)	(1,735,844)	48,163
Total capital assets being depreciated	<u>165,130,312</u>	<u>19,635</u>	<u>(1,424,197)</u>	<u>(138,565,051)</u>	<u>25,160,699</u>
Less accumulated depreciation for:					
Buildings	(72,963,465)	(2,072,238)	77,184	63,075,775	(11,882,744)
Improvements other than buildings	(1,361,129)	(105,268)	116,669	1,235,377	(114,351)
Machinery and equipment	(1,883,870)	(35,267)	1,182,378	731,981	(4,778)
Total accumulated depreciation	<u>(76,208,464)</u>	<u>(2,212,773)</u>	<u>1,376,231</u>	<u>65,043,133</u>	<u>(12,001,873)</u>
Net capital assets being depreciated	<u>88,921,848</u>	<u>(2,193,138)</u>	<u>(47,966)</u>	<u>(73,521,918)</u>	<u>13,158,826</u>
Total net capital assets – Parking Fac. Enterprise Fund	<u>\$ 136,355,641</u>	<u>6,584,366</u>	<u>(47,966)</u>	<u>(121,980,574)</u>	<u>20,911,467</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(8) CAPITAL ASSETS, CONTINUED

Major Proprietary Funds	Beginning Balance	Acquisition and Construction/ Depreciation	Sales and Other Dispositions	Transfers	Ending Balance
Solid Waste Enterprise Fund:					
Capital assets being depreciated:					
Machinery and equipment	\$ 1,009,623	432,288	(209,400)	—	1,232,511
Total capital assets being depreciated	<u>1,009,623</u>	<u>432,288</u>	<u>(209,400)</u>	<u>—</u>	<u>1,232,511</u>
Less accumulated depreciation for:					
Machinery and equipment	(654,894)	(413,288)	209,400	—	(858,782)
Total accumulated depreciation	<u>(654,894)</u>	<u>(413,288)</u>	<u>209,400</u>	<u>—</u>	<u>(858,782)</u>
Net capital assets being depreciated	<u>354,729</u>	<u>19,000</u>	<u>—</u>	<u>—</u>	<u>373,729</u>
Total net capital assets – Solid Waste Enterprise Fund	<u>\$ 354,729</u>	<u>19,000</u>	<u>—</u>	<u>—</u>	<u>373,729</u>
Wastewater Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 8,709,000	—	—	—	8,709,000
Construction in progress	1,593,011	120,546	—	(1,219,568)	493,989
Total capital assets not being depreciated	<u>10,302,011</u>	<u>120,546</u>	<u>—</u>	<u>(1,219,568)</u>	<u>9,202,989</u>
Capital assets being depreciated:					
Utility systems	54,155,785	—	—	984,434	55,140,219
Machinery and equipment	454,248	—	—	235,134	689,382
Total capital assets being depreciated	<u>54,610,033</u>	<u>—</u>	<u>—</u>	<u>1,219,568</u>	<u>55,829,601</u>
Less accumulated depreciation for:					
Utility systems	(15,037,562)	(1,366,203)	—	—	(16,403,765)
Machinery and equipment	(306,787)	(46,200)	—	—	(352,987)
Total accumulated depreciation	<u>(15,344,349)</u>	<u>(1,412,403)</u>	<u>—</u>	<u>—</u>	<u>(16,756,752)</u>
Net capital assets being depreciated	<u>39,265,684</u>	<u>(1,412,403)</u>	<u>—</u>	<u>1,219,568</u>	<u>39,072,849</u>
Total net capital assets – Wastewater Enterprise Fund	<u>\$ 49,567,695</u>	<u>(1,291,857)</u>	<u>—</u>	<u>—</u>	<u>48,275,838</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(8) CAPITAL ASSETS, CONTINUED

Major Proprietary Funds	Beginning Balance	Acquisition and Construction/ Depreciation	Sales and Other Dispositions	Transfers	Ending Balance
Stormwater Enterprise Fund:					
Capital assets being depreciated:					
Utility systems	10,101,650	—	—	—	10,101,650
Machinery and equipment	67,533	—	—	—	67,533
Total capital assets being depreciated	<u>10,169,183</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,169,183</u>
Less accumulated depreciation for:					
Utility systems	(6,194,117)	(338,850)	—	—	(6,532,967)
Machinery and equipment	(11,951)	(8,551)	—	—	(20,502)
Total accumulated depreciation	<u>(6,206,068)</u>	<u>(347,401)</u>	<u>—</u>	<u>—</u>	<u>(6,553,469)</u>
Net capital assets being depreciated	<u>3,963,115</u>	<u>(347,401)</u>	<u>—</u>	<u>—</u>	<u>3,615,714</u>
Total net capital assets – Stormwater Enterprise Fund	<u>\$ 3,963,115</u>	<u>(347,401)</u>	<u>—</u>	<u>—</u>	<u>3,615,714</u>
Parking Authority					
Capital assets not being depreciated:					
Land	\$ —	—	—	11,852,153	11,852,153
Total capital assets not being depreciated	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,852,153</u>	<u>11,852,153</u>
Capital assets being depreciated:					
Buildings	—	—	—	169,445,115	169,445,115
Improvements other than buildings	—	—	—	3,814,318	3,814,318
Machinery and equipment	—	135,365	—	1,912,121	2,047,486
Total capital assets being depreciated	<u>—</u>	<u>135,365</u>	<u>—</u>	<u>175,171,554</u>	<u>175,306,919</u>
Less accumulated depreciation for:					
Buildings	—	(4,076,377)	—	(63,075,775)	(67,152,152)
Improvements other than buildings	—	(154,660)	—	(1,235,377)	(1,390,037)
Machinery and equipment	—	(115,063)	—	(731,981)	(847,044)
Total accumulated depreciation	<u>—</u>	<u>(4,346,100)</u>	<u>—</u>	<u>(65,043,133)</u>	<u>(69,389,233)</u>
Net capital assets being depreciated	<u>—</u>	<u>(4,210,735)</u>	<u>—</u>	<u>110,128,421</u>	<u>105,917,686</u>
Total net capital assets – Parking Authority	<u>\$ —</u>	<u>(4,210,735)</u>	<u>—</u>	<u>121,980,574</u>	<u>117,769,839</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(9) LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Long-term liabilities related to infrastructure capital projects are reported only in the government-wide statement of net assets. The governmental activities long-term liabilities are reported in internal service funds. The following is a summary of changes in the City's long-term debt and other long-term liabilities during the year ended June 30, 2012.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental activities:</i>					
Revenue bonds payable	\$ 153,055,838	55,152,352	(73,115,425)	135,092,765	8,461,413
Plus (less) deferred amounts for:					
Original issue premiums	6,021,313	5,583,183	(473,313)	11,131,183	—
Original issue discounts	(720,103)	—	720,103	—	—
Deferred amount on refundings	<u>(5,471,226)</u>	<u>(976,595)</u>	<u>881,250</u>	<u>(5,566,571)</u>	<u>—</u>
Total bonds payable	152,885,822	59,758,940	(71,987,385)	140,657,377	8,461,413
Note payable	31,336,441	—	(1,396,839)	29,939,602	1,484,982
Compensated absences*	14,299,814	309,572	(641,572)	13,967,814	1,072,501
Claims payable*	13,027,719	2,777,317	(5,827,000)	9,978,036	2,972,433
Capital leases payable	<u>1,670,291</u>	<u>434,742</u>	<u>(1,733,964)</u>	<u>371,069</u>	<u>114,137</u>
Long-term liabilities of governmental activities	<u>213,220,087</u>	<u>63,280,571</u>	<u>(81,586,760)</u>	<u>194,913,898</u>	<u>14,105,466</u>
<i>Business-type activities:</i>					
Revenue bonds payable	164,574,161	63,852,382	(83,554,307)	144,872,236	11,388,587
Plus (less) deferred amounts for:					
Original issue premiums	3,993,391	7,091,181	(448,317)	10,636,255	—
Original issue discounts	(727,793)	—	727,793	—	—
Deferred amount on refundings	<u>(2,996,631)</u>	<u>(1,510,699)</u>	<u>441,064</u>	<u>(4,066,266)</u>	<u>—</u>
Total bonds payable	164,843,128	69,432,864	(82,833,767)	151,442,225	11,388,587
Long-term liabilities of business-type activities	<u>164,843,128</u>	<u>69,432,864</u>	<u>(82,833,767)</u>	<u>151,442,225</u>	<u>11,388,587</u>
Total long-term liabilities	\$ <u>378,063,215</u>	<u>132,713,435</u>	<u>(164,420,527)</u>	<u>346,356,123</u>	<u>25,494,053</u>

* For these long term liabilities, the governmental fund that has typically been used in prior years to liquidate these amounts is the general fund. This is also the case for payments towards pension liabilities and Other Post Employment Benefit liabilities as well. Given that each of these long term liabilities is being accounted for in an internal service fund, and given the knowledge that the internal service funds allocate the cost of their services to user departments on a cost reimbursement basis, then as far as the burden on governmental funds is concerned, since the general fund acts as one of the larger users of internal services, then it primarily has been used to liquidate these long term liabilities.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(9) LONG-TERM LIABILITIES, CONTINUED

B. Changes in Long-Term Liabilities – Major Funds

Changes in the long-term liabilities of governmental activities for the year ended June 30, 2012 are composed of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Infrastructure capital assets-related:</i>					
Revenue bonds payable	\$ 34,456,887	29,757,087	(35,175,991)	29,037,983	—
Less deferred amounts for:					
Original issue premiums	—	2,908,893	(21,247)	2,887,646	—
Original issue discounts	(370,425)	—	370,425	—	—
Deferred amount on refundings	(957,552)	(679,392)	41,791	(1,595,153)	—
Total bonds payable	<u>33,128,910</u>	<u>31,986,588</u>	<u>(34,785,022)</u>	<u>30,330,476</u>	<u>—</u>
<i>Internal service funds:</i>					
Revenue bonds payable	118,598,951	25,395,265	(37,939,434)	106,054,782	8,461,413
Plus (less) deferred amounts for:					
Original issue premiums	6,021,313	2,674,290	(452,066)	8,243,537	—
Original issue discounts	(349,678)	—	349,678	—	—
Deferred amount on refundings	(4,513,674)	(297,203)	839,459	(3,971,418)	—
Total bonds payable	<u>119,756,912</u>	<u>27,772,352</u>	<u>(37,202,363)</u>	<u>110,326,901</u>	<u>8,461,413</u>
Note payable	31,336,441	—	(1,396,839)	29,939,602	1,484,982
Compensated absences	14,299,814	309,572	(641,572)	13,967,814	1,072,501
Claims payable	13,027,719	2,777,317	(5,827,000)	9,978,036	2,972,433
Capital leases payable	<u>1,670,291</u>	<u>434,742</u>	<u>(1,733,964)</u>	<u>371,069</u>	<u>114,137</u>
Total internal service funds	<u>180,091,177</u>	<u>31,293,983</u>	<u>(46,801,738)</u>	<u>164,583,422</u>	<u>14,105,466</u>
Long-term liabilities of governmental activities	<u>\$ 213,220,087</u>	<u>63,280,571</u>	<u>(81,586,760)</u>	<u>194,913,898</u>	<u>14,105,466</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(9) LONG-TERM LIABILITIES, CONTINUED

Changes in the long-term liabilities of business-type activities for the year ended June 30, 2012 are composed of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Water Enterprise Fund:</i>					
Revenue bonds payable	\$ 71,799,866	49,894,866	(60,149,732)	61,545,000	2,090,000
Plus (less) deferred amounts for:					
Original issue premiums	979,464	5,726,769	(129,246)	6,576,987	—
Original issue discounts	(530,876)	—	530,876	—	—
Deferred amount on refundings	(755,947)	(1,165,727)	84,336	(1,837,338)	—
Total bonds payable	<u>71,492,507</u>	<u>54,455,908</u>	<u>(59,663,766)</u>	<u>66,284,649</u>	<u>2,090,000</u>
Total Water Enterprise Fund	<u>71,492,507</u>	<u>54,455,908</u>	<u>(59,663,766)</u>	<u>66,284,649</u>	<u>2,090,000</u>
<i>Parking Facilities Enterprise Fund:</i>					
Revenue bonds payable	78,694,295	13,957,516	(22,334,575)	70,317,236	8,203,587
Plus (less) deferred amounts for:					
Original issue premiums	2,643,055	1,364,412	(285,098)	3,722,369	—
Original issue discounts	(196,917)	—	196,917	—	—
Deferred amount on refundings	(1,157,694)	(344,972)	257,523	(1,245,143)	—
Total bonds payable	<u>79,982,739</u>	<u>14,976,956</u>	<u>(22,165,233)</u>	<u>72,794,462</u>	<u>8,203,587</u>
Total Parking Facilities Enterprise Fund	<u>79,982,739</u>	<u>14,976,956</u>	<u>(22,165,233)</u>	<u>72,794,462</u>	<u>8,203,587</u>
<i>Wastewater Enterprise Fund:</i>					
Revenue bonds payable	14,080,000	—	(1,070,000)	13,010,000	1,095,000
Less deferred amounts for:					
Original issue premiums	370,872	—	(33,973)	336,899	—
Deferred amount on refundings	(1,082,990)	—	99,205	(983,785)	—
Total bonds payable	<u>13,367,882</u>	<u>—</u>	<u>(1,004,768)</u>	<u>12,363,114</u>	<u>1,095,000</u>
Total Wastewater Enterprise Fund	<u>13,367,882</u>	<u>—</u>	<u>(1,004,768)</u>	<u>12,363,114</u>	<u>1,095,000</u>
Long-term liabilities of business-type activities	\$ <u>164,843,128</u>	<u>69,432,864</u>	<u>(82,833,767)</u>	<u>151,442,225</u>	<u>11,388,587</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(9) LONG-TERM LIABILITIES, CONTINUED

C. Bonds and Note Payable

The City's bonds were issued primarily to finance or refinance capital facilities. The 2012 Lease Revenue Bonds are reported only in the government-wide statements of net assets and activities; the balance of governmental activities debt issues are reported in the Capital Assets Internal Service Fund. Business-type activities debt issues are reported in the City's enterprise funds. Several debt securities were issued for multiple purposes so the principal and related interest costs of the debt are allocated between the respective funds.

A summary of bonds outstanding at June 30, 2012 is as follows:

<u>Debt Issue</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue bonds:			
2012 Lease Revenue	\$ 43,114,780	13,620,221	56,735,001
2012 Water Revenue	—	37,665,000	37,665,000
2010 Lease Revenue	17,926,316	39,318,684	57,245,000
2009 Refunding Lease	55,398,553	7,026,447	62,425,000
2003 Refunding Lease	18,653,116	10,351,885	29,005,000
2008 Water Revenue	—	23,880,000	23,880,000
2008 Wastewater Revenue	—	13,010,000	13,010,000
Original issue premium	11,131,183	10,636,255	21,767,438
Deferred amount on refunding	(5,566,571)	(4,066,266)	(9,632,837)
Total revenue bonds	<u>140,657,377</u>	<u>151,442,225</u>	<u>292,099,602</u>
Total bonds	<u>\$ 140,657,377</u>	<u>151,442,225</u>	<u>292,099,602</u>

A description of individual bond issues follow:

Revenue Bonds

2003 Refunding Lease Revenue Bonds – \$68,445,000

Public Financing Authority, Lease Revenue Bonds, 2003 Refunding Series A, issued March 2003, are due in annual installments ranging from \$2,285,000 to \$9,870,000 through June 1, 2015, with interest rates ranging from 3.00% to 5.25% payable semi-annually June 1 and December 1. Bonds maturing on or after June 1, 2014 are subject to optional redemption in part, without premium, from prepayments of base rental payments on or after June 1, 2014. The Bonds are special limited obligations of the Public Financing Authority and are payable

solely from rent payments from the City pursuant to a lease agreement. The 2003 Refunding LRBs were issued to advance refunding the 1993 Refunding LRBs, which were in turn issued for multiple purposes so the principal has been allocated and is accounted for in the appropriate City funds (enterprise and internal service funds). During FY 2011-2012, the City issued the 2012 Lease Revenue Bonds (see below) as well as the 2012 Water Revenue Bonds. These bond transactions included a transfer of ownership of the 2003 LRB liability from the Water Enterprise Fund to the Capital Assets Fund. The total amount of bonds outstanding was unaffected. The following is a schedule of the allocation of the 2003 Refunding LRBs, net of premium, by fund at June 30, 2012:

Capital Assets Fund	\$ 18,653,115	
Parking Facilities Fund	<u>10,351,885</u>	
		\$ 29,005,000
		Plus original issue premium 1,209,504
		Less deferred amount on refunding <u>(969,825)</u>
		<u>Net bonds outstanding 29,244,679</u>

2007 Water Revenue Bonds – \$35,495,000

Public Financing Authority, Water Revenue Bonds, issued January 2007, are due in annual installments ranging from \$175,000 to \$2,830,000 through June 1, 2037, with interest rates ranging from 3.51% to 4.45% payable semiannually June 1 and December 1. The Bonds are special limited obligations of the Public Financing Authority and are primarily payable from installment payments from the City pursuant to an installment sale agreement dated January 1, 2007. The City's obligation to make installment payments is solely payable from and secured by a pledge of net revenues of the Water Enterprise Fund. However, during FY 2011-2012, the 2007 WRB was refunded. As of June 30, 2012, the ending balance of bonds payable was zero.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(9) LONG-TERM LIABILITIES, CONTINUED

2007 Lease Revenue Bonds – \$81,600,000 Public Financing Authority, 2007 Lease Revenue Bonds, issued February 2007, are due in annual installments ranging from \$775,000 to \$6,640,000 through June 1, 2037, with interest rates ranging from 3.50% to 4.50% payable semiannually June 1 and December 1. The Bonds are special limited obligations of the Public Financing Authority and are payable solely from rent payments from the City pursuant to a lease agreement. The advance refunding resulted in an economic gain (difference between the present value of the debt services payments on the old and new debt) of \$ 2,172,227 and a reduction of total debt service payments of \$1,927,932. The 2007 LRBs were issued in part to advance refunding of the 1998 and 1999 LRBs, which were in turn issued for multiple purposes. The non-refunding portion was issued for multiple purposes as well. Thus the principal has been allocated and is accounted for in the appropriate City funds (enterprise, internal service funds, and general government). During FY 2011-2012, the 2007 LRB was refunded. As part of the 2012 LRB and WRB debt transaction, the 2007 LRBs had a transfer of ownership of liability from Capital Assets Fund to Water Enterprise fund. However, after the transfer of ownership of 2007 LRB liability took place, within the same refunding bond transaction, the 2007 LRBs were fully refunded. Therefore, as of June 30, 2012, the ending balance of bonds payable was zero.

2008 Refunding Water Revenue Bonds - \$30,735,000 Public Financing Authority, Water Revenue Bonds, issued March 2008, are due in annual installments ranging from \$670,000 to \$2,360,000 through June 1, 2024, with interest rates ranging from 3.00% to 5.00% payable semiannually June 1 and December 1. The Bonds are special limited obligations of the Public Financing Authority and are primarily payable from installment payments from the City pursuant to an installment sale agreement

dated April 1, 2008. The City’s obligation to make installment payments is solely payable from and secured by a pledge of net revenues of the Water Enterprise Fund. The advance refunding resulted in an economic gain (difference between the present value of the debt services payments on the old and new debt) of \$ 389,918 and a reduction of total debt service payments of \$601,184. The 2008 WRBs were issued in part to advance refunding of the 1998 WRBs, which were in turn issued for multiple purposes. The non-refunding portion was issued for acquiring an existing water treatment plant.

	\$ 23,880,000
Plus original issue premium	710,103
Less deferred amount on refunding	<u>(624,360)</u>
Net bonds outstanding	<u>23,965,743</u>

2008 Refunding Wastewater Revenue Bonds

- \$17,035,000

Public Financing Authority, Wastewater Revenue Bonds, issued April 2009, are due in annual installments ranging from \$910,000 to \$1,555,000 through June 1, 2022, with interest rates ranging from 2.40% to 5.00% payable semiannually June 1 and December 1. The Bonds are special limited obligations of the Public Financing Authority and are primarily payable from installment payments from the City pursuant to an installment sale agreement dated May 1, 2008. The City’s obligation to make installment payments is solely payable from and secured by a pledge of net revenues of the Wastewater Enterprise Fund. The advance refunding resulted in an economic gain (difference between the present value of the debt services payments on the old and new debt) of \$793,750 and a reduction of total debt service payments of \$1,161,564. The 2008 WWRBs were issued to advance refunding of the 1998 WWRBs, which were in turn issued for multiple purposes.

	\$ 13,010,000
Plus original issue premium	336,899
Less deferred amount on refunding	<u>(983,785)</u>
Net bonds outstanding	<u>12,363,114</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(9) LONG-TERM LIABILITIES, CONTINUED

2009 Lease Revenue Bonds – \$72,015,000 Public Financing Authority, 2009 Lease Revenue Bonds, issued December 2009, are due in annual installments ranging from \$210,000 to \$8,445,000 through June 1, 2039, with interest rates ranging from 0.65% to 5.00% payable semiannually June 1 and December 1. The Bonds are special limited obligations of the Public Financing Authority and are payable solely from rent payments from the City pursuant to a lease agreement. The advance refunding resulted in an economic gain (difference between the present value of the debt services payments on the old and new debt) of \$ 6,690,454 and a reduction of total debt service payments of \$8,885,308. The 2009 LRBs were issued in part to advance refunding of the 1999 and 2001 LRBs, which were in turn issued for multiple purposes. The non-refunding portion was issued for multiple purposes as well. Thus the principal has been allocated and is accounted for in the appropriate City funds (enterprise, internal service funds, and general government). During, FY 2011-2012, the City issued the 2012 Lease Revenue Bonds (see below) as well as the 2012 Water Revenue Bonds. These bond transactions included a transfer of ownership of the 2009 LRB liability from the Water Enterprise Fund to the Capital Assets Fund. The total amount of bonds outstanding was unaffected. The following is a schedule of the allocation of the 2009 Refunding LRBs, net of discount, by fund at June 30, 2012:

Capital Assets Fund	\$ 55,398,553	
Parking Enterprise Fund	<u>7,026,447</u>	
		\$ 62,425,000
Plus original issue premium		5,740,578
Less deferred amount on refunding		<u>(3,244,409)</u>
Net bonds outstanding		<u>64,921,169</u>

2010 Lease Revenue Bonds - \$62,565,000 Public Financing Authority, 2010 Lease Revenue Bonds, issued August 2010, are due in annual installments ranging from \$930,000 to \$5,825,000 through June 1, 2040, with interest rates ranging from 0.52% to 6.774% payable semiannually June 1 and December 1. The Bonds are special limited obligations of the Public Financing Authority and are payable solely from rent payments from the City pursuant to a lease agreement. The 2010 LRBs were issued in three distinct series. Series A bonds had a value of \$13,705,000; Series B bonds had a value of \$28,940,000, and Series C Build America Bonds had a value of \$19,920,000. The Series A bonds and the Series C Build America Bonds were issued primarily to finance the acquisition and construction of certain capital improvements to be owned and operated by the City. The taxable Series B bonds were issued primarily to finance a portion of the acquisition and construction costs of the improvements previously mentioned, and to fund the City’s alternative retiree medical program (ARMP). Please see Note 12, Post Employment Health Care Benefits for more detailed information regarding the ARMP. The following is a schedule of the allocation of the 2010 Refunding LRBs, net of discount, by fund at June 30, 2012:

Employee Benefits Internal Service Fund	\$ 17,926,316
Parking Facilities Fund	<u>39,318,684</u>
	57,245,000
Plus original issue premium	<u>1,197,006</u>
Net bonds outstanding	<u>58,442,006</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(9) LONG-TERM LIABILITIES, CONTINUED

2012 Water Revenue Bonds – \$38,925,000

Public Financing Authority, Water Revenue Bonds, issued April 2012, are due in annual installments ranging from \$215,000 to \$2,520,000 through June 1, 2037, with interest rates ranging from 3.00% to 5.00% payable semiannually June 1 and December 1. The Bonds issued are (i) to refund on a current basis an outstanding issue of the Authority's bonds captioned "City of Beverly Hills Public Financing Authority, 2007 Water Revenue Bonds", (ii) to prepay certain obligations of the Water Enterprise in order to contribute funds toward the refunding of an outstanding lease revenue bond issue of the Authority, and (iii) to pay the costs of issuing the Bond. The Bonds are special limited obligations of the Public Financing Authority and are primarily payable from installment payments from the City pursuant to an installment sale agreement dated April 11, 2002. The advance refunding resulted in an economic gain (difference between the present value of the debt services payments on the old and new debt) of \$ 4,090,450 and a reduction of total debt service payments of \$9,849,432. The City's obligation to make installment payments is solely payable from and secured by a pledge of net revenues of the Water Enterprise Fund.

	\$ 37,665,000
Plus original issue premium	5,866,885
Less deferred amount on refunding	<u>(1,212,977)</u>
Net bonds outstanding	\$ <u>42,318,908</u>

2012 Lease Revenue Bonds – \$58,140,000 Public Financing Authority, 2012 Lease Revenue Bonds, issued April 2012, are due in annual installments ranging from \$90,000 to \$6,115,000 through June 1, 2037, with interest rates ranging from 2.00% to 5.00% payable semiannually June 1 and December 1. The Bonds issued are primarily to refund on a current basis the outstanding bonds of the Authority captioned "City of Beverly Hills Public Financing Authority 2007 Lease Revenue Bonds (Capital Improvements Projects)." In addition, the proceeds of the Bonds will pay the costs of issuing the Bond. The principal has been allocated and is accounted

for in the appropriate City funds (enterprise, internal service funds, and general government). The advance refunding resulted in an economic gain (difference between the present value of the debt services payments on the old and new debt) of \$6,900,883 and a reduction of total debt service payments of \$19,518,863. The following is a schedule of the allocation of the 2012 Refunding LRBs by fund at June 30, 2012:

Capital Assets Fund	\$ 14,076,796
Parking Facilities Fund	13,620,221
General Long-Term Debt	<u>29,037,984</u>
	56,735,001
Less original issue premium	6,706,463
Less deferred amount on refunding	<u>(2,597,481)</u>
Net bonds outstanding	\$ <u>60,843,983</u>
Total bonds outstanding	\$ <u>292,099,602</u>

Note Payable

On January 26th, 2009 the City of Beverly Hills Public Financing Authority entered into an agreement with City National Bank to borrow against a line of credit up to an amount of \$32,000,000 for the construction of a 72,460 sq. ft. four story office building at 331 N. Foothill Road, Beverly Hills, CA 90210. The line of credit was drawn down through December of 2010, at which time, the City converted the line of credit into a long term obligation. The obligation has a term of 15 years and an interest rate of 5.72%. Interest and principal are payable in the amount of \$265,217 per month on the first day of the month after the loan closing. This translates to an annual repayment amount of \$3,185,604. As of June 30, 2011, the amount borrowed against the line of credit is \$32,000,000. As of June 30, 2012, the balance of the note payable was \$29,939,602.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(9) LONG-TERM LIABILITIES, CONTINUED

Annual Debt Service Requirements to Maturity

Fiscal Year	Revenue Bonds				Note Payable		Total		Total Debt Service
	Governmental Activities		Business-type Activities		Governmental Activities		Principal	Interest	
	Principal	Interest	Principal	Interest	Principal	Interest			
2013	\$ 8,461,413	6,194,369	11,388,587	6,949,866	1,356,013	1,561,379	21,206,013	14,705,614	35,911,627
2014	8,212,628	5,792,277	7,902,372	6,482,507	1,565,965	1,616,644	17,680,965	13,891,428	31,572,393
2015	8,132,352	5,406,929	7,957,648	6,135,247	1,659,235	1,523,374	17,749,235	13,065,550	30,814,785
2016	10,104,161	5,018,267	7,275,839	5,778,679	1,754,159	1,428,451	19,134,159	12,225,397	31,359,556
2017	10,528,127	4,586,531	7,591,873	5,476,495	1,862,540	1,320,069	19,982,540	11,383,094	31,365,634
2018-2022	47,214,311	15,639,874	38,875,689	22,252,379	11,111,980	4,801,067	97,201,980	42,693,320	139,895,300
2023-2027	23,518,774	7,678,747	22,001,226	14,940,815	10,629,710	1,204,797	56,149,710	23,824,359	79,974,069
2028-2032	10,117,670	2,888,649	17,087,330	9,877,857	-	-	27,205,000	12,766,506	39,971,506
2033-2037	7,688,328	1,297,399	19,946,672	5,044,235	-	-	27,635,000	6,341,634	33,976,634
2038-2042	1,115,001	84,250	4,845,000	665,884	-	-	5,960,001	750,134	6,710,135
Total minimum debt service payments	\$ 135,092,765	<u>54,587,291</u>	144,872,236	<u>83,603,965</u>	29,939,602	<u>13,455,781</u>	309,904,603	<u>151,647,037</u>	461,551,640
Unamortized portion of:									
Original issue premium	11,131,183		10,636,255		-		21,767,438		21,767,438
Deferred amount on refunding	<u>(5,566,571)</u>		<u>(4,066,266)</u>		<u>-</u>		<u>(9,632,837)</u>		<u>(9,632,837)</u>
Net total debt outstanding	\$ <u>140,657,377</u>		<u>151,442,225</u>		<u>29,939,602</u>		<u>322,039,204</u>		<u>473,686,241</u>

Reserve Funds

Certain bond issues require that reserve funds be established in amounts equal to either:

1. 10% of the outstanding principal
2. 125% of remaining average annual debt service.

Based on the reserve alternative calculation methods, restricted assets at June 30, 2012, consisting of cash and investments, include the following:

	<u>Requirement</u>	<u>Balance</u>
2008 Refunding Water	\$ 2,737,338	2,737,338
2008 Refunding Wastewater	1,623,750	1,623,750
2009 Lease Revenue	4,300,591	4,300,696

D. Capital Leases

In reflecting the City's commitment to energy conservation, during FY 2010-2011, the City entered into an agreement with Sun Light and Power Company to design and install a photovoltaic energy system onto three City buildings. The City has engaged Sun Light and Power with these services under a solar equipment lease with City National Bank requiring monthly interest-only payments at an interest rate at Prime of 3.25%. The equipment acquisition and subsequent installation of all equipment was completed in FY 2011-2012. As of January 1, 2012, the Capital Lease was converted to an Operating Lease because the criteria of a Capital Lease were no longer met as of the conversion date. For future lease payments, see Note 13D.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(9) LONG-TERM LIABILITIES, CONTINUED

Also, during FY2011-2012, there was another energy conservation project which the City undertook. This project involved installing energy saving equipment on City facilities. This equipment and related installation costs were financed by Southern California Edison. The repayment is contracted to occur through utility usage cost savings. The total amount financed was the cost of the equipment which was \$508,843, consisting of the principal amount of the Capital Lease being \$434,742, with imputed interest of \$74,101. As of June 30, 2012, the capital lease payable amount is \$371,069. As of June 30, 2012, the accumulated depreciation on the equipment under capital lease was \$5,434.

E. Claims Payable

The City has initiated self-insurance programs to provide for general liability, workers' compensation claims and unemployment insurance claims. These activities are accounted for in self-insurance internal service funds. Details of self-insurance liabilities at June 30, 2012 are as follows:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Total</u>
Current	\$ 1,267,776	1,680,161	24,496	2,972,433
Long-term	1,655,535	5,350,068	—	7,005,603
	<u>\$ 2,923,311</u>	<u>7,030,229</u>	<u>24,496</u>	<u>9,978,036</u>

For changes in the liabilities for claims for each of the City's self-insurance funds (general liability, workers' compensation and unemployment), for the years ended June 30, 2012 and 2011, please refer to page 49.

F. Compensated Absences

Compensated absences consists of accrued vacation leave and accrued vested sick leave (e.g., that portion of unused sick leave benefit that vests and is payable upon retirement). Compensated absences of all funds are reported in the Employee Benefits Internal Service Fund. Compensated absences consist of the following at June 30, 2012:

	<u>Total</u>
Vacation leave:	
Current:	
Internal service	\$ 822,927
Long-term	5,010,007
Total vacation leave	<u>5,832,934</u>
Vested sick leave:	
Current:	
Internal service	249,574
Long-term	7,885,306
Total vested sick leave	<u>8,134,880</u>
Total compensated absences	<u>\$ 13,967,814</u>

G. No Commitment Debt

In December 2002, the Community Facilities District 2002-A (Business Triangle) of the City of Beverly Hills (Community Facilities District) issued \$16,215,000 of Special Tax Bonds, Series 2002. These bonds were issued by the Community Facilities District, a special assessment district within the Business Triangle of the City, the location of world famous retail businesses and hotels. The net proceeds of these bonds together with a contribution from the City of approximately \$2.7 million, is being used to fund a \$15 million Urban Design Program within the City's Business Triangle. This program will provide for pedestrian and other infrastructure improvements which will be owned and maintained by the City upon completion of the project. The Community Facility District Bonds, payable solely from net special assessments levied on taxable properties within the District, are not obligations of the City, but rather are limited obligations of the Community Facilities District. Accordingly, these bonds are not included in the accompanying basic financial statements. At June 30, 2012, the outstanding principal amount of the bonds were \$13,635,000.

H. Non-issued Bonds

On November 2nd, 1955 and on June 7th, 1966, the voters of the City authorized \$5,000,000 and \$9,500,000 of bonds, respectively, to be issued for the purpose of acquisition and construction of public off-street parking lots and garages. However, following the authorization, the City has thus far not taken action to issue a portion of these bonds. Of the 1955 authorization, \$1,450,000 remains un-issued and of the 1966 authorization, \$9,500,000 remains unissued. As of June 30, 2012, the City does not plan to issue these bonds. Additionally, on June 4th, 1974, the voters of the City also authorized \$3,750,000 of bonds to be issued for the purpose of adding to and extending the City's water works system. As of June 30, 2012, the entire authorization of \$3,750,000 remains unissued, and the City does not plan to issue these bonds.

(10) EMPLOYEE RETIREMENT SYSTEMS AND DEFERRED COMPENSATION PLANS

A. Defined Benefit Pension Plan

Retirement Plan Description

The City's defined benefit pension plan, Beverly Hills Public Employees' Retirement Plan (Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(10) EMPLOYEE RETIREMENT SYSTEMS AND DEFERRED COMPENSATION PLANS, CONTINUED

The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California.

State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions, as well as other requirements.

The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

All full-time employees of the City are eligible to participate in the Plan. Part-time employees appointed to a term of one year or longer and who work at least 1,000 hours per year are also eligible to participate. Other part-time non-benefited hourly employees do not participate in the Plan. (Effective January 1, 1992, such part-time employees participate in Social Security.) Related benefits vest over five years of service. Upon five years of service, employees who retire at or after age 50 are entitled to receive an annual retirement benefit.

The benefit is payable monthly for life, in the amount of 3% at age 50 and over for safety employees, and in an amount that varies from 2.00% at age 50 to a maximum of 2.50% at age 55 and over for non-safety employees, of the employees' single highest year's salary for each year of credited service. The maximum benefit for safety employees is 90% of their final salary; there is no maximum for miscellaneous employees. The Plan also provides death and disability benefits.

Funding Policy

Active full-time plan members in the Plan are required to contribute 8%, for miscellaneous employees, and 9%, for safety employees, of their annual covered salary. The City makes such employee contributions for all safety employees and for members of the executive, executive management and confidential bargaining units on their behalf and for their account. For the remaining full-time bargaining groups the City contributes 7% of their annual covered salary on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2012 was 31.808% for safety members and 13.971% for

miscellaneous employees. The contribution requirements of the Plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For the year ended June 30, 2012, the City's actual contributions were \$9,549,099 for the safety employees and \$6,131,249 for miscellaneous employees. The City also contributed \$2,431,888 on behalf of the safety employees and \$2,978,183 on behalf of miscellaneous employees. Miscellaneous part-time employees directly contributed \$301,784. Total contributions were \$21,392,203. The required contribution for the year ended June 30, 2012 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses) for safety and miscellaneous employee plans; (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for both safety and miscellaneous members, and (c) 3.30% cost-of-living adjustment for both safety and miscellaneous members. Both (a) and (b) include an inflation component of 2.75%.

The actuarial value of the Plan's assets are typically determined using a technique that smooths the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. However, a temporary change to the asset smoothing method was adopted by the CalPERS Board in June 2009 to phase in the impact of the -24% investment loss experienced by CalPERS in fiscal year 2008-2009. The change increased the corridor limits for the actuarial value of assets from 80%-120% to 60%-140% of market value on June 30, 2009 and over three years will reduce the corridor limits back to the initial percentages. Additionally, the temporary change isolated and amortized all gains and losses during fiscal years 2008-2011 over fixed and declining 30 year periods (as opposed to the current rolling 30 year amortization). CalPERS is in the third year of the 3-year temporary plan, which upon completion will result in the corridor limits being reduced to the initial percentages of 80%-120% by June 30, 2011 and thereafter, has been reducing the corridor limits back to the initial percentages by June 30, 2011 and thereafter.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(10) EMPLOYEE RETIREMENT SYSTEMS AND DEFERRED COMPENSATION PLANS, CONTINUED

Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the Plan are amortized over a 30-year rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period. As of the actuarial valuation date of June 30, 2011 (for 2011-12 employer rates), the average remaining amortization periods were 21 and 32 years for miscellaneous and safety members, respectively.

Three-Year Trend Information for the Plan

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Required Contribution (ARC)	13,868,520	11,228,842	10,759,326
Miscellaneous Pension Plan Portion	5,422,797	4,122,636	3,921,030
Safety Pension Plan Portion	8,445,723	7,106,207	6,838,296
Interest on Net Pension Asset	902,156	945,323	1,047,925
Miscellaneous Pension Plan Portion	352,756	347,073	381,896
Safety Pension Plan Portion	549,400	598,251	666,029
Adjustment to the ARC	1,391,546	1,403,375	1,503,300
Miscellaneous Pension Plan Portion	544,115	515,245	547,849
Safety Pension Plan Portion	847,431	888,130	955,451
Annual Pension Cost (APC)	14,357,911	11,686,894	11,214,701
Miscellaneous Pension Plan	5,614,156	4,290,808	4,086,983
Safety Pension Plan	8,743,755	7,396,087	7,127,718
Percentage of APC contributed for:			
Miscellaneous Pension Plan	109%	95%	88%
Safety Pension Plan	109%	95%	88%
Change in Net Pension Asset	(1,322,437)	557,002	1,323,899
Miscellaneous Pension Plan Portion	(517,092)	204,502	482,470
Safety Pension Plan Portion	(805,345)	352,500	841,429
Net Pension Asset Balance	12,963,153	11,640,716	12,197,721
Miscellaneous Pension Plan Portion	5,068,785	4,273,854	4,445,227
Safety Pension Plan Portion	7,894,368	7,366,862	7,752,494

Please see a schedule of funding progress following and on page 93. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

FUNDED PROGRESS OF THE SAFETY PLAN

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets) (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
2011	\$ 348,361,353	281,506,841	66,854,512	80.809%	\$ 26,809,837	249.366%
2010	328,083,687	268,331,575	59,752,112	81.788	27,131,528	220.231
2009	313,143,122	257,105,943	56,037,179	82.105	25,731,678	217.775
2008	283,865,366	247,229,502	36,635,864	87.094	24,275,683	150.916
2007	268,616,838	233,375,264	35,241,574	86.880	23,956,680	147.105
2006	239,094,559	216,036,771	23,057,788	90.356	20,563,834	112.128
2005	226,086,680	202,219,706	23,866,974	89.443	20,459,675	116.654
2004	209,598,010	185,609,157	23,988,853	88.555	18,806,176	127.558
2003	200,439,820	177,378,413	23,061,407	88.495	18,146,974	127.081
2002	194,082,159	176,672,000	17,410,159	91.029	17,572,021	99.079

FUNDED PROGRESS OF THE MISCELLANEOUS PLAN

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets) (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
2011	\$ 261,775,840	220,470,964	41,304,876	84.221%	\$ 37,498,470	110.151%
2010	240,673,069	209,762,243	30,910,826	87.157	38,776,261	79.716
2009	227,282,764	200,433,990	26,848,774	88.187	38,435,305	69.854
2008	201,089,428	192,007,584	9,081,844	95.484	36,293,844	25.023
2007	186,538,708	180,145,063	6,393,645	96.572	32,577,886	19.626
2006	173,498,788	166,786,538	6,712,250	96.131	31,065,754	21.607
2005	160,678,895	156,120,317	4,558,578	97.163	30,467,728	14.962
2004	145,826,663	135,044,808	10,781,855	92.606	30,169,690	35.737
2003	137,232,316	130,907,323	6,324,993	95.391	29,760,662	21.253
2002	116,880,116	132,048,639	(15,168,523)	112.978	28,134,395	(53.915)

On June 29, 2005 and on July 15, 2005, the City made contribution payments in the amount of \$17.6 million in addition to the annual required contribution which is reflected as a net pension asset in the Government-wide Statement of Net Assets and in the proprietary fund statements. The Net Pension Asset will be amortized over 20 years in accordance with the requirements of the Governmental Accounting Standards Board Statement Number 27, *Accounting for Pensions by State and Local Governmental Employers*.

B. Employee Deferred Compensation Plan

The City offers an Employee Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457 to its employees, allowing them to defer or postpone receipt of income. Amounts so deferred may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue financial hardship for the employee.

Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(10) EMPLOYEE RETIREMENT SYSTEMS AND DEFERRED COMPENSATION PLANS, CONTINUED

The City's deferred compensation administrator, the International City Managers' Association (ICMA) qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered the property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

The City also offers to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). All amounts deferred and invested under this plan, with related interest, are the property and rights of the participating employees and, as such, are not reflected in the accompanying financial statements.

(11) RELATED PARTY TRANSACTIONS

In November 1984, the Parking Authority paid the City \$6,500,000 in consideration for certain land to be used as the site for the construction of a new parking structure. Upon completion in August 1986, the City leased the parking facility from the Parking Authority. The sale of the land has been accounted for as a sale/leaseback transaction, and the related gain of \$1,890,055 is being amortized into income in the Parking Enterprise Fund over the 55-year life of the lease. At June 30, 2012 the balance remaining is \$996,531.

During Fiscal Year 2007-2008 the City of Beverly Hills initiated the Housing Assistance Loan Program which provides housing assistance for other executive employees to help them cope with the high cost of housing and to achieve additional objectives. On June 15, 2008, the Director of the Administrative Services Department and Chief Financial Officer, Scott G. Miller, entered into the Housing Assistance Loan Program and was provided a home loan for \$792,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2012 the outstanding principal balance of the loan was \$732,784.

On October 9th, 2008 the Chief Information Officer, David Schirmer entered into the Housing Assistance Loan Program and was provided an interest only (with future graduated terms) home loan for \$952,771. The loan period is 40 years with an interest rate of 3% per annum. At June 30, 2012 the outstanding principal balance of the loan was \$952,771.

On July 10th, 2008, the City provided a housing assistance loan to Nancy Hunt Coffey, Assistant Director of Community Services – Library for \$1,100,814. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2012 the outstanding principal balance of the loan was \$1,040,518.

On May 14th, 2009, the City provided an interest only (with future graduated terms) housing assistance loan to Steven Zoet, Assistant Director of Community Services- Recreation and Parks, for \$1,100,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2012 the outstanding principal balance of the loan was \$1,076,565.

Further, on May 14th, 2009, the City provided a housing assistance loan to Jonathan Lait, Assistant Director of Community Development for \$750,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2012 the outstanding principal balance of the loan was \$718,226.

On August 20th, 2009, the City provided a housing assistance loan to Chad Lynn, Director of Parking Operations, for \$735,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2012 the outstanding principal balance of the loan was \$706,575.

On October 28, 2010, the City Manager, Jeffrey C. Kolin, entered into the Housing Assistance Loan Program and was provided a home loan for \$1,081,341. According to the employment contract, the City Manager has an option for a home improvement loan. Between December 2010 and February 2011, \$107,236 of home improvement advances was added to the original home loan principal. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2012 the outstanding principal balance of the loan was \$1,183,846. The balances of the notes receivable are contained within the General Fund receivables (see Note 5).

(12) POST EMPLOYMENT HEALTH CARE BENEFITS

A. Defined Benefit Plan

In addition to the pension benefits described in Note 10, the City provides postretirement health care benefits in accordance with employees' respective compensation plans.

The other post employment benefit (OPEB) provisions of the compensation plans are negotiated with formally recognized bargaining units and groups not formally recognized and are adopted by City Council action. Benefit provisions are stated in the bargaining unit Memorandums of Understanding (MOUs) and may be amended during negotiations, subject to City Council approval. The City is currently enrolled in various health care plans administered by the California Public Employees Retirement System (PERS). The City, as a single employer of this defined benefit plan, pays retirees' PERS health care premiums to the following limits as stipulated in the compensation plans:

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

- Technical Service employees:

- For service retirees after the following dates through age 65, or the date the retiree becomes eligible for Medicare, the following health benefits are provided:

After June 1, 1985	Single-party rate
After June 1, 1986	\$200/month
After December 1, 1987	\$245/month
After December 1, 1988	\$270/month

- For service retirees after February 1, 1990 through age 70, or the date the retiree becomes eligible for Medicare, \$300 per month in health benefits is provided.
- For service retirees after July 1, 2000 through age 70, or the date the retiree becomes eligible for Medicare, the City provides up to \$300 per month in health benefits. The benefit is extended up to \$150 per month after age 70 if the employee retired with 20 or more years of service. For retirees over the age of 70 who do not meet the requirement, the City will pay the statutory minimum.

- Police Association employees:

- For employees retiring (service retirement only) after July 1, 1989 through age 70, the City pays up to the two-party rate of the Peace Officers Research Association of California (PORAC) Plan under PERS.
- For retirees who retired between July 1, 1978 and July 1, 1989, the City pays \$211/month, through age 65.
- Retired sworn police personnel who received a disability retirement on or after July 1, 1987 are eligible for the PERS health plan if the employee had 20 years of service with the Beverly Hills Police Department or is over 45 years of age at the time of his or her retirement.

- Police Management Association employees:

- For employees who retired after July 1, 1989, the City pays up to the two-party rate of the PORAC Plan under PERS (with spouse continuance).
- For employees who retired before July 1, 1979, the City pays the PERS statutory minimum.

- Firemen's Association employees:

- For management employees retired after July 1, 1980 with 15 years active City service, the City pays up to the two-party rate of the PORAC Plan, through age 65.

- For non-management employees (service retirement only) retired after July 1, 1980, the City pays up to the two-party rate of the PORAC Plan, up to age 65.

- Retired sworn fire employees who received a disability retirement on or after July 1, 1981 are eligible for PERS health care coverage if the employee would have received a service retirement of 50% or greater.

- Safety Support Association employees:

- For employees service-retired on or after July 1, 1984, the City pays up to the single-party coverage up to the age of 65.

- For service retirees after July 1, 2001, the City provides health benefits up to \$150 per month if the employee retired after age 60 with 20 or more years of service and up to \$75 per month with 15 to 20 years of service.

- Executive employees and Management and Professional employees:

- For employees service-retired after July 1, 1981, with the exception of those employees hired after December 2, 1997, the City pays up to the two-party rate of the PERSCare Plan (with spouse continuance).

- For employees hired or promoted into the management and professional service group on or after December 2, 1997, but on or before December 31, 2009, and who complete a minimum of 5 years of full-time employment with the City, receive a service retirement and do not perform any paid work for a PERS contracting agency following retirement, the City pays up to the single party coverage of the PERSCare Plan at 25% for employees who have completed at least 5 years of service with the City, incremented by 5% for each year of service completed up to 20 years. For Executive employees, the same is true, but at the two-party rate as opposed to the one-party rate. After December 2, 1997, there is no spousal continuance.

- Confidential employees:

- For employees service-retired after July 1, 1981, the City pays up to the one-party rate of the PERSCare Plan.

- Supervisors Association employees:

- For employees who were hired prior to January 1, 2010 will receive up to \$350 per month until: 1) employee reaches the age of 70 or, 2) retiree becomes eligible for Medicare or, 3) retiree becomes eligible for another employer paid medical plan or V.A. benefits or, 4) for Kaiser enrollees, the retiree moves from the Kaiser Permanente service area .

- For eligible retirees who are age 70 or older will receive \$150 per month toward medical coverage if the retiree: 1) retires after July 1, 2000 and, 2) has 20 years or more of full time service.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

- For retirees over the age of 70 who do not meet this criteria, the City will pay the PERS statutory minimum on their behalf.

The above postretirement health benefits are currently financed on a pay-as-you-go basis, and there is no required or maximum contribution rate for the City, or for plan members. The City Council will set or amend contribution requirements to fund the OPEB liability as needed.

During FY2010, the City provided an offer for full-time employees hired before January 1, 2010 (except sworn employees and members of the Supervisors Association) to participate in the Alternative Retiree Medical Program (ARMP). Employees who do not accept the offer will keep their current retiree medical benefits under their applicable collective bargaining agreement or compensation plan. Employees who choose to accept the ARMP will receive an actuarially determined “Transition Amount” and a monthly “Residual Amount” (if applicable). Employees choosing this new retiree medical program will, in effect, be opting-out of their current retiree medical program.

Employees who elect to participate in ARMP will receive a one-time lump sum transition amount (referred to as the “Transition Amount”). The Transition Amount is an actuarially determined value of current retiree medical coverage based on each employee’s current compensation plan or bargaining unit and her/his total years of service with the City and other actuarial factors.

As a mandatory aspect of ARMP, 20% of the Transition Amount will be placed in an ICMA-RC VantageCare Retirement Health Savings Plan account (referred to as an “RHS account”) on the employee’s behalf. Amounts in this RHS account can be used to pay for eligible medical expenses for the employee and eligible dependents after leaving employment with the City.

Employees who are not already eligible for full retiree medical coverage at the time, then under the terms of the applicable collective bargaining agreement or compensation plan, in addition to the Transition Amount, employees will receive a monthly contribution to their RHS account while employed by the City. Contributions into the RHS account will be made until the amount of the one-time Transition Amount and the monthly contributions equal the actuarially calculated value of full retiree medical coverage under the particular bargaining agreement or compensation plan the employee would have received if she/he had worked with the City until eligible to retire. These additional monthly amounts are referred to as the employee’s “Residual Amount.”

The City will apply the remainder of the one-time Transition Amount in the following three options.

Option 1: Receive as cash (the cash payment is referred to as the “ARMP Tenure Benefit”) in the following year. *Option 2:* Distribute among deferred compensation plans (the 457(b), 401(k), and 415(m) plans). *Option 3:* Receive a portion as a cash ARMP Tenure Benefit in the following year and the balance deposited in deferred compensation plans.

Contributions to the deferred compensation plans were transmitted on behalf of employees to ICMA-RC in later half of December 2010 and any cash distributions of the ARMP Tenure Benefit was received by employees still employed by the City during February 2011 (unless employment terminated due to death or disability in which case the cash was paid upon termination).

During Fiscal Year 2009-2010, the employees’ contractual agreements to participate in the ARMP program resulted in reducing the City’s OPEB liability by a total of \$6,420,416. In accordance with the program, the employees who elected Option 1 or 3 received a cash payout in February of 2011. Employees who elected Option 2 or 3 received a distribution to their deferred compensation plan account. The total of Transition amounts elected before June 30, 2010 and paid in fiscal year 2010-2011, under these options computed to \$4,795,522. The portion of the Transition amounts that were distributed to the RHS and deferred compensation accounts as of June 30, 2010 was \$1,624,894. During fiscal year 2010-2011, for participants who elected to join the program after June 30, 2010, the total of Transition amounts paid and/or transferred to the RHS and deferred compensation accounts was \$10,761,180. Therefore, the total benefits paid for the whole length of the ARMP program was \$17,181,597. On-going payments to beneficiaries during FY2010-2011 was \$2,056,729. Thus the total OPEB contributions (of on-going payments plus the ARMP Transition) decreased the OPEB liability for FY2010-2011 by \$12,817,909.

Please refer to the following table for trend information on the components of annual OPEB cost, net OPEB obligation, as well as information on contributions made. Governmental Accounting Standards Board (GASB) Statement, No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*, was implemented as a new pronouncement starting with Fiscal Year 2007-2008.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

Fiscal Year Ended June 30:	2012	2011	2010
Annual Required Contribution (ARC)	\$ 4,061,000	4,095,000	4,873,000
Miscellaneous Employee Portion	1,518,000	1,530,709	1,821,525
Safety Employee Portion	2,543,000	2,564,291	3,051,475
Interest on the Net OPEB Obligation	(342,000)	337,000	264,000
Miscellaneous Employee Portion	(127,839)	125,970	98,683
Safety Employee Portion	(214,161)	211,030	165,317
ARC Adjustment	330,000	(316,000)	(237,000)
Miscellaneous Employee Portion	123,354	(118,121)	(88,590)
Safety Employee Portion	206,646	(197,879)	(148,410)
Annual OPEB Cost	4,049,000	4,116,000	4,900,000
Miscellaneous Employee Portion	1,513,514	1,538,559	1,831,618
Safety Employee Portion	2,535,486	2,577,441	3,068,382
OPEB contributions made	<u>(2,397,858)</u>	<u>(12,817,909)</u>	<u>(8,236,755)</u>
Increase (decrease) of Net OPEB Obligation	1,651,142	(8,701,909)	(3,336,755)
Miscellaneous Employee Portion	617,196	(3,252,770)	(1,247,277)
Safety Employee Portion	1,033,946	(5,449,139)	(2,089,477)
Net OPEB Obligation (asset) at beginning of year	<u>(6,918,474)</u>	<u>1,783,435</u>	<u>5,120,190</u>
Net OPEB Obligation (asset) at end of year	(5,267,332)	(6,918,474)	1,783,435
Miscellaneous Employee Portion	(1,968,926)	(2,586,122)	666,647
Safety Employee Portion	(3,298,405)	(4,332,351)	1,116,788
Percentage of annual OPEB cost contributed	59.22%	311.42%	168.10%

The City has set aside a total amount of \$29,040,3674. Since the money set aside has not been placed into an irrevocable trust, then based on the standards of GASB 45, the funding status of the actuarial liability is 0%. However, including the money that has been set aside in the Employee Benefits Fund, the funding status is 53%.

The actuarial accrued OPEB liability as of June 30, 2012 is \$52,688,000. The total unfunded actuarial liability is \$52,688,000. There are no assets under an actuarial valuation since the City is on a pay-as-you-go basis. The actuarial valuation date is July 1, 2011. The City's annual covered payroll is estimated to be \$71,261,000 for Fiscal Year 2011-2012. The ratio of the unfunded actuarial liability to annual covered payroll is 74.0%.

Please see a schedule of funding progress below and on page 94.

FUNDED PROGRESS OF THE OPEB PLAN

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets) (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
2011	\$ 52,688,000	—	52,688,000	—	\$ 71,261,000	73.937 %
2009	57,787,000	—	57,787,000	—	61,551,189	93.884
2007	50,412,000	—	50,412,000	—	54,062,175	93.248

The cost shown was developed using two different funding methods: 1) the Aggregate cost method and 2) the Entry Age Normal (EAN) method. The difference in the cost methods is the period over which past service liabilities are spread. The aggregate method spreads unfunded past service liabilities over the future working lifetimes of active participants while the entry age normal method spreads unfunded past service liabilities over the specified amortization period. The amortization of the unfunded AAL is shown for a closed period of 30 years and is based on a level percentage of future payroll amounts.

The discount rate assumed for this UAAL is 5.00% where the assumption is that benefits will be paid from general City assets, or paid from a separate trust where assets are invested relatively conservatively. The annual rate at which total payroll is expected to increase is 3.25%. This is used in the cost method in order to calculate the ARC as a level percentage of payroll. Only current active and retired participants are valued. Current and future retirees are assumed to continue in their current plans. Actual spouse information is used. Where spouse date of birth is unavailable, males are assumed to be three years older than their female spouses.

The inflation rate assumed for health care costs in 2011 and 2012 is 6.5%. The average inflation rate for the next 5 years is 7.75%. There were no assumptions with respect to post retirement benefit increases as current and future retirees are assumed to continue in their current plans. Salary costs or increases are not relevant to the determination of the level of benefits.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Since actuarial calculations reflect a long term perspective, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The City currently provides these benefits to an average of 340 participants for the year ended June 30, 2012. Additionally, for those retirees and their covered family members who no longer qualify for the benefits detailed above, but who

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

choose to maintain coverage, the City contributed \$108 per month from July 1, 2011 through December 31, 2011. From January 1, 2012 through June 30, 2012 the City contributed \$112. The City currently provides this benefit to 105 participants at a cost of \$138,600 for the year ended June 30, 2012. Since the City administers the OPEB plan by paying a portion of the benefits, a stand-alone financial report of the OPEB plan is not produced and all relevant disclosures are included in this section.

B. Defined Contribution Plan

In addition to the defined benefit plan described in section A above, on January 1, 2010, the City has implemented a defined contribution plan which provides postretirement health care benefits in accordance with employees' respective compensation plans.

The provisions of the defined contribution plans are negotiated with formally recognized bargaining units and groups not formally recognized and are adopted by City Council action. Contribution provisions are stated in the bargaining unit Memorandums of Understanding (MOUs) and may be amended during negotiations, subject to City Council approval.

There is no contribution rate for plan members. Employees hired by the City into the unit on or after January 1, 2010 who retire from the City will receive the PERS statutory minimum paid by the City. In addition, for employees hired into the unit as new employees of the City on or after January 1, 2010, in lieu of additional retiree medical insurance benefits, the City shall, while the employees are working for the City, contribute to a retirement account on behalf of such employees the sum of the following amounts as stipulated in the compensation plans:

- Technical Service employees: \$150 per month
- Safety Support Association employees: \$250 per month
- Executive employees \$1,375 per month
- Management and Professional employees: \$300 per month
- Confidential employees: \$150 per month
- Supervisors: \$150 per month

For employees hired after January 1, 2010, the City has contributed a total of \$54,715 as of the fiscal year ended June 30, 2012.

(13) COMMITMENTS AND CONTINGENCIES

A. Litigation and Claims

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel,

the results of these lawsuits will not have a material adverse effect on the financial condition of the City.

B. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. The grantor agencies may subject grant programs to compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

C. Construction Commitments

The City has a number of construction programs currently underway. The more significant of these programs and the commitment under related construction contracts at June 30, 2012 is as follows (note that this does not represent the expected total remaining cost of these programs):

CAPITAL PROJECT	Construction in Progress thru June 30, 2012	Future Budgeted
Street Resurfacing	\$ 3,559,186	13,300,000
Sewer System Repair	2,066,611	14,591,000
Vehicle Replacement Plan	1,774,693	9,770,000
Water Main and Hydrant Replacement	1,274,829	13,400,000
IT Equipment Replacement Program	1,371,013	7,173,444
Hyperion Plant	937,184	4,274,900
Street Tree Removal and Replacement	384,579	2,900,000
Radio Replacement	38,096	5,500,000
Storm Drain and Compliance with TMDL	—	20,000,000
	<u>\$ 11,406,191</u>	<u>90,909,344</u>

D. Future Minimum Operating Lease Revenues/Expenses

The City is lessor under a variety of property operating leases (primarily retail sites in parking structures and buildings in the industrial sector) and lessee in a variety of equipment operating leases. In addition, the City uses educational and recreational facilities, provided by the Beverly Hills Unified School District, in carrying out its programs for the benefit of its residents. The City, through a JPA with the District, leases the facilities for the annual sum of \$9,825,000, per the terms of the agreement signed January 10, 2012. The agreement is effective through FY2015/16. For the City's use and the District's provision of the facilities and programs, the City agrees to pay \$9,700,000 in four payments made at the beginning of each quarter throughout the year. Additionally, the City shall make one annual payment to the District

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(13) COMMITMENTS AND CONTINGENCIES, CONTINUED

of up to \$125,000 for the sole and exclusive purpose of funding crossing guard services at each of the four elementary schools.

In reflecting the City’s commitment to energy conservation, during FY2010-2011, the City entered into an agreement with Sun Light and Power Company to design and install a photovoltaic energy system onto three City buildings. The City has engaged Sun Light and Power with these services under a solar equipment lease with City National Bank requiring monthly interest-only payments at an interest rate at Prime of 3.25%. As of June 30, 2011 the equipment was valued at \$1,670,291. The equipment acquisition and installation was completed during FY2011/12 and as of June 30, 2012 the equipment was valued at \$2,282,876. During fiscal year 2011-2012, the short term financing provided by City National Bank did convert into a long term note on December 31, 2011 with the following terms:

- Lease commencement: January 1, 2012
- Lease term: 96 months
- Monthly rent: 48 months at \$12,739.50 followed by 48 months at \$15,570.50
- Interest rate: Prime of 3.25%
- Purchase option at 60 months or 96 months for a purchase price equal to the Termination Value, or on the last day of the lease term for the greater of 40% of the original Total Cost of the Equipment or the Equipment’s then fair market value.

As of June 30, 2011, the City recognized a liability for the equipment as a capital lease; however, during FY2011/12, when the conversion into a long term note occurred, this lease no longer satisfied the capital lease criteria and is now being accounted for as an operating lease. See Note 9D for additional information regarding this solar equipment lease.

Future minimum lease payments receivable under property leases at June 30, 2012 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental</u>	<u>Business-type</u>
2013	\$ 1,427,829	12,351,125
2014	1,324,934	13,347,225
2015	472,117	13,555,203
2016	142,588	11,685,000
2017	68,220	11,701,412
2018-2022	204,660	53,511,412
2023-2027	—	11,658,351
2028-2032	—	9,980,293
2033-2037	—	6,760,063
2038-2042	—	67,262
2043-2045	—	45,396
	<u>\$ 3,640,348</u>	<u>144,662,742</u>

Future minimum lease payments payable for equipment and property leases at June 30, 2012 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental</u>	<u>Business-type</u>
2013	\$ 10,403,677	—
2014	10,399,707	—
2015	10,153,638	—
2016	9,994,860	—
2017	186,846	—
	<u>\$ 41,138,728</u>	<u>—</u>

E. Encumbrances

Encumbrances are commitments related to unperformed (executory) contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year end represent the estimated amount of the expenditures ultimately to result if unperformed contracts in process at year end are completed. Encumbrances outstanding at year end do not constitute expenditures or liabilities.

The City’s annual operating and capital budgets are formally adopted by resolution of the City Council, the City’s highest level of decision making authority. Since encumbrances are utilized as a tool for effective budgetary control and accountability, the decision making authority to revoke an encumbrance has not been delegated. For this reason, encumbrances outstanding at year end have been classified into the “Committed Fund Balance” classification. For a listing of encumbrances by fund type and activity for the governmental funds, please see the Committed fund balance section of the table in Note 15.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(14) SEPARATION OF THE PARKING AUTHORITY OF THE CITY OF BEVERLY HILLS

A. Background

On September 30, 2011, certain City parking assets were transferred from the City to the Parking Authority, pursuant to a Purchase and Sale Agreement dated August 16, 2011. On December 19, 2011, the City Council and Parking Authority entered into a Property management Agreement for the management of the Parking Authority's facilities. That Property Management Agreement set forth a requirement that the City as manager of the facilities present an initial operating budget for FY2011/12 to the Authority for consideration and adoption by January 31, 2012.

On September 30, 2011, the Parking Authority of the City of Beverly Hills, through a Purchase and Sale Agreement dated August 16, 2011, acquired the land and improvements from the City of Beverly Hills. This transfer of assets was done to allow the City to consolidate its parking operations under the control and oversight of the Parking Authority. The City retained control of two facilities, 9333 West Third Street and 450 N. Rexford Drive, which provide visitor and employee parking for the office building at 331 Foothill Road, the City Public Works facility, City Hall, and the Civic Center complex.

B. Contribution from the City's General Fund

The FY 2011/12 City of Beverly Hills Parking Authority's Budget provides for the operation of the Parking Authority's facilities for the period from September 30, 2011 through the end of the fiscal year, June 30, 2012. Total Parking Authority revenues were projected at \$22,920,400, including \$8,922,600 in parking fee and meter revenue, \$8,036,900 in lease revenue, \$5,000,000 in City subsidy contributions to the Parking Authority and \$960,900 in other revenues. The Parking Authority's budget was modestly balanced with \$125,600 more revenue than expenditures due to the City's subsidy contribution to the Authority in the amount of \$5,000,000. This contribution was an approved appropriation from the City Council meeting held on January 24, 2012 and was agenda item G-9. Without this subsidy contribution, the Parking Authority's budget would provide for a deficit of \$4,874,400.

C. Transfers from the Parking Enterprise Fund

As of June 30, 2012, total transfers from the Parking Enterprise Fund to the Parking Authority totaled \$62,940,712. Transfers from the Parking Enterprise fund included the following balance sheet accounts and related balances:

<u>Assets / Liabilities</u>	<u>Balance on Date of Transfer</u>
Receivables	\$ 152,652
Facilities, Net of Depreciation:	
221 N. Crescent Dr.	465,082
333 N. Crescent Dr.	175,553
450 N. Crescent Dr.	36,084,090
216 S. Beverly Dr.	201,933
345 N. Beverly Dr.	3,777,199
438 N. Beverly Dr.	25,905,798
Brighton/Rodeo Dr.	1,069,114
Camden Dr.	221,865
Bedford Dr.	7,024
La Cienega Blvd.	53,134
Santa Monica 5	690,832
Public Gardens Building	37,490,302
Parking Meters	817,509
All Other Assets	15,156,504
Advance From Other Funds	(58,428,383)
Unearned Revenue	(190,414)
All Other Liabilities	(709,082)
Total:	\$ <u><u>62,940,712</u></u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(14) SEPARATION OF THE PARKING AUTHORITY OF THE CITY OF BEVERLY HILLS, CONTINUED

D. Net Assets Invested in Capital Assets, Net of Related Debt

I. City Parking Enterprise Fund

Transfer of Assets to Parking Authority

As noted in Section A and C above, the City's Parking Enterprise Fund transferred the majority of its assets, including its parking facilities, to the Parking Authority. The total of all fixed assets transferred to the Parking Authority as of June 30, 2012 is \$122,268,591. Although fixed assets were transferred to the Parking Authority, the related debt which was issued to construct those assets was not transferred. The related debt, used to construct those assets, continues to be collateralized by the City, and the issuance of said debt continues to be tied to City's credit worthiness for repayment. Therefore they are the obligations of the City and have not been transferred to the Parking Authority. This set of circumstances was also used as criteria in the qualification of the Parking Authority to be recognized as a blended component unit of the City. Please see Note 1 on pages 43-44 for more details.

Impact

The impact of this transfer of assets from the City's Parking Enterprise Fund to the Parking Authority has resulted in the assets of the Parking Enterprise fund to be lower than its liabilities, thus a net assets deficit has been reported. The net assets deficit of the Parking Enterprise fund at June 30, 2012 is \$23,944,933.

The line item of Invested in Capital Assets, Net of Related Debt within the Net Assets section of the Statement of Net Assets, has also resulted in a negative amount. As noted in Section A of this footnote, the only parking facilities which remained with the City were 9333 West Third Street and 450 N. Rexford Drive. The negative number within this line item results from the historical value of these facilities, net of accumulated depreciation, having a value which is less than the debt related to these facilities. The value of Invested in Capital Assets, Net of Related Debt for the Parking Enterprise fund as of June 30, 2012 is negative \$353,761.

II. Parking Authority

Background

As stated in Note 1, Summary of Significant Accounting Policies on page 48, "In the government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets and unrestricted net assets."

The Governmental Accounting Standards Board Statement Number 34 (GASB 34) paragraph 33 defines the line item of "Invested in Capital Assets Net of Related Debt" as, "This component of net assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets."

The Parking Authority Advances From Other Funds

Prior to the Parking Authority separation, the City's Parking Enterprise fund (of the Business-type activities) had entered into long-term borrowing arrangements with the General Fund, the Parks and Recreation Facilities Special Revenue Fund, as well as the Capital Assets Internal Service Fund in order to finance construction of the parking lots at "Beverly Canon" (438 N Beverly Dr/439 N Canon Dr.), and at the "Public Gardens Parking Facility" (242 N Beverly Dr/241 N Canon Dr.). Between these different funds, these types of borrowings are referred to as "Advances to/from other funds". Management's decision for the Parking Enterprise Fund to finance construction of these parking lots via advances from other funds was based on the benefit that those funds would receive by investing their idle cash into the City's parking structures which included retail space. The terms of the advances are stated on page 62 in Note 6. The terms of the borrowings are comparable to terms the City is restricted to when seeking external sources of financing. However, as a result of the Parking Authority's separation from the City's Parking Enterprise fund, these liabilities were transferred to the Parking Authority. From a legal standpoint, the Parking Authority is a legally separate entity from the City. However, the Governmental Accounting Standards Board (GASB)'s criteria for the qualification of a blended component unit, treats the Parking Authority as a component of the City, and therefore requires the Parking Authority to be treated as another fund of the City. This treatment results in the classification of these borrowings to remain as Advances From Other Funds. Although they are currently the liability of another legal entity (the Parking Authority), since that entity is a blended component unit, the classification of these borrowings may not be re-classified as Notes Payable. For further information about blended component units, please see Note 1 on pages 43-44.

These various borrowing arrangements, as well as their respective repayment schedules were approved by the City Council via budget resolutions restricting portions of the Parking Enterprise's fund balance solely for repayment of these advances. [A listing of the balances of these advances (which have been transferred to the Parking Authority) at June 30, 2012 is shown in Note 6 on page 62.] These advances to the Parking Enterprise fund are what financed the construction of the aforementioned parking lots, and since the Parking Authority is now obligated to and has arranged to repay these borrowings, these advances constitute debt within this fund. In total, as of June 30, 2012, the Parking Authority has \$55,553,908 outstanding in Advances from other funds.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(14) SEPARATION OF THE PARKING AUTHORITY OF THE CITY OF BEVERLY HILLS, CONTINUED

Adherence to Authoritative Accounting Guidelines

As stated in Note 1, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The City also has the option of following subsequent private-sector guidance for its business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

While electing not to contradict the guidance of GASB and taking the above accounting policy into consideration, the City must follow the GASB-Implementation-guide ruling in Chapter 7, Section 7.23 on “Net Assets Invested in Capital Assets Net of Related Debt”. In this section of the implementation guide, a question was posed to GASB as follows, “Q – A government made an interfund loan from its general fund to an enterprise fund for the purpose of purchasing capital assets. Does the advance due to the general fund constitute capital-related debt in the enterprise fund?”

The answer given by GASB states, “A – No. Internal Advances are not considered debt or other borrowing for purposes of calculating the net asset components. Internal balances enter into the computation of unrestricted net assets.”

Impact

Unfortunately, by adhering to this interpretation of GASB, which denies that internal advances constitute debt, the calculation of the line item “Invested in Capital Assets, Net of Related Debt” then excludes the internal advances used to finance the Parking Authority’s capital assets which amount to \$117,769,839 as of June 30, 2012. Although the assets constructed are required to be included in this line item, the related debt is required to be excluded per this GASB interpretation.

It is the opinion of the City of Beverly Hills Management, that this answer given by GASB in the implementation guide is a contradiction to GASB 34 paragraph 33, i.e. to leave interfund borrowings out of the equation for Invested-in-Capital-Assets-Net-of-Related-Debt is a contradiction to paragraph 33.

If the capital assets constructed with these borrowings are included in this classification of net assets, then the related debt should also be included in the same classification. This is what the title of this net-asset-section-line-item is describing and the contents of that line item should properly reflect the name.

Substance Over Form

Further, it is the opinion of the City of Beverly Hills Management, that to remove interfund borrowings from this Invested-in-Capital-Assets-Net-of-Related-Debt equation is misleading to financial statement users. The IASB (International Accounting Standards Board) Framework says that, “to be reliable, information must represent faithfully the transactions and other events it either purports to represent or could reasonably be expected to represent. Further, to be representationally faithful, accounting measures or descriptions must reflect economic phenomena – economic resources and obligations and the transactions that change them – and not simply accounting notions.” The IASB Framework also includes the concept of “Substance over form” among the sub-qualities of reliability.

The substance of an interfund borrowing is a loan to one fund from another fund. The “internal balances” would be the simple accounting notion in this situation, which does not reflect the economic phenomena described in the name “Invested-in-Capital-Assets-Net-of-Related-Debt”. The interfund borrowing is a real debt transaction.

Not only does the answer given in Question 7.23.11 cause Invested-in-Capital-Assets-Net-of-Related-Debt to be misleading, it also causes the Unrestricted Net Assets line item to be misleading as well. It does not make logical sense for net assets to have a negative value.

Remedy

To avoid confusion, users of the financial statements should be aware of the Parking Authority’s sufficient resources to pay its debts within its operations and its overall net assets, but the negative unrestricted net assets that show on the face of the Parking Authority’s financial statements is misleading.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(14) SEPARATION OF THE PARKING AUTHORITY OF THE CITY OF BEVERLY HILLS, CONTINUED

Please see the table below for a reconciliation of the Parking Authority's Net Assets Balance Sheet Section, which is reconciled from the implemented GASB ruling to the traditional method, where the traditional method values substance over form.

Net Assets Invested in Capital Assets, Net of Related Debt Calculation		
Parking Authority	As reported GASB Required Calculation	City Preferred Method Recognizing Advances from Other Funds is Related Debt
As of June 30, 2012:		
Total Capital Assets, Net	\$ 117,769,839	117,769,839
Less:		
Current portion of bond payable:	-	-
Long term liabilities:	-	-
Advances From Other Funds:	-	(56,209,484)
Subtotal:	-	(56,209,484)
Net Assets:		
Total invested in capital assets, net of related debt	117,769,839	61,560,355
Restricted for:		
Debt service	408,063	408,063
Unrestricted	(54,783,630)	1,425,854
Total Net Assets:	\$ 63,394,272	63,394,272

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(15) FUND BALANCE

In order to comply with the Governmental Accounting Standard Board's (GASB) Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions, the fund balance section of the balance sheets of the governmental funds has been modified. The change has been made in order for the City's new fund balance components to focus on "the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent" (GASB Statement No. 54, paragraph 54). Previously, the fund balance section focused on whether these resources were available for appropriation. It also distinguished the unreserved fund balance from the reserved fund balance. In order to show compliance with GASB Statement No. 54, however, the components of the new fund balance include the following line items: a) the nonspendable fund balance, b) restricted fund balance, c) committed fund balance, d) assigned fund balance and e) unassigned fund balance. The implementation of these new components is intended to decrease confusion and help serve the needs of the financial statement users.

For further explanation of each fund balance component, please see the following.

- a) **Nonspendable fund balance** (inherently nonspendable) include the :
 - Portion of net resources that cannot be spent because of their form, and
 - Portion of net resources that cannot be spent because they must be maintained intact
- b) **Restricted fund balance** (externally enforceable limitations on use) include amounts subject to:
 - Limitations imposed by creditors, grantors, contributors, or laws and regulations of other government
 - Limitations imposed by law through constitutional provision or enabling legislation
- c) **Committed fund balance** (self imposed limitation set in place prior to the end of the period):
 - Limitation imposed at the highest level of decision making that requires formal action at the same level to remove. For the City, the City Council is the highest level of decision making.
 - Resources accumulated pursuant to stabilization arrangements would fit in this category only if the arrangement is specific regarding the circumstances when spending would be permitted, and those circumstances would need to be of a non-routine nature.
- d) **Assigned fund balance** (limitation resulting from intended use) consists of amounts where the:

- Intended use is established by the body designated for that purpose (City Council),
 - Intended use is established by official designated for that purpose. For the City, the City Manager is the designated official
- e) **Unassigned fund balance** (residual net resources) is the:
- Total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance
 - Excess of nonspendable, restricted, and committed fund balance over total fund balance

If there is an expenditure incurred for purposes for which both restricted and unrestricted fund balance is available, the City will consider restricted fund balance to have been spent before unrestricted fund balance. Further, if there is an expenditure incurred for purposes for which committed, assigned, or unassigned fund balance classifications could be used, then the City will consider committed fund balance to be spent before assigned fund balance, and consider assigned fund balance to be spent before unassigned fund balance.

Page 503 of the Council adopted City Operating Budget for Fiscal Year 2012-2013 exhibits the City's contingency reserve policy. The policy states, "It is a goal of the City to obtain and maintain a general operating reserve in the form of cash, of at least 40% of operating revenues. The first 25% shall be considered a contingency reserve to cover normal seasonal cash flow variations, as well as unforeseen emergency or catastrophic impacts upon the City. Funds in excess of 25% may be used for short term economic investment in the community when justified by projected financial return to the City and specifically authorized by the City Council, upon recommendation of the Chief Financial Officer." This policy was adopted with City Council Resolution No. 12-R-12879. Please refer to the section of the City's operating budget which presents the City Council Resolutions as well as the Council's adopted financial policies for further detail on authorization given to assign amounts to a specific purpose as well as detail on reserve policies. Please note that the portion of the reserve mentioned in this paragraph regarding "unforeseen emergency or catastrophic impacts upon the City" has been committed by the City Council and belongs in the "Committed" portion of General Fund Balance.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2012

(15) FUND BALANCE, CONTINUED

Further, municipal code Title 2, Chapter 4, Section 102 defines an emergency as, “The actual or threatened existence of conditions of disaster or of extreme peril to the safety of persons and property within the city caused by such conditions as air pollution, fire, flood, storm, epidemic, riot, drought, sudden and severe energy shortage, or earthquake, or other conditions, including conditions resulting from war or imminent threat of war, but other than conditions resulting from a labor controversy, which conditions are or are likely to be beyond the control of the services, personnel, equipment, and facilities of the city, requiring the combined forces of other political subdivisions to combat.”

Please note that this defines the emergency to be non-routine in nature, thus illustrating why the “emergency” portion of the first 25% of 40% of operating revenues is included in the “Committed” portion of General Fund Balance. Please see the following table for detail regarding the fund balance categories and classifications for the governmental funds which shows components of nonspendable fund balance, as well as the purposes for restricted, committed, and assigned fund balance. The unassigned fund balance is also shown.

	Infrastructure			Total
	General Fund	Capital Projects Fund	Other Governmental Funds	
Fund Balances:				
Nonspendable:				
Prepaid expenses	\$ 770,611	-	-	770,611
Long-term accounts receivables	6,422,339	-	-	6,422,339
Long-term advance to other funds	16,388,949	-	-	16,388,949
Permanent fund principal	-	-	81,381	81,381
Total Nonspendable:	23,581,899	-	81,381	23,663,280
Restricted for:				
Debt covenants	-	15,324,339	28,482	15,352,821
Streets and highways	-	-	2,176,557	2,176,557
Other purposes	-	-	9,663,300	9,663,300
Total Restricted for:	-	15,324,339	11,868,339	27,192,678
Committed to:				
Non-routine emergency events reserve	8,638,237	-	-	8,638,237
Police services	3,082	-	-	3,082
Fire control	115,877	-	-	115,877
Community Services	220,920	-	-	220,920
Building Inspection	24,167	-	-	24,167
Tree Maintenance	32,671	-	-	32,671
Planning services	43,752	-	-	43,752
Parking	-	-	2,583,497	2,583,497
Recreation and parks	403,739	-	15,976,801	16,380,540
Tourism and Marketing	780,383	-	-	780,383
Fine Arts	-	-	1,009,581	1,009,581
Library	398	-	-	398
Education	-	-	21,666	21,666
Non Departmental	100,000	-	-	100,000
Total Committed to:	10,363,227	-	19,591,545	29,954,772
Assigned to:				
Debt service	-	-	2,425,916	2,425,916
Non-departmental	2,100,000	-	-	2,100,000
Police services	1,200,000	-	-	1,200,000
Total Assigned to:	3,300,000	-	2,425,916	5,725,916
Unassigned:	69,963,868	-	(40,810)	69,923,058
Total fund balances \$	107,208,994	15,324,339	33,926,371	156,459,704

CITY OF BEVERLY HILLS, CALIFORNIA

Required Supplementary Information – Schedule of Funding Progress

For the year ended June 30, 2012

DEFINED BENEFIT PENSION PLAN

The schedules of funding progress below show the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability (UAAL) to payroll for the City’s two defined benefit pension plans.

FUNDED PROGRESS OF THE SAFETY PLAN

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets) (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
2011	\$ 348,361,353	281,506,841	66,854,512	80.809%	\$ 26,809,837	249.366%
2010	328,083,687	268,331,575	59,752,112	81.788	27,131,528	220.231
2009	313,143,122	257,105,943	56,037,179	82.105	25,731,678	217.775
2008	283,865,366	247,229,502	36,635,864	87.094	24,275,683	150.916
2007	268,616,838	233,375,264	35,241,574	86.880	23,956,680	147.105
2006	239,094,559	216,036,771	23,057,788	90.356	20,563,834	112.128
2005	226,086,680	202,219,706	23,866,974	89.443	20,459,675	116.654
2004	209,598,010	185,609,157	23,988,853	88.555	18,806,176	127.558
2003	200,439,820	177,378,413	23,061,407	88.495	18,146,974	127.081
2002	194,082,159	176,672,000	17,410,159	91.029	17,572,021	99.079

FUNDED PROGRESS OF THE MISCELLANEOUS PLAN

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets) (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
2011	\$ 261,775,840	220,470,964	41,304,876	84.221%	\$ 37,498,470	110.151%
2010	240,673,069	209,762,243	30,910,826	87.157	38,776,261	79.716
2009	227,282,764	200,433,990	26,848,774	88.187	38,435,305	69.854
2008	201,089,428	192,007,584	9,081,844	95.484	36,293,844	25.023
2007	186,538,708	180,145,063	6,393,645	96.572	32,577,886	19.626
2006	173,498,788	166,786,538	6,712,250	96.131	31,065,754	21.607
2005	160,678,895	156,120,317	4,558,578	97.163	30,467,728	14.962
2004	145,826,663	135,044,808	10,781,855	92.606	30,169,690	35.737
2003	137,232,316	130,907,323	6,324,993	95.391	29,760,662	21.253
2002	116,880,116	132,048,639	(15,168,523)	112.978	28,134,395	(53.915)

CITY OF BEVERLY HILLS, CALIFORNIA

Required Supplementary Information – Schedule of Funding Progress

For the year ended June 30, 2012

OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN

The schedule of funding progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability (UAAL) to payroll for the City’s OPEB plans.

FUNDED PROGRESS OF THE OPEB PLAN

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets) (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
2011	\$ 52,688,000	—	52,688,000	—	\$ 71,261,000	73.937 %
2009	57,787,000	—	57,787,000	—	61,551,189	93.884
2007	50,412,000	—	50,412,000	—	54,062,175	93.248





CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet

Other Governmental Funds

June 30, 2012

	Special Revenue Funds							
	Streets and Highways State Gas Tax	California State Senate Bill 1473	Community Development Block Grant	In-Lieu Parking District	Parks and Recreation Facilities	Metropolitan Transportation Authority	Prop. A Local Transit Assistance	
Assets								
Cash and investments	\$ 1,976,645	161,153	—	2,580,072	8,683,465	842,527	2,434,337	2,025,330
Accounts receivable, net	—	—	51,260	—	—	—	—	—
Interest receivable	6,722	—	—	8,049	26,879	2,235	8,059	6,165
Intergovernmental receivables	197,052	—	81,502	—	—	—	—	—
Advance to other funds	—	—	—	—	7,559,096	—	—	—
Total assets	\$ 2,180,419	161,153	132,762	2,588,121	16,269,440	844,762	2,442,396	2,031,495
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ —	3,025	23,127	—	217,356	—	85,162	—
Contracts payable	—	—	—	—	59,843	—	—	—
Accrued payroll	—	—	—	—	—	—	6,519	1,884
Interfund payables	—	—	68,943	—	—	—	—	—
Intergovernmental payables	—	6,937	—	—	—	—	—	—
Deferred revenue	3,862	—	81,502	4,624	15,440	1,283	4,630	3,541
Total liabilities	3,862	9,962	173,572	4,624	292,639	1,283	96,311	5,425
Fund balances (deficit):								
Restricted	2,176,557	151,191	—	—	—	843,479	2,346,085	2,026,070
Committed	—	—	—	2,583,497	15,976,801	—	—	—
Unassigned	—	—	(40,810)	—	—	—	—	—
Total fund balances	2,176,557	151,191	(40,810)	2,583,497	15,976,801	843,479	2,346,085	2,026,070
Total liabilities and fund balances	\$ 2,180,419	161,153	132,762	2,588,121	16,269,440	844,762	2,442,396	2,031,495

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet, Continued

Other Governmental Funds

June 30, 2012

Special Revenue Funds								
Assets	Fine Art	Seized and Forfeited Property	Air Quality Improvement	State Park Bond	Roberti-Z'berg Urban Block Grant	Law Enforcement Grants	Inmate Welfare	Total
Cash and investments	\$ 2,460,781	3,673,415	411,425	—	—	61,282	25,583	25,336,015
Accounts receivable, net	—	—	—	—	—	—	—	51,260
Interest receivable	7,733	7,563	1,277	—	—	—	80	74,762
Prepaid expenses	175,000	—	—	—	—	—	—	175,000
Intergovernmental receivables	—	—	—	—	—	31,732	—	310,286
Advance to other funds	—	—	—	—	—	—	—	7,559,096
Total assets	<u>\$ 2,643,514</u>	<u>3,680,978</u>	<u>412,702</u>	<u>—</u>	<u>—</u>	<u>93,014</u>	<u>25,663</u>	<u>33,506,419</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 4,198	24,923	—	—	—	46	—	357,837
Contracts payable	—	—	—	—	—	—	—	59,843
Accrued payroll	—	16,715	—	—	—	11,076	—	36,194
Interfund payables	—	—	—	—	—	—	—	68,943
Intergovernmental payables	—	—	—	—	—	—	—	6,937
Customer deposits	1,625,293	—	—	—	—	—	—	1,625,293
Deferred revenue	4,442	4,345	733	—	—	31,732	46	156,180
Total liabilities	<u>1,633,933</u>	<u>45,983</u>	<u>733</u>	<u>—</u>	<u>—</u>	<u>42,854</u>	<u>46</u>	<u>2,311,227</u>
Fund balances (deficit):								
Restricted	—	3,634,995	411,969	—	—	50,160	25,617	11,666,123
Committed	1,009,581	—	—	—	—	—	—	19,569,879
Unassigned	—	—	—	—	—	—	—	(40,810)
Total fund balances	<u>1,009,581</u>	<u>3,634,995</u>	<u>411,969</u>	<u>—</u>	<u>—</u>	<u>50,160</u>	<u>25,617</u>	<u>31,195,192</u>
Total liabilities and fund balances	<u>\$ 2,643,514</u>	<u>3,680,978</u>	<u>412,702</u>	<u>—</u>	<u>—</u>	<u>93,014</u>	<u>25,663</u>	<u>33,506,419</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet, Continued

Other Governmental Funds

June 30, 2012

	<u>Debt Service</u>	<u>Permanent Funds</u>			Total Other Governmental Funds
	Infra- structure	Buck	Burton Green	Total	
Assets					
Cash and investments	\$ 2,417,378	—	—	—	27,753,393
Accounts receivable, net	—	—	—	—	51,260
Interest receivable	8,538	—	—	—	83,300
Prepaid expenses	—	—	—	—	175,000
Intergovernmental receivables	—	—	—	—	310,286
Advance to other funds	—	—	—	—	7,559,096
Restricted assets:					
Cash and investments	28,482	207,702	68,180	275,882	304,364
Interest receivable	—	673	226	899	899
Total assets	<u>\$ 2,454,398</u>	<u>208,375</u>	<u>68,406</u>	<u>276,781</u>	<u>36,237,598</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ —	—	—	—	357,837
Contracts payable	—	—	—	—	59,843
Accrued payroll	—	—	—	—	36,194
Interfund payables	—	—	—	—	68,943
Intergovernmental payables	—	—	—	—	6,937
Customer deposits	—	—	—	—	1,625,293
Deferred revenue	—	—	—	—	156,180
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,311,227</u>
Fund balances (deficit):					
Nonspendable	—	34,641	46,740	81,381	81,381
Restricted	28,482	173,734	—	173,734	11,868,339
Committed	—	—	21,666	21,666	19,591,545
Assigned	2,425,916	—	—	—	2,425,916
Unassigned	—	—	—	—	(40,810)
Total fund balances	<u>2,454,398</u>	<u>208,375</u>	<u>68,406</u>	<u>276,781</u>	<u>33,926,371</u>
Total liabilities and fund balances	<u>\$ 2,454,398</u>	<u>208,375</u>	<u>68,406</u>	<u>276,781</u>	<u>36,237,598</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

For the year ended June 30, 2012

	Special Revenue Funds							
	Streets and Highways State Gas Tax	California State Senate Bill 1473	Community Development Block Grant	In-Lieu Parking District	Parks and Recreation Facilities	Metropolitan Transportation Authority	Prop. A Local Transit Assistance	Prop. C Local Transit Assistance
Revenues:								
Taxes other than property	\$ —	—	—	283,384	1,911,232	—	—	—
Intergovernmental	1,208,914	—	288,806	—	—	295,052	478,323	439,739
Charges for Services	—	118,513	—	—	—	—	36,678	8,902
Use of money and property	36,772	—	—	39,987	444,123	10,362	45,407	32,366
Net change in fair value of	(4,736)	—	—	(5,153)	(20,257)	(1,376)	(5,662)	(4,491)
Total revenues	<u>1,240,950</u>	<u>118,513</u>	<u>288,806</u>	<u>318,218</u>	<u>2,335,098</u>	<u>304,038</u>	<u>554,746</u>	<u>476,516</u>
Expenditures:								
Current:								
Public service	—	25,702	238,038	—	—	—	925,232	13,818
Capital outlay	968,088	—	—	—	1,533,933	—	—	453,736
Total expenditures	<u>968,088</u>	<u>25,702</u>	<u>238,038</u>	<u>—</u>	<u>1,533,933</u>	<u>—</u>	<u>925,232</u>	<u>467,554</u>
Excess (deficiency) of revenues over expenditures	<u>272,862</u>	<u>92,811</u>	<u>50,768</u>	<u>318,218</u>	<u>801,165</u>	<u>304,038</u>	<u>(370,486)</u>	<u>8,962</u>
Other financing sources (uses):								
Transfers out	(414,295)	—	—	—	(400,000)	—	—	—
Total other financing sources (uses)	<u>(414,295)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(400,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>(141,433)</u>	<u>92,811</u>	<u>50,768</u>	<u>318,218</u>	<u>401,165</u>	<u>304,038</u>	<u>(370,486)</u>	<u>8,962</u>
Fund balances (deficit), July 1	<u>2,317,990</u>	<u>58,380</u>	<u>(91,578)</u>	<u>2,265,279</u>	<u>15,575,636</u>	<u>539,441</u>	<u>2,716,571</u>	<u>2,017,108</u>
Fund balances (deficit), June 30	<u>\$ 2,176,557</u>	<u>151,191</u>	<u>(40,810)</u>	<u>2,583,497</u>	<u>15,976,801</u>	<u>843,479</u>	<u>2,346,085</u>	<u>2,026,070</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued

Other Governmental Funds

For the year ended June 30, 2012

	Special Revenue Funds							
	Fine Art	Seized and Forfeited Property	Air Quality Improvement	State Park Bond	Roberti-Z'berg Urban Block Grant	Law Enforcement Grants	Inmate Welfare	Total
Revenues:								
Taxes other than property	\$ 179,087	—	—	—	—	—	—	2,373,703
Intergovernmental	—	2,353,643	140,964	—	—	1,380,150	—	6,585,591
Charges for Services	—	—	—	—	—	—	—	164,093
Use of money and property	37,721	36,167	6,701	—	—	1,812	1,848	693,266
Net change in fair value of investments	(5,901)	(4,571)	(814)	—	—	455	(57)	(52,563)
Total revenues	210,907	2,385,239	146,851	—	—	1,382,417	1,791	9,764,090
Expenditures:								
Current:								
Public safety	—	455,394	—	—	—	192,082	—	647,476
Public service	—	—	—	—	—	—	—	1,202,790
Culture and recreation	6,468	—	—	—	—	—	—	6,468
Capital outlay	—	440,050	—	—	—	1,300,900	—	4,696,707
Total expenditures	6,468	895,444	—	—	—	1,492,982	—	6,553,441
Excess (deficiency) of revenues over expenditures	204,439	1,489,795	146,851	—	—	(110,565)	1,791	3,210,649
Other financing sources (uses):								
Transfers out	—	—	(100,000)	—	—	—	—	(914,295)
Total other financing sources (uses)	—	—	(100,000)	—	—	—	—	(914,295)
Net change in fund balances	204,439	1,489,795	46,851	—	—	(110,565)	1,791	2,296,354
Fund balances (deficit), July 1	805,142	2,145,200	365,118	—	—	160,725	23,826	28,898,838
Fund balances (deficit), June 30	\$ 1,009,581	3,634,995	411,969	—	—	50,160	25,617	31,195,192

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Continued

Other Governmental Funds

For the year ended June 30, 2012

	<u>Debt Service</u>	<u>Permanent Funds</u>			Total Other Governmental Funds
	Infra- structure	Buck	Burton Green	Total	
Revenues:					
Taxes other than property	\$ —	—	—	—	2,373,703
Intergovernmental	—	—	—	—	6,585,591
Charges for Services	—	—	—	—	164,093
Use of money and property	44,536	3,357	1,134	4,491	742,293
Net change in fair value of investments	(4,724)	(479)	(161)	(640)	(57,927)
Total revenues	39,812	2,878	973	3,851	9,807,753
Expenditures:					
Current:					
Public safety	—	—	—	—	647,476
Public service	1,107	—	2,000	2,000	1,205,897
Culture and recreation	—	—	—	—	6,468
Debt service:					
Interest	1,623,429	—	—	—	1,623,429
Principal	719,104	—	—	—	719,104
Capital outlay	—	—	—	—	4,696,707
Total expenditures	2,343,640	—	2,000	2,000	8,899,081
Excess (deficiency) of rev- enues over expenditures	(2,303,828)	2,878	(1,027)	1,851	908,672
Other financing sources (uses):					
Transfers in	1,961,366	—	—	—	1,961,366
Transfers out	—	—	—	—	(914,295)
Proceeds of bonds	32,665,980	—	—	—	32,665,980
Payment to bond escrow agent	(34,730,565)	—	—	—	(34,730,565)
Total other financing sources (uses)	(103,219)	—	—	—	(1,017,514)
Net change in fund balances	(2,407,047)	2,878	(1,027)	1,851	(108,842)
Fund balances (deficit), July 1	4,861,445	205,497	69,433	274,930	34,035,213
Fund balances (deficit), June 30	\$ 2,454,398	208,375	68,406	276,781	33,926,371

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

Other Governmental Funds

For the year ended June 30, 2012

	Special Revenue Funds							
	Streets and Highways State Gas Tax				California State Senate Bill 1473			
	Budgeted Amounts		Actual	Variance	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget – Over (Under)	Original	Final	Amounts	with Final Budget – Over (Under)
Revenues:								
Intergovernmental	\$ 568,112	568,112	1,208,914	640,802	—	—	—	—
Charges for Services	—	—	—	—	106,531	106,531	118,513	11,982
Use of money and property	59,294	59,294	36,772	(22,522)	—	—	—	—
Net change in fair value of investments	—	—	(4,736)	(4,736)	—	—	—	—
Total revenues	627,406	627,406	1,240,950	613,544	106,531	106,531	118,513	11,982
Expenditures:								
Current:								
Public service	—	—	—	—	—	30,000	25,702	(4,298)
Capital outlay	1,286,888	2,590,753	968,088	(1,622,665)	—	—	—	—
Total expenditures	1,286,888	2,590,753	968,088	(1,622,665)	—	30,000	25,702	(4,298)
Excess (deficiency) of revenues over expenditures	(659,482)	(1,963,347)	272,862	2,236,209	106,531	76,531	92,811	16,280
Other financing sources (uses):								
Transfers out	(6,000)	(6,000)	(414,295)	408,295	—	—	—	—
Total other financing sources (uses)	(6,000)	(6,000)	(414,295)	408,295	—	—	—	—
Net change in fund balances	(665,482)	(1,969,347)	(141,433)	1,827,914	106,531	76,531	92,811	16,280
Fund balances, July 1	2,317,990	2,317,990	2,317,990	—	58,380	58,380	58,380	—
Fund balances, June 30	\$ 1,652,508	348,643	2,176,557	1,827,914	164,911	134,911	151,191	16,280

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued

Other Governmental Funds

For the year ended June 30, 2012

	Special Revenue Funds							
	Community Development Block Grant				In-Lieu Parking District			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
Original	Final	Original			Final			
Revenues:								
Taxes other than property	\$ —	—	—	—	712,598	712,598	283,384	(429,214)
Intergovernmental	256,743	256,743	288,806	32,063	—	—	—	—
Use of money and property	—	—	—	—	100,040	100,040	39,987	(60,053)
Net change in fair value of investments	—	—	—	—	—	—	(5,153)	(5,153)
Total revenues	<u>256,743</u>	<u>256,743</u>	<u>288,806</u>	<u>32,063</u>	<u>812,638</u>	<u>812,638</u>	<u>318,218</u>	<u>(494,420)</u>
Expenditures:								
Current:								
Public service	<u>256,743</u>	<u>256,743</u>	<u>238,038</u>	<u>(18,705)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>256,743</u>	<u>256,743</u>	<u>238,038</u>	<u>(18,705)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>50,768</u>	<u>50,768</u>	<u>812,638</u>	<u>812,638</u>	<u>318,218</u>	<u>(494,420)</u>
Net change in fund balances	<u>—</u>	<u>—</u>	<u>50,768</u>	<u>50,768</u>	<u>812,638</u>	<u>812,638</u>	<u>318,218</u>	<u>(494,420)</u>
Fund balances (deficit), July 1	<u>(91,578)</u>	<u>(91,578)</u>	<u>(91,578)</u>	<u>—</u>	<u>2,265,279</u>	<u>2,265,279</u>	<u>2,265,279</u>	<u>—</u>
Fund balances (deficit), June 30	<u><u>\$ (91,578)</u></u>	<u><u>(91,578)</u></u>	<u><u>(40,810)</u></u>	<u><u>50,768</u></u>	<u><u>3,077,917</u></u>	<u><u>3,077,917</u></u>	<u><u>2,583,497</u></u>	<u><u>(494,420)</u></u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued

Other Governmental Funds

For the year ended June 30, 2012

	Special Revenue Funds							
	Parks and Recreation Facilities				Metropolitan Transportation Authority			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
Original	Final	Original			Final			
Revenues:								
Taxes other than property	\$ 2,174,824	2,174,824	1,911,232	(263,592)	—	—	—	—
Intergovernmental	—	—	—	—	302,600	302,600	295,052	(7,548)
Use of money and property	712,835	712,835	444,123	(268,712)	—	—	10,362	10,362
Net change in fair value of investments	—	—	(20,257)	(20,257)	—	—	(1,376)	(1,376)
Miscellaneous	—	7,564	—	(7,564)	—	—	—	—
Total revenues	<u>2,887,659</u>	<u>2,895,223</u>	<u>2,335,098</u>	<u>(560,125)</u>	<u>302,600</u>	<u>302,600</u>	<u>304,038</u>	<u>1,438</u>
Expenditures:								
Capital outlay	<u>8,233,304</u>	<u>10,408,397</u>	<u>1,533,933</u>	<u>(8,874,464)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>8,233,304</u>	<u>10,408,397</u>	<u>1,533,933</u>	<u>(8,874,464)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(5,345,645)</u>	<u>(7,513,174)</u>	<u>801,165</u>	<u>8,314,339</u>	<u>302,600</u>	<u>302,600</u>	<u>304,038</u>	<u>1,438</u>
Other financing sources (uses):								
Transfers out	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>(5,745,645)</u>	<u>(7,913,174)</u>	<u>401,165</u>	<u>8,314,339</u>	<u>302,600</u>	<u>302,600</u>	<u>304,038</u>	<u>1,438</u>
Fund balances, July 1	<u>15,575,636</u>	<u>15,575,636</u>	<u>15,575,636</u>	<u>—</u>	<u>539,441</u>	<u>539,441</u>	<u>539,441</u>	<u>—</u>
Fund balances, June 30	<u>\$ 9,829,991</u>	<u>7,662,462</u>	<u>15,976,801</u>	<u>8,314,339</u>	<u>842,041</u>	<u>842,041</u>	<u>843,479</u>	<u>1,438</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued

Other Governmental Funds

For the year ended June 30, 2012

	Special Revenue Funds							
	Proposition A Local Transit Assistance				Proposition C Local Transit Assistance			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Intergovernmental	\$ 606,500	606,500	478,323	(128,177)	403,500	403,500	439,739	36,239
Charges for Services	120,000	120,000	36,678	(83,322)	15,000	15,000	8,902	(6,098)
Use of money and property	50,000	50,000	45,407	(4,593)	33,532	33,532	32,366	(1,166)
Net change in fair value of investments	—	—	(5,662)	(5,662)	—	—	(4,491)	(4,491)
Total revenues	776,500	776,500	554,746	(221,754)	452,032	452,032	476,516	24,484
Expenditures:								
Current:								
Public service	899,293	899,293	925,232	25,939	471,107	471,107	13,818	(457,289)
Capital outlay	—	—	—	—	1,500,000	2,060,520	453,736	(1,606,784)
Total expenditures	899,293	899,293	925,232	25,939	1,971,107	2,531,627	467,554	(2,064,073)
Excess (deficiency) of revenues over expenditures	(122,793)	(122,793)	(370,486)	(247,693)	(1,519,075)	(2,079,595)	8,962	2,088,557
Net change in fund balances	(122,793)	(122,793)	(370,486)	(247,693)	(1,519,075)	(2,079,595)	8,962	2,088,557
Fund balances, July 1	2,716,571	2,716,571	2,716,571	—	2,017,108	2,017,108	2,017,108	—
Fund balances, June 30	\$ 2,593,778	2,593,778	2,346,085	(247,693)	498,033	(62,487)	2,026,070	2,088,557

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued

Other Governmental Funds

For the year ended June 30, 2012

	Special Revenue Funds							
	Fine Art				Seized and Forfeited Property			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Taxes other than property	\$ 7,000	7,000	179,087	172,087	—	—	—	—
Intergovernmental	—	—	—	—	—	—	2,353,643	2,353,643
Use of money and property	8,600	8,600	37,721	29,121	—	—	36,167	36,167
Net change in fair value of investments	—	—	(5,901)	(5,901)	—	—	(4,571)	(4,571)
Total revenues	15,600	15,600	210,907	195,307	—	—	2,385,239	2,385,239
Expenditures:								
Current:								
Public safety	—	—	—	—	—	598,666	455,394	(143,272)
Culture and recreation	39,255	40,145	6,468	(33,677)	—	—	—	—
Capital outlay	—	355,676	—	(355,676)	—	462,631	440,050	(22,581)
Total expenditures	39,255	395,821	6,468	(389,353)	—	1,061,297	895,444	(165,853)
Excess (deficiency) of revenues over expenditures	(23,655)	(380,221)	204,439	584,660	—	(1,061,297)	1,489,795	2,551,092
Net change in fund balances	(23,655)	(380,221)	204,439	584,660	—	(1,061,297)	1,489,795	2,551,092
Fund balances, July 1	805,142	805,142	805,142	—	2,145,200	2,145,200	2,145,200	—
Fund balances, June 30	\$ 781,487	424,921	1,009,581	584,660	2,145,200	1,083,903	3,634,995	2,551,092

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

Other Governmental Funds

For the year ended June 30, 2012

	Special Revenue Funds							
	Air Quality Improvement				State Parks Bond			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
Original	Final	Original			Final			
Revenues:								
Intergovernmental	\$ 40,000	40,000	140,964	100,964	—	—	—	—
Use of money and property	—	—	6,701	6,701	—	—	—	—
Net change in fair value of investments	—	—	(814)	(814)	—	—	—	—
Total revenues	40,000	40,000	146,851	106,851	—	—	—	—
Expenditures:								
Current:								
Public service	25,000	25,000	—	(25,000)	—	—	—	—
Capital Outlay	300,000	300,000	—	(300,000)	—	—	—	—
Total expenditures	325,000	325,000	—	(325,000)	—	—	—	—
Excess (deficiency) of revenues over expenditures	(285,000)	(285,000)	146,851	431,851	—	—	—	—
Other financing sources (uses):								
Transfers out	—	—	(100,000)	100,000	—	—	—	—
Total other financing sources (uses)	—	—	(100,000)	100,000	—	—	—	—
Net change in fund balances	(285,000)	(285,000)	46,851	331,851	—	—	—	—
Fund balances, July 1	365,118	365,118	365,118	—	—	—	—	—
Fund balances, June 30	\$ 80,118	80,118	411,969	331,851	—	—	—	—

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued

Other Governmental Funds

For the year ended June 30, 2012

	Special Revenue Funds							
	Roberti-Z'Berg Urban Block Grant				Law Enforcement Grants			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
Original	Final	Original			Final			
Revenues:								
Intergovernmental	\$ —	—	—	—	100,000	1,442,397	1,380,150	(62,247)
Use of money and property	—	—	—	—	—	—	1,812	1,812
Net change in fair value of investments	—	—	—	—	—	—	455	455
Total revenues	—	—	—	—	100,000	1,442,397	1,382,417	(59,980)
Expenditures:								
Current:								
Public safety	—	—	—	—	109,457	374,384	192,082	(182,302)
Capital outlay	—	—	—	—	—	1,315,466	1,300,900	(14,566)
Total expenditures	—	—	—	—	109,457	1,689,850	1,492,982	(196,868)
Excess (deficiency) of revenues over expenditures	—	—	—	—	(9,457)	(247,453)	(110,565)	136,888
Net change in fund balances	—	—	—	—	(9,457)	(247,453)	(110,565)	136,888
Fund balances, July 1	—	—	—	—	160,725	160,725	160,725	—
Fund balances (deficit), June 30	\$ —	—	—	—	151,268	(86,728)	50,160	136,888

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued

Other Governmental Funds

For the year ended June 30, 2012

	Special Revenue Funds							
	Inmate Welfare				Total			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
Original	Final	Original			Final			
Revenues:								
Taxes other than property	\$ —	—	—	—	2,894,422	2,894,422	2,373,703	(520,719)
Intergovernmental	—	—	—	—	2,277,455	3,619,852	6,585,591	2,965,739
Charges for Services	—	—	—	—	241,531	241,531	164,093	(77,438)
Use of money and property	3,000	3,000	1,848	(1,152)	967,301	967,301	693,266	(274,035)
Net change in fair value of investments	—	—	(57)	(57)	—	—	(52,563)	(52,563)
Miscellaneous	—	—	—	—	—	7,564	—	(7,564)
Total revenues	3,000	3,000	1,791	(1,209)	6,380,709	7,730,670	9,764,090	2,033,420
Expenditures:								
Current:								
Public safety	—	—	—	—	109,457	973,050	647,476	(325,574)
Public service	—	—	—	—	1,652,143	1,682,143	1,202,790	(479,353)
Culture and recreation	—	—	—	—	39,255	40,145	6,468	(33,677)
Capital outlay	—	—	—	—	11,320,192	17,493,443	4,696,707	(12,796,736)
Total expenditures	—	—	—	—	13,121,047	20,188,781	6,553,441	(13,635,340)
Excess (deficiency) of revenues over expenditures	3,000	3,000	1,791	(1,209)	(6,740,338)	(12,458,111)	3,210,649	15,668,760
Other financing sources (uses):								
Transfers out	—	—	—	—	(406,000)	(406,000)	(914,295)	508,295
Total other financing sources (uses)	—	—	—	—	(406,000)	(406,000)	(914,295)	508,295
Net change in fund balances	3,000	3,000	1,791	(1,209)	(7,146,338)	(12,864,111)	2,296,354	16,177,055
Fund balances, July 1	23,826	23,826	23,826	—	28,898,838	28,898,838	28,898,838	—
Fund balances, June 30	\$ 26,826	26,826	25,617	(1,209)	21,752,500	16,034,727	31,195,192	16,177,055

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued

Other Governmental Funds

For the year ended June 30, 2012

	Debt Service Fund				Permanent Funds			
	Infrastructure		Actual Amounts	Variance with Final Budget – Over (Under)	Buck		Actual Amounts	Variance with Final Budget – Over (Under)
	Budgeted Amounts Original	Final			Budgeted Amounts Original	Final		
Revenues:								
Use of money and property	\$ —	—	44,536	44,536	—	—	3,357	3,357
Net change in fair value of investments	—	—	(4,724)	(4,724)	—	—	(479)	(479)
Total revenues	—	—	39,812	39,812	—	—	2,878	2,878
Expenditures:								
Current:								
Public service	1,207	1,207	1,107	(100)	—	—	—	—
Debt service:								
Interest	1,517,695	1,517,695	1,623,429	105,734	—	—	—	—
Principal Payment	1,361,631	1,361,631	719,104	(642,527)	—	—	—	—
Total expenditures	2,880,533	2,880,533	2,343,640	(536,893)	—	—	—	—
Excess (deficiency) of revenues over expenditures	(2,880,533)	(2,880,533)	(2,303,828)	576,705	—	—	2,878	2,878
Other financing sources (uses):								
Transfers in	1,867,000	1,867,000	1,961,366	94,366	—	—	—	—
Proceeds of bonds	—	—	32,665,980	32,665,980	—	—	—	—
Payment to bond escrow agent	—	—	(34,730,565)	(34,730,565)	—	—	—	—
Total other financing sources (uses)	1,867,000	1,867,000	(103,219)	(1,970,219)	—	—	—	—
Net change in fund balances	(1,013,533)	(1,013,533)	(2,407,047)	(1,393,514)	—	—	2,878	2,878
Fund balances, July 1	4,861,445	4,861,445	4,861,445	—	205,497	205,497	205,497	—
Fund balances, June 30	\$ 3,847,912	3,847,912	2,454,398	(1,393,514)	205,497	205,497	208,375	2,878

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued

Other Governmental Funds

For the year ended June 30, 2012

	Permanent Funds							
	Burton Green				Total			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
Original	Final	Original			Final			
Revenues:								
Use of money and property	\$ —	—	1,134	1,134	—	—	4,491	4,491
Net change in fair value of investments	—	—	(161)	(161)	—	—	(640)	(640)
Total revenues	—	—	973	973	—	—	3,851	3,851
Expenditures:								
Current:								
Public service	—	—	2,000	2,000	—	—	2,000	2,000
Total expenditures	—	—	2,000	2,000	—	—	2,000	2,000
Excess (deficiency) of revenues over expenditures	—	—	(1,027)	(1,027)	—	—	1,851	1,851
Net change in fund balances	—	—	(1,027)	(1,027)	—	—	1,851	1,851
Fund balances, July 1	69,433	69,433	69,433	—	274,930	274,930	274,930	—
Fund balances, June 30	\$ 69,433	69,433	68,406	(1,027)	274,930	274,930	276,781	1,851

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued

Other Governmental Funds

For the year ended June 30, 2012

	Total Other Governmental Funds			Variance with Final Budget – Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Taxes other than property	\$ 2,894,422	2,894,422	2,373,703	(520,719)
Intergovernmental	2,277,455	3,619,852	6,585,591	2,965,739
Charges for Services	241,531	241,531	164,093	(77,438)
Use of money and property	967,301	967,301	742,293	(225,008)
Net change in fair value of investments	—	—	(57,927)	(57,927)
Miscellaneous	—	7,564	—	(7,564)
Total revenues	<u>6,380,709</u>	<u>7,730,670</u>	<u>9,807,753</u>	<u>2,077,083</u>
Expenditures:				
Current:				
Public safety	109,457	973,050	647,476	(325,574)
Public service	1,653,350	1,683,350	1,205,897	(477,453)
Culture and recreation	39,255	40,145	6,468	(33,677)
Debt service:				
Interest	1,517,695	1,517,695	1,623,429	105,734
Principal	1,361,631	1,361,631	719,104	(642,527)
Capital outlay	<u>11,320,192</u>	<u>17,493,443</u>	<u>4,696,707</u>	<u>(12,796,736)</u>
Total expenditures	<u>16,001,580</u>	<u>23,069,314</u>	<u>8,899,081</u>	<u>(14,170,233)</u>
Excess (deficiency) of revenues over expenditures	<u>(9,620,871)</u>	<u>(15,338,644)</u>	<u>908,672</u>	<u>16,247,316</u>
Other financing sources (uses):				
Transfers in	1,867,000	1,867,000	1,961,366	94,366
Transfers out	(406,000)	(406,000)	(914,295)	508,295
Proceeds of bonds	—	—	32,665,980	(32,665,980)
Payment to bond escrow agent	—	—	(34,730,565)	34,730,565
Total other financing sources (uses)	<u>1,461,000</u>	<u>1,461,000</u>	<u>(1,017,514)</u>	<u>2,667,246</u>
Net change in fund balances	<u>(8,159,871)</u>	<u>(13,877,644)</u>	<u>(108,842)</u>	<u>18,914,562</u>
Fund balances, July 1	<u>34,035,213</u>	<u>34,035,213</u>	<u>34,035,213</u>	<u>—</u>
Fund balances, June 30	<u>\$ 25,875,342</u>	<u>20,157,569</u>	<u>33,926,371</u>	<u>18,914,562</u>



CITY OF BEVERLY HILLS, CALIFORNIA

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual

Infrastructure Capital Projects Fund - Major Fund

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget – Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ —	—	1,369,845	1,369,845
Use of money and property	188,966	188,966	278,666	89,700
Net change in fair value of investments	—	—	<u>(34,722)</u>	<u>(34,722)</u>
Total revenues	<u>188,966</u>	<u>188,966</u>	<u>1,613,789</u>	<u>1,424,823</u>
Expenditures:				
Capital outlay	<u>7,000,322</u>	<u>18,786,133</u>	<u>6,065,015</u>	<u>(12,721,118)</u>
Total expenditures	<u>7,000,322</u>	<u>18,786,133</u>	<u>6,065,015</u>	<u>(12,721,118)</u>
Deficiency of revenues over expenditures	(6,811,356)	(18,597,167)	(4,451,226)	14,145,941
Other financing sources:				
Transfers in	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,808,295</u>	<u>408,295</u>
Total other financing sources (uses)	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,808,295</u>	<u>408,295</u>
Deficiency of revenues and other sources over expenditures	(3,411,356)	(15,197,167)	(642,931)	14,554,236
Fund balance, July 1	<u>15,967,270</u>	<u>15,967,270</u>	<u>15,967,270</u>	—
Fund balance, June 30	\$ <u><u>12,555,914</u></u>	<u><u>770,103</u></u>	<u><u>15,324,339</u></u>	<u><u>14,554,236</u></u>



CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Net Assets

Internal Service Funds

June 30, 2012

	Information Technology	Capital Assets	Vehicles	Office and Opera- tional Equipment	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Policy, Administration, & Legal	Eliminations	Total
ASSETS													
Current assets:													
Cash and investments	\$ 15,633,225	32,199,868	9,740,148	7,812,801	1,874,680	4,439,201	11,376,407	16,049,906	191,704	40,313,180	8,876,567	—	148,507,687
Accounts receivable	74,000	60,533	—	—	—	—	—	—	—	—	14,500	—	149,033
Interest receivable	52,589	105,972	26,106	23,159	5,583	13,815	33,472	52,125	840	113,243	21,716	—	448,620
Inventory	—	—	331,915	—	—	—	—	—	—	—	24,239	—	356,154
Prepaid expenses	—	—	—	—	14,853	—	480,648	—	—	—	345	—	495,846
Total current assets	15,759,814	32,366,373	10,098,169	7,835,960	1,895,116	4,453,016	11,890,527	16,102,031	192,544	40,426,423	8,937,367	—	149,957,340
Noncurrent assets:													
Restricted assets:													
Cash and investments	—	2,140,826	—	—	—	—	—	—	—	173,046	—	—	2,313,872
Total restricted assets	—	2,140,826	—	—	—	—	—	—	—	173,046	—	—	2,313,872
Deferred bond issuance costs, net	—	1,082,332	—	—	—	—	—	—	—	230,077	—	—	1,312,409
Advances to (from) other funds	(1,366,100)	19,763,858	11,838,626	—	—	—	—	—	—	—	—	—	30,236,384
Net pension assets	151,597	129,888	107,791	—	34,623	26,236	—	—	—	—	869,312	—	1,319,447
Other post employment benefit asset	—	—	—	—	—	—	—	—	—	5,267,331	—	—	5,267,331
Total other noncurrent assets	(1,214,503)	20,976,078	11,946,417	—	34,623	26,236	—	—	—	5,497,408	869,312	—	38,135,571
Capital assets:													
Land	—	32,041,706	—	—	—	—	—	—	—	—	—	—	32,041,706
Buildings	3,560,756	222,557,477	—	—	—	—	—	—	—	—	—	—	226,118,233
Improvements other than buildings	—	29,598,989	—	—	—	—	—	—	—	—	—	—	29,598,989
Machinery and equipment	34,673,228	7,269,262	19,027,929	652,974	69,335	3,309,220	—	—	—	—	—	—	65,001,948
Infrastructure	238,064	—	—	—	—	—	421,381	—	—	—	—	—	659,445
	38,472,048	291,467,434	19,027,929	652,974	69,335	3,309,220	421,381	—	—	—	—	—	353,420,321
Less accumulated depreciation	(21,476,161)	(98,747,986)	(12,475,547)	(170,030)	(69,335)	(1,076,284)	(7,899)	—	—	—	—	—	(134,023,242)
Construction in progress	834,380	11,575,063	—	—	—	—	—	—	—	—	—	—	12,409,443
Total capital assets, net	17,830,267	204,294,511	6,552,382	482,944	—	2,232,936	413,482	—	—	—	—	—	231,806,522
Total noncurrent assets	16,615,764	227,411,415	18,498,799	482,944	34,623	2,259,172	413,482	—	—	5,670,454	869,312	—	272,255,965
Total assets	32,375,578	259,777,788	28,596,968	8,318,904	1,929,739	6,712,188	12,304,009	16,102,031	192,544	46,096,877	9,806,679	—	422,213,305

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Net Assets, Continued

Internal Service Funds

June 30, 2012

	Information Technology	Capital Assets	Vehicles	Office and Opera- tional Equipment	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Policy, Administration, & Legal	Eliminations	Total
LIABILITIES													
Current liabilities:													
Accounts payable	\$ 1,145,353	1,870,958	158,971	45,983	56,812	6,082	252,309	121,057	—	24,825	996,984	—	4,679,334
Contracts payable	—	77,044	—	—	—	—	—	—	—	—	—	—	77,044
Accrued payroll	869	70,629	54,395	—	34,858	22,311	5,434	5,434	—	—	545,611	—	739,541
Interest payable	—	344,265	—	—	—	—	—	—	—	63,015	—	—	407,280
Current portion of:													
Compensated absences	—	—	—	—	—	—	—	—	—	1,072,501	—	—	1,072,501
Outstanding claims	—	—	—	—	—	—	1,267,776	1,680,161	24,496	—	—	—	2,972,433
Revenue bonds	—	7,296,501	—	—	—	—	—	—	—	1,164,912	—	—	8,461,413
Capital Lease	—	114,137	—	—	—	—	—	—	—	—	—	—	114,137
Note payables	—	1,484,982	—	—	—	—	—	—	—	—	—	—	1,484,982
Interfund payable	—	2,465	—	—	—	—	—	—	—	—	—	—	2,465
Unearned revenue	—	3,262,516	—	—	—	—	—	—	—	—	—	—	3,262,516
Total current liabilities	1,146,222	14,523,497	213,366	45,983	91,670	28,393	1,525,519	1,806,652	24,496	2,325,253	1,542,595	—	23,273,646
Long-term liabilities (net of current portion):													
Compensated absences	—	—	—	—	—	—	—	—	—	12,895,313	—	—	12,895,313
Outstanding claims	—	—	—	—	—	—	1,655,535	5,350,068	—	—	—	—	7,005,603
Revenue bonds	—	80,831,965	—	—	—	—	—	—	—	16,761,404	—	—	97,593,369
Original issue premium, net	—	8,243,537	—	—	—	—	—	—	—	—	—	—	8,243,537
Deferred amount on refunding, net	—	(3,971,418)	—	—	—	—	—	—	—	—	—	—	(3,971,418)
Capital lease	—	256,932	—	—	—	—	—	—	—	—	—	—	256,932
Leased property deposit	—	282,337	—	—	—	—	—	—	—	—	—	—	282,337
Note payables	—	28,454,620	—	—	—	—	—	—	—	—	—	—	28,454,620
Total long-term liabilities	—	114,097,973	—	—	—	—	1,655,535	5,350,068	—	29,656,717	—	—	150,760,293
Total liabilities	1,146,222	128,621,470	213,366	45,983	91,670	28,393	3,181,054	7,156,720	24,496	31,981,970	1,542,595	—	174,033,939
NET ASSETS													
Invested in capital assets, net of related debt	17,830,267	80,297,207	6,552,382	482,944	—	2,232,936	413,482	—	—	—	—	—	107,809,218
Restricted for:													
Debt service	—	2,140,826	—	—	—	—	—	—	—	—	—	—	2,140,826
Unrestricted	13,399,089	48,718,285	21,831,220	7,789,977	1,838,069	4,450,859	8,709,473	8,945,311	168,048	14,114,907	8,264,084	—	138,229,322
Total net assets (deficit)	\$ 31,229,356	131,156,318	28,383,602	8,272,921	1,838,069	6,683,795	9,122,955	8,945,311	168,048	14,114,907	8,264,084	—	248,179,366

CITY OF BEVERLY HILLS, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the year ended June 30, 2012

	<u>Information Technology</u>	<u>Capital Assets</u>	<u>Vehicles</u>	<u>Office and Opera- tional Equipment</u>	<u>Repro- graphics</u>	<u>Cable TV</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Employee Benefits</u>	<u>Administration, Policy & Legal</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues:													
Sales, service charges and fees	\$ 5,278,092	26,195,621	7,167,246	1,526,309	2,411,994	1,296,636	6,058,659	2,859,984	97,983	5,500,309	37,197,898	(19,476,508)	76,114,223
Operating expenses:													
Salaries and employee benefits	93,685	1,736,159	1,403,220	—	923,073	539,416	149,614	149,475	—	5,373,291	14,294,519	(2,957,968)	21,704,484
Maintenance and operation	1,323,936	6,115,811	3,316,070	133,469	1,439,720	602,393	507,030	374,788	—	—	19,994,345	(16,518,540)	17,289,022
Insurance premiums, settlements and provisions	—	—	—	—	—	—	537,623	3,171,412	108,021	—	-	—	3,817,056
Depreciation	4,179,624	5,952,255	2,514,395	76,069	—	215,673	5,267	—	—	—	-	—	12,943,283
Amortization of issuance costs	—	492,212	—	—	—	—	—	—	—	17,698	-	—	509,910
Total operating expenses	5,597,245	14,296,437	7,233,685	209,538	2,362,793	1,357,482	1,199,534	3,695,675	108,021	5,390,989	34,288,864	(19,476,508)	56,263,755
Operating income (loss)	(319,153)	11,899,184	(66,439)	1,316,771	49,201	(60,846)	4,859,125	(835,691)	(10,038)	109,320	2,909,034	—	19,850,468
Nonoperating revenues (expenses):													
Investment revenue	261,943	2,730,042	591,204	102,664	26,575	65,802	146,886	260,858	4,529	532,939	86,083	(133,357)	4,676,168
Net change in fair value of investments	(30,357)	(71,835)	(14,495)	(13,318)	(3,849)	(9,272)	(19,508)	(37,721)	(525)	(81,752)	(10,844)	—	(293,476)
Interest expense	(133,357)	(6,276,043)	—	—	—	—	—	—	—	(770,272)	-	133,357	(7,046,315)
Intergovernmental revenue	277,900	172,568	—	—	—	—	—	—	—	—	4,822	—	455,290
Gain (loss) on sale of capital assets	(176,641)	—	(210,765)	—	—	—	—	—	—	—	-	—	(387,406)
Other revenue	4,661	675,183	—	—	—	—	1,800	—	—	—	205,621	—	887,265
Total nonoperating revenues (expenses)	204,149	(2,770,085)	365,944	89,346	22,726	56,530	129,178	223,137	4,004	(319,085)	285,682	—	(1,708,474)
Income (loss) before contributions and operating transfers	(115,004)	9,129,099	299,505	1,406,117	71,927	(4,316)	4,988,303	(612,554)	(6,034)	(209,765)	3,194,716	—	18,141,994
Transfers in	113,237	11,066,985	100,000	—	—	—	—	—	—	1,891,900	-	(579,000)	12,593,122
Transfers out	(700)	(11,669,102)	(41,000)	—	(26,000)	(13,000)	(4,300)	(4,300)	—	—	(939,200)	579,000	(12,118,602)
Change in net assets	(2,467)	8,526,982	358,505	1,406,117	45,927	(17,316)	4,984,003	(616,854)	(6,034)	1,682,135	2,255,516	—	18,616,514
Net assets, July 1	31,231,823	122,629,336	28,025,097	6,866,804	1,792,142	6,701,111	4,138,952	9,562,165	174,082	12,432,772	6,008,568	—	229,562,852
Net assets, June 30	\$ 31,229,356	131,156,318	28,383,602	8,272,921	1,838,069	6,683,795	9,122,955	8,945,311	168,048	14,114,907	8,264,084	—	248,179,366

(Continued)



CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

For the year ended June 30, 2012

	Information Technology	Capital Assets	Vehicles	Office and Opera- tional Equipment	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Administration, Policy & Legal	Total
Cash flows from operating activities:												
Cash received from customers	\$ 5,204,092	26,195,621	7,167,246	1,526,309	2,411,994	1,462,528	6,058,659	2,859,984	97,983	5,500,309	37,197,898	95,682,623
Cash payments to employees for services	(93,578)	(1,725,547)	(1,397,745)	-	(918,160)	(533,690)	(149,174)	(149,036)	-	(4,043,486)	(14,322,949)	(23,333,365)
Cash payments for goods and services	(1,462,140)	(3,889,685)	(3,311,530)	(160,086)	(1,421,287)	(653,465)	-	(2,963,245)	(184,199)	-	(19,967,553)	(34,013,190)
Cash payments for insurance premiums, settle- ments and claims	-	-	-	-	-	-	(5,219,108)	-	-	-	-	(5,219,108)
Net cash (used in) provided by operating activities	3,648,374	20,580,389	2,457,971	1,366,223	72,547	275,373	690,377	(252,297)	(86,216)	1,456,823	2,907,396	33,116,960
Cash flows from noncapital financing activities:												
Other revenue	4,661	847,751	-	-	-	-	1,800	-	-	-	205,621	1,059,833
Intergovernmental revenue	277,900	-	-	-	-	-	-	-	-	-	4,822	282,722
Payment for unfunded liabilities	(15,465)	(13,250)	(10,996)	-	(3,532)	(2,676)	-	-	-	-	(88,682)	(134,601)
Cash received from other funds	113,237	-	59,000	-	-	-	-	-	-	1,891,900	-	2,064,137
Cash paid to other funds	(700)	(207,280)	-	-	(26,000)	(13,000)	(4,300)	(4,300)	-	-	(939,200)	(1,194,780)
Net cash (used in) provided by noncapital financing activities	379,633	627,221	48,004	-	(29,532)	(15,676)	(2,500)	(4,300)	-	1,891,900	(817,439)	2,077,311
Cash flows from capital financing activities:												
Proceeds from sale of property	-	-	71,705	-	-	-	-	-	-	-	-	71,705
Acquisition and construction of capital assets	(2,930,897)	(9,257,502)	(1,717,984)	(251,246)	-	(44,037)	(210,861)	-	-	-	-	(14,412,527)
Repayment of construction loan	(1,301,047)	-	-	-	-	-	-	-	-	-	-	(1,301,047)
Proceeds from issuance of bonds	-	14,425,398	-	-	-	-	-	-	-	-	-	14,425,398
Payments to defeased bonds escrow trustee	-	(18,436,297)	-	-	-	-	-	-	-	-	-	(18,436,297)
Payment of bond issuance cost	-	(4,824)	-	-	-	-	-	-	-	-	-	(4,824)
Interest received (paid) on note receivable	-	737,468	-	-	-	-	-	-	-	-	-	737,468
Principal received (paid) on interfund advance	-	2,058,308	487,284	-	-	-	-	-	-	-	-	2,545,592
Interest received (paid) on interfund advance	(133,357)	133,357	474,547	-	-	-	-	-	-	-	-	474,547
Principal payments on debt	-	(8,782,741)	-	-	-	-	-	-	-	(1,147,368)	-	(9,930,109)
Interest payments on debt	-	(6,307,450)	-	-	-	-	-	-	-	(771,553)	-	(7,079,003)
Net cash (used in) provided by capital financing activities	(4,365,301)	(25,434,283)	(684,448)	(251,246)	-	(44,037)	(210,861)	-	-	(1,918,921)	-	(32,909,097)
Cash flows from investing activities:												
Earnings on investments	239,763	1,950,699	94,506	86,322	22,359	56,656	130,271	233,620	3,972	424,933	65,105	3,308,206
Net increase (decrease) in cash and cash equivalents	(97,531)	(2,275,974)	1,916,033	1,201,299	65,374	272,316	607,287	(22,977)	(82,244)	1,854,735	2,155,062	5,593,380
Cash and cash equivalents, July 1	15,730,756	36,616,668	7,824,115	6,611,502	1,809,306	4,166,885	10,769,120	16,072,883	273,948	38,631,491	6,721,505	145,228,179
Cash and cash equivalents, June 30	\$ 15,633,225	34,340,694	9,740,148	7,812,801	1,874,680	4,439,201	11,376,407	16,049,906	191,704	40,486,226	8,876,567	150,821,559

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Cash Flows, Continued

Internal Service Funds

For the year ended June 30, 2012

	Information Technology	Capital Assets	Vehicles	Office and Opera- tional Equipment	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Administration, Policy & Legal	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:												
Operating income (loss)	\$ (319,153)	11,899,184	(66,439)	1,316,771	49,201	(60,846)	4,859,125	(835,691)	(10,038)	109,320	2,909,034	19,850,468
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:												
Depreciation	4,179,624	5,952,255	2,514,395	76,069	-	215,673	5,267	-	-	-	-	12,943,283
Amortization of and other changes in issuance costs	-	2,741,155	-	-	-	-	-	-	-	17,698	-	2,758,853
Changes in assets and liabilities:												
Increase in receivables	(74,000)	(613,415)	-	-	-	165,892	-	-	-	-	-	(521,523)
Increase in inventory	-	-	(25,195)	-	-	-	-	-	-	-	(987)	(26,182)
(Increase) decrease in prepaid expenses	-	-	-	-	(5,066)	-	(248,147)	-	-	-	(345)	(253,558)
Increase (decrease) in accounts payable	(138,203)	(78,281)	29,735	(26,617)	23,500	(51,072)	(401,438)	15,031	-	10,663	28,123	(588,559)
Increase (decrease) in intergovernmental payable	-	-	-	-	-	-	-	-	(86,216)	-	-	(86,216)
Increase (decrease) in other post-employment benefit obligations	-	-	-	-	-	-	-	-	-	1,651,142	-	1,651,142
Increase (decrease) in interfund payable	-	2,464	-	-	-	-	-	-	-	-	-	2,464
(Increase) decrease in interfund receivable	-	666,415	-	-	-	-	-	-	-	-	-	666,415
Increase (decrease) in accrued payroll	106	10,612	5,475	-	4,912	5,726	439	439	-	-	(28,429)	(720)
Increase (decrease) in accrued compensated absences	-	-	-	-	-	-	-	-	-	(332,000)	-	(332,000)
Increase (decrease) in outstanding claims	-	-	-	-	-	-	(3,524,869)	567,924	10,038	-	-	(2,946,907)
Total adjustments	3,967,527	8,681,205	2,524,410	49,452	23,346	336,219	(4,168,748)	583,394	(76,178)	1,347,503	(1,638)	13,266,492
Net cash provided by operating activities	3,648,374	20,580,389	2,457,971	1,366,223	72,547	275,373	690,377	(252,297)	(86,216)	1,456,823	2,907,396	33,116,960
Cash and investments	15,633,225	32,199,868	9,740,148	7,812,801	1,874,680	4,439,201	11,376,407	16,049,906	191,704	40,313,180	8,876,567	148,507,687
Restricted cash and investments	-	2,140,826	-	-	-	-	-	-	-	173,046	-	2,313,872
Total cash and cash equivalents	15,633,225	34,340,694	9,740,148	7,812,801	1,874,680	4,439,201	11,376,407	16,049,906	191,704	40,486,226	8,876,567	150,821,559
Significant noncash investing and financing activity:												
Amortization of bond issuance costs, premiums, discounts and deferred amounts on refunding (note 9)	-	2,741,155	-	-	-	-	-	-	-	17,698	-	2,758,853
Value of capital asset under lease (note 9)	-	371,069	-	-	-	-	-	-	-	-	-	371,069
Change in fair value of nonpooled investments	\$ (30,357)	(71,835)	(14,495)	(13,318)	(3,849)	(9,272)	(19,508)	(37,721)	(525)	(81,752)	(10,844)	(293,476)





CITY OF BEVERLY HILLS, CALIFORNIA

Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule by Source¹

June 30, 2012 with comparative amounts for June 30, 2011

	<u>2012</u>	<u>2011</u>
Governmental funds capital assets by type, function and activity:		
Land	\$ 19,559,986	19,559,986
Construction in progress	<u>6,482,113</u>	<u>17,896,671</u>
Infrastructure	133,515,248	121,753,012
Building	7,063,777	1,202,013
Improvements other than buildings	3,273,610	2,429,503
Machinery and Equipment	3,243,861	1,713,879
Less accumulated depreciation	<u>(51,761,441)</u>	<u>(49,361,452)</u>
Net infrastructure assets – public works – streets and subdrains	95,335,055	77,736,955
Fine Art Collection – general government – art and culture	<u>1,746,411</u>	<u>1,746,411</u>
Total governmental funds capital assets	\$ <u><u>123,123,565</u></u>	<u><u>116,940,023</u></u>
Investments in governmental capital assets by source:		
2007 Lease Revenue Bonds	\$ 30,524,098	31,428,414
Capital projects general revenues	43,868,652	40,105,849
General Fund revenues	23,444,747	23,934,825
Special revenue funds revenues	<u>25,286,067</u>	<u>21,470,935</u>
Total investment in governmental capital assets by source	\$ <u><u>123,123,565</u></u>	<u><u>116,940,023</u></u>

1. This schedule presents only the capital asset balances related to governmental funds, and not to capital assets of governmental activities reported in the internal service funds. Generally, the capital assets of internal service funds are included in governmental activities in the statement of net assets.

CITY OF BEVERLY HILLS, CALIFORNIA

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity

June 30, 2012

Function and Activity	Construction in Progress	Infrastructure	Fine Art Collection	Land	Building	Improvements Other than Buildings	Machinery and Equipment	Total
General government - land	\$ —	—	—	19,559,986	—	—	—	19,559,986
Construction in progress	6,482,113	—	—	—	—	—	—	6,482,113
General government – art and culture	—	—	1,746,411	—	—	—	—	1,746,411
General government – Improvements other than buildings	—	—	—	—	—	3,273,610	—	3,273,610
Public works – streets and subdrains	—	133,515,248	—	—	7,063,777	—	3,243,861	143,822,886
Total	\$ 6,482,113	133,515,248	1,746,411	19,559,986	7,063,777	3,273,610	3,243,861	174,885,006

CITY OF BEVERLY HILLS, CALIFORNIA

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity

June 30, 2012

Function and Activity	Balance July 1, 2011	Additions	Deductions	Transfers	Balance June 30, 2012
Land	\$ 19,559,986	—	—	—	19,559,986
Construction in progress	17,896,671	10,010,156	—	(21,424,714)	6,482,113
Total capital assets not being depreciated	<u>37,456,657</u>	<u>10,010,156</u>	<u>—</u>	<u>(21,424,714)</u>	<u>26,042,099</u>
General government :					
Art and culture – fine art collection	<u>1,746,411</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,746,411</u>
Public works:					
Buildings	1,202,013	—	—	5,861,764	7,063,777
Infrastructure	121,753,012	—	(1,426,625)	13,188,861	133,515,248
Improvements other than buildings	2,429,503	—	—	844,107	3,273,610
Machinery and equipment	1,713,879	—	—	1,529,982	3,243,861
Less accumulated depreciation	<u>(49,361,452)</u>	<u>(3,826,614)</u>	<u>1,426,625</u>	<u>—</u>	<u>(51,761,441)</u>
Total public works	<u>77,736,955</u>	<u>(3,826,614)</u>	<u>—</u>	<u>21,424,714</u>	<u>95,335,055</u>
Total	<u>\$ 116,940,023</u>	<u>6,183,542</u>	<u>—</u>	<u>—</u>	<u>123,123,565</u>



CITY OF BEVERLY HILLS CALIFORNIA

Statistical Section

June 30, 2012

The statistical section of the City of Beverly Hills consists of statistics on various operational aspects of the City. The information presented is un-audited. Its purpose is to provide the user with additional information that would assist in understanding and assessing how the overall financial position of the City has changed over time. The statistical section can be divided into 5 areas:

- Net Assets and Changes in Net Assets- the schedules provided depict the financial trend of the City's net assets and will assist the user in the assessment of the City's financial position. In addition, the schedules for the changes in net assets will give the user a better perspective on the information provided in the basic financial statements.
- Revenue Capacity- the data provided will show the City's ability to generate its own revenue. The overlapping rate schedules will illustrate the citizens' of Beverly Hills capacity for additional rate increases. By providing the information of the City's direct rate, the data establishes the link in creating a more complete picture on the taxes levied on the City's taxpayers.
- Debt Capacity- the data provided will show the City's levels of outstanding debt and the City's ability to issue additional debt. The information will give a measure of what the City's economy can bear.
- Demographic and Economic Information- the data provided will assist users in understanding the economic condition in which the City's financial activities take place.
- Operating Information- the data provided will show a quantitative measure of the activities in which the City engages and will assist users in gaining an idea of the size of the City. This section will complement the data provided in the Management Discussion and Analysis (MD&A), basic financial statements, and other sections.

The data of these statistics have been derived from the City of Beverly Hills' Comprehensive Annual Financial Report unless otherwise noted.

CITY OF BEVERLY HILLS, CALIFORNIA

Net Assets by Component

Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities										
Invested in capital assets, net of related debt	\$ 90,099,003	99,347,030	134,615,771	170,857,755	144,226,802	152,497,188	171,765,870	170,538,512	163,965,905	185,561,158
Restricted	39,327,127	48,645,518	47,305,578	57,024,038	43,920,555	51,705,842	77,375,444	69,500,607	34,272,483	29,263,694
Unrestricted	105,473,162	106,416,210	90,742,468	100,385,884	171,148,855	191,470,975	167,201,554	207,130,349	276,815,819	296,731,055
Total governmental activities net assets	<u>234,899,292</u>	<u>254,408,758</u>	<u>272,663,817</u>	<u>328,267,677</u>	<u>359,296,212</u>	<u>395,674,005</u>	<u>416,342,868</u>	<u>447,169,468</u>	<u>475,054,207</u>	<u>511,555,907</u>
Business-type Activities										
Invested in capital assets, net of related debt	72,030,679	81,381,640	99,448,107	84,137,521	84,451,122	98,198,238	145,755,878	158,450,102	198,616,368	210,325,789
Restricted	3,553,994	3,497,160	3,341,717	3,446,471	9,126,915	3,199,748	9,463,187	10,172,350	10,175,732	9,069,847
Unrestricted	45,504,872	37,260,239	25,584,985	43,025,422	43,590,057	43,407,339	3,586,842	-1,066,250	-28,275,807	-21,519,141
Total business-type activities net assets	<u>121,089,545</u>	<u>122,139,039</u>	<u>128,374,809</u>	<u>130,609,414</u>	<u>137,168,094</u>	<u>144,805,325</u>	<u>158,805,907</u>	<u>167,556,202</u>	<u>180,516,293</u>	<u>197,876,495</u>
Primary Government										
Invested in capital assets, net of related debt	162,129,682	180,728,670	234,063,878	254,995,276	228,677,924	250,695,426	317,521,748	328,988,614	362,582,273	395,886,947
Restricted	42,881,121	52,142,678	50,647,295	60,470,509	47,367,026	54,905,590	86,838,631	79,672,957	44,448,215	38,333,541
Unrestricted	150,978,034	143,676,449	116,327,453	143,411,306	214,738,912	234,878,314	170,788,396	206,064,099	248,540,012	275,211,914
Total primary government net assets	<u>\$ 355,988,837</u>	<u>376,547,797</u>	<u>401,038,626</u>	<u>458,877,091</u>	<u>496,464,306</u>	<u>540,479,330</u>	<u>575,148,775</u>	<u>614,725,670</u>	<u>655,570,500</u>	<u>709,432,402</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Assets

Last Ten Fiscal Years

(Accrual basis of accounting)

(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Program Expenses										
Governmental Activities:										
General Government	\$ 16,612,650	17,060,296	16,860,217	3,746,165	15,314,194	9,502,490	9,307,931	7,160,618	6,908,383	8,906,226
Public Safety	50,467,538	53,964,163	60,706,720	75,061,162	84,401,851	85,943,252	87,728,743	85,792,885	94,175,921	92,347,684
Public Service	14,098,820	14,145,177	13,973,670	14,993,054	17,709,545	19,102,837	18,658,621	17,366,155	19,915,311	19,760,641
Culture and Recreation	34,093,337	34,503,604	34,855,959	39,675,546	40,121,139	41,779,877	45,771,755	44,365,466	46,237,415	41,918,369
Interest on long-term debt	8,112,750	7,874,136	7,380,629	7,200,250	7,191,097	7,569,292	7,416,895	7,344,177	8,222,287	8,692,906
Total governmental activities expenses	<u>123,385,095</u>	<u>127,547,376</u>	<u>133,777,195</u>	<u>140,676,177</u>	<u>164,737,826</u>	<u>163,897,748</u>	<u>168,883,945</u>	<u>162,029,301</u>	<u>175,459,317</u>	<u>171,625,827</u>
Business-type Activities:										
Water	15,139,918	20,047,179	17,522,958	19,724,346	21,529,204	22,832,227	26,030,993	23,693,096	27,099,129	27,818,745
Parking	11,899,951	10,657,245	12,852,588	13,438,609	15,495,363	16,978,426	18,606,662	19,439,356	23,552,635	18,505,054
Solid-waste	9,096,548	9,705,225	10,686,276	10,312,744	11,477,489	12,864,011	12,894,756	13,865,053	13,892,957	12,982,426
Wastewater	4,435,872	4,929,043	3,957,544	5,436,889	6,858,330	7,177,057	6,916,169	6,323,201	6,449,692	10,033,862
Stormwater	1,627,994	1,923,141	1,558,291	2,165,250	1,524,634	2,195,022	3,267,417	2,781,886	3,136,667	2,579,803
Parking Authority	-	-	-	-	-	-	-	-	-	23,486,489
Total business-type activities expenses	<u>42,200,283</u>	<u>47,261,833</u>	<u>46,577,657</u>	<u>51,077,838</u>	<u>56,885,020</u>	<u>62,046,743</u>	<u>67,715,997</u>	<u>66,102,592</u>	<u>74,131,080</u>	<u>95,406,379</u>
Total primary government expenses	<u>\$ 165,585,378</u>	<u>174,809,209</u>	<u>180,354,852</u>	<u>191,754,015</u>	<u>221,622,846</u>	<u>225,944,491</u>	<u>236,599,942</u>	<u>228,131,893</u>	<u>249,590,397</u>	<u>267,032,206</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Assets, Continued

Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 6,014,375	5,718,636	8,585,134	1,880,850	1,741,610	1,380,417	1,858,869	2,105,290	1,277,077	1,229,863
Public Safety	8,871,402	10,628,062	10,374,135	17,392,742	19,445,890	21,871,626	29,253,080	27,733,231	17,462,244	25,384,542
Public Service	7,848,207	8,053,012	8,646,841	17,058,816	18,199,550	21,655,844	11,000,598	11,649,975	27,036,465	19,687,499
Culture and Recreation	3,418,883	3,702,268	3,362,647	5,679,408	4,992,910	5,272,492	7,266,355	6,996,873	8,565,374	8,834,940
Operating grants and contributions	1,895,037	2,076,083	1,933,510	2,188,255	1,752,919	2,664,454	4,677,754	3,702,698	4,858,326	4,068,083
Capital grants and contributions	203,578	11,127,637	3,255,196	27,642,764	42,373	435,366	646,089	1,506,992	1,385,363	4,521,907
Total governmental activities program revenues	<u>28,251,482</u>	<u>41,305,698</u>	<u>36,157,463</u>	<u>71,842,835</u>	<u>46,175,252</u>	<u>53,280,199</u>	<u>54,702,745</u>	<u>53,695,059</u>	<u>60,584,849</u>	<u>63,726,834</u>
Business-type Activities:										
Charges for services:										
Water	15,429,217	17,389,245	17,066,774	17,809,880	22,814,061	23,743,626	24,839,114	24,676,468	31,819,782	31,124,854
Parking	11,363,546	10,097,567	10,893,544	12,772,987	15,240,221	15,647,848	20,096,481	20,933,475	25,075,328	23,921,578
Solid Waste	9,264,620	10,569,402	11,156,033	11,796,598	12,011,266	14,275,112	14,617,004	13,369,393	14,577,120	14,751,733
Wastewater	6,528,102	7,871,955	7,356,176	7,604,664	7,820,781	8,986,631	11,481,781	12,805,556	13,005,741	12,700,804
Stormwater	1,760,311	1,762,746	1,748,528	1,804,169	1,749,609	1,788,559	1,774,572	1,845,504	1,824,798	1,774,698
Parking Authority	-	-	-	-	-	-	-	-	-	17,957,515
Operating grants and contributions	-	-	-	-	-	-	35,823	2,928	17,421	-
Capital grants and contributions	-	-	-	-	-	-	-	-	373,040	387,198
Total business-type activities program revenues	<u>44,345,796</u>	<u>47,690,915</u>	<u>48,221,055</u>	<u>51,788,298</u>	<u>59,635,938</u>	<u>64,441,776</u>	<u>72,844,775</u>	<u>73,633,324</u>	<u>86,693,230</u>	<u>102,618,380</u>
Total Primary Government Program Revenues	<u>72,597,278</u>	<u>88,996,613</u>	<u>84,378,518</u>	<u>123,631,133</u>	<u>105,811,190</u>	<u>117,721,975</u>	<u>127,547,520</u>	<u>127,328,383</u>	<u>147,278,079</u>	<u>166,345,214</u>
Net (expense) revenue:										
Governmental Activities	(95,133,613)	(86,241,678)	(97,619,732)	(68,833,342)	(118,562,574)	(110,617,549)	(114,181,200)	(108,334,242)	(114,874,468)	(107,898,993)
Business-type Activities	2,145,513	429,082	1,643,398	710,460	2,750,918	2,395,033	5,128,778	7,530,732	12,562,150	7,212,001
Total Primary government net expense	<u>\$ (92,988,100)</u>	<u>(85,812,596)</u>	<u>(95,976,334)</u>	<u>(68,122,882)</u>	<u>(115,811,656)</u>	<u>(108,222,516)</u>	<u>(109,052,422)</u>	<u>(100,803,510)</u>	<u>(102,312,318)</u>	<u>(100,686,992)</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Assets, Continued

Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Assets:										
Governmental Activities:										
Taxes:										
Business	\$ 26,925,080	27,303,220	28,188,103	31,634,820	33,637,997	34,371,407	34,976,554	35,481,235	33,993,715	37,011,611
Property	21,939,489	23,766,694	25,726,587	29,053,621	33,109,566	34,572,307	38,654,691	42,859,199	41,814,780	42,622,470
Sales	18,496,094	19,945,850	22,577,220	24,817,499	26,034,685	24,797,691	23,777,904	19,671,342	22,052,861	23,093,786
Transient Occupancy	14,799,776	16,683,673	19,263,710	22,842,265	25,870,676	29,101,920	24,001,879	23,447,458	26,594,808	29,789,182
Other	3,191,878	5,010,222	4,793,930	3,909,671	7,336,430	4,329,692	4,132,321	1,793,385	3,706,048	3,406,104
Grants and Contributions not restricted to specific programs	3,150,585	2,500,228	1,345,997	1,943,643	2,727,966	3,167,742	2,927,277	419,910	575,314	409,274
Unrestricted investment earnings	9,734,466	7,912,553	8,574,015	10,251,387	16,572,050	14,637,553	12,184,239	11,492,231	11,094,647	11,280,401
Net change in fair value of investments	103,542	(2,983,022)	(1,000,699)	(1,056,975)	753,662	139,064	481,383	1,479,844	(33,470)	(563,322)
Pers credit	2,165,337	2,154,131	-	-	-	-	-	-	-	-
All street meters	-	2,257,223	-	-	-	-	-	-	-	-
Gain on sale of capital assets	42,974	20,005	1,958,607	86,031	2,138,495	64,215	(115,136)	-	-	-
Miscellaneous	617,816	1,180,367	1,118,830	946,446	1,409,582	1,813,751	541,425	1,834,044	1,949,835	1,906,938
Restatements	-	3,328,491	-	-	-	-	-	-	-	-
Transfers	(5,183,808)	-	-	8,794	-	-	(6,712,474)	682,194	1,010,669	444,249
Contributions to Parking Authority	-	-	-	-	-	-	-	-	-	(5,000,000)
Total Governmental Activities:	95,983,229	109,079,635	112,546,300	124,437,202	149,591,109	146,995,342	134,850,063	139,160,842	142,759,207	144,400,693
Business-type Activities:										
Unrestricted investment earnings	2,037,601	1,597,597	1,578,276	1,900,660	3,544,531	5,044,063	1,932,029	1,361,396	1,506,869	1,231,589
Net change in fair value of investments	200,825	(1,245,713)	(451,046)	(411,843)	223,093	100,938	192,936	505,896	(132,624)	(192,556)
Gain on sale of capital assets	39,990	-	-	-	-	-	-	-	-	931
Miscellaneous	49,188	268,528	66,715	44,122	40,138	97,197	34,365	34,461	34,365	4,552,486
Restatements	-	3,398,427	-	-	-	-	-	-	-	-
Transfers	5,183,808	-	-	(8,794)	-	-	6,712,474	(682,194)	(1,010,669)	(444,249)
Contributions to Parking Authority	-	-	-	-	-	-	-	-	-	5,000,000
Total Business-type Activities:	7,511,412	4,018,839	1,193,945	1,524,145	3,807,762	5,242,198	8,871,804	1,219,559	397,941	10,148,201
Total Primary Government:	103,494,641	113,098,474	113,740,245	125,961,347	153,398,871	152,237,540	143,721,867	140,380,401	143,157,148	154,548,894
Change in Net Assets										
Governmental Activities	849,616	22,837,957	14,926,568	5,874,628	31,028,535	36,377,793	20,668,863	30,826,600	27,884,739	36,501,700
Business-type Activities	9,656,925	4,447,921	2,837,343	4,275,063	6,558,680	7,637,231	14,000,582	8,750,291	12,960,091	17,360,202
Total Primary Government:	\$ 10,506,541	27,285,878	17,763,911	10,149,691	37,587,215	44,015,024	34,669,445	39,576,891	40,844,830	53,861,902

CITY OF BEVERLY HILLS, CALIFORNIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified -accrual basis of accounting)

(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund										
Reserved	\$ 16,897,631	16,824,428	19,613,934	18,677,717	18,404,138	18,670,005	-	-	-	-
Unreserved	40,182,755	46,637,118	39,149,922	50,378,595	62,990,905	74,634,257	-	-	-	-
Nonspendable	-	-	-	-	-	-	24,920,411	24,369,188	24,194,752	23,581,899
Restricted	-	-	-	-	-	-	32,000,000	32,000,000	-	-
Committed	-	-	-	-	-	-	16,364,502	16,109,814	8,480,041	10,363,227
Assigned	-	-	-	-	-	-	957,235	3,284,204	1,447,295	3,300,000
Unassigned	-	-	-	-	-	-	19,198,909	21,801,773	63,862,068	69,963,868
Total General Fund	<u>57,080,386</u>	<u>63,461,546</u>	<u>58,763,856</u>	<u>69,056,312</u>	<u>81,395,043</u>	<u>93,304,262</u>	<u>163,404,925</u>	<u>97,564,979</u>	<u>97,984,156</u>	<u>107,208,994</u>
Capital Projects Fund										
Reserved	15,505,809	15,505,809	8,141,312	2,516,874	1,733,178	12,160,704	-	-	-	-
Unreserved	5,955,987	3,372,897	4,151,113	13,488,391	7,474,736	7,866,356	-	-	-	-
Restricted	-	-	-	-	-	-	18,863,534	20,974,922	15,967,270	15,324,339
Total Capital Projects Fund	<u>21,461,796</u>	<u>18,878,706</u>	<u>12,292,425</u>	<u>16,005,265</u>	<u>9,207,914</u>	<u>20,027,060</u>	<u>34,187,873</u>	<u>20,974,922</u>	<u>15,967,270</u>	<u>15,324,339</u>
All other governmental funds										
Reserved	6,495,625	6,181,146	4,375,776	4,908,272	14,173,244	15,687,641	-	-	-	-
Unreserved, reported in:										
Special revenue funds	11,452,115	13,269,678	16,678,355	19,168,742	15,006,948	14,547,746	-	-	-	-
Permanent funds	156,420	155,007	156,214	158,782	169,963	176,338	-	-	-	-
Nonspendable	-	-	-	-	-	-	8,191,852	7,951,613	81,381	81,381
Restricted	-	-	-	-	-	-	10,622,748	11,415,127	13,256,219	11,868,339
Committed	-	-	-	-	-	-	13,165,078	3,803,123	12,008,977	19,591,545
Assigned	-	-	-	-	-	-	1,588,368	4,020,109	8,780,214	2,425,916
Unassigned	-	-	-	-	-	-	(192,753)	5,887,748	(91,578)	(40,810)
Total all other governmental funds	<u>\$ 18,104,160</u>	<u>19,605,831</u>	<u>21,210,345</u>	<u>24,235,796</u>	<u>29,350,155</u>	<u>30,411,725</u>	<u>33,375,293</u>	<u>33,077,720</u>	<u>34,035,213</u>	<u>33,926,371</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified -accrual basis of accounting)
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 85,468,000	92,630,838	99,689,948	111,358,106	125,141,065	129,782,974	124,775,239	123,240,516	128,393,179	136,206,128
Licenses and Permits	6,364,895	8,131,835	8,010,556	10,536,677	12,226,052	12,122,383	11,425,387	9,591,105	12,123,447	13,153,624
Intergovernmental	5,249,200	5,061,331	3,427,136	4,213,782	4,523,258	5,864,032	8,251,120	5,429,676	6,588,277	8,543,974
Charges for Services	8,739,671	9,304,335	12,006,613	8,752,581	9,661,290	10,199,910	9,131,916	10,642,968	10,266,039	10,593,871
Fines, forfeitures and penalties	4,731,482	4,508,502	4,962,465	6,177,549	6,990,860	8,155,085	9,296,387	10,127,770	9,532,623	7,353,794
Use of money and property	7,752,047	5,789,525	6,366,557	7,107,586	9,411,973	8,851,189	7,233,267	6,479,178	7,494,753	6,985,143
Net change in fair value of investments	(130,270)	(1,399,763)	(406,404)	(448,507)	350,958	75,545	249,796	661,198	143,625	(269,846)
All street meters	-	2,257,223	-	-	-	-	-	-	-	-
Contribution in aid of construction	-	8,686,829	3,086,159	4,300,000	-	-	-	-	-	-
Miscellaneous	2,783,153	2,680,718	1,118,830	946,446	1,409,582	1,753,751	1,175,999	973,399	863,170	1,404,027
Total Revenues	120,958,178	137,651,373	138,261,860	152,944,220	169,715,038	176,804,869	171,539,111	167,145,810	175,405,113	183,970,715
Expenditures										
Current										
General government	14,697,979	16,148,980	16,682,422	6,468,832	11,209,334	6,475,903	6,598,816	5,876,352	5,625,097	6,971,342
Public Safety	49,456,957	53,441,949	59,500,871	72,360,587	80,983,337	85,916,413	88,152,321	82,109,842	82,213,794	88,313,546
Public Service	15,625,877	16,964,454	16,017,702	15,043,236	17,101,857	19,903,166	21,639,515	19,164,931	20,807,903	21,368,981
Culture and Recreation	30,550,748	30,426,938	30,695,540	35,369,733	36,321,278	35,444,083	41,940,546	41,050,006	38,936,209	38,517,596
Debt Service										
Interest	1,766,075	1,766,075	1,766,075	1,766,075	1,504,183	1,511,527	1,512,819	1,512,625	1,500,955	1,623,429
Principal and Finance Charges	4,350	3,875	4,125	4,825	433,351	-	-	333,697	344,461	719,104
Capital outlay	8,033,379	13,540,353	12,840,014	2,140,614	3,873,580	6,329,172	6,629,225	7,620,966	16,018,334	10,891,848
Total Expenditures	120,135,365	132,292,624	137,506,749	133,153,902	151,426,920	155,580,264	166,473,242	157,668,419	165,446,753	168,405,846
Excess of revenues over expenditures	822,813	5,358,749	755,111	19,790,318	18,288,118	21,224,605	5,065,869	9,477,391	9,958,360	15,564,869
Other financing sources (uses)										
Transfers in	448,783	99,027	429,230	230,344	2,180,509	9,436,798	4,387,555	2,068,840	1,500,000	2,094,366
Proceeds of bonds	-	-	-	-	35,135,045	-	-	-	-	32,665,980
Insurance Recoveries	-	-	-	-	-	60,000	39,281	10,055	45,388	3,052
Transfers out	(5,183,808)	(158,035)	(64,723)	(2,989,915)	(9,816,594)	(6,931,468)	(7,555,868)	(5,618,549)	(15,134,730)	(2,124,637)
Payment to bond escrow agent	-	-	-	-	(35,131,339)	-	-	-	-	(34,730,565)
Contributions to Parking Authority	-	-	-	-	-	-	-	-	-	(5,000,000)
Total other financing sources (uses)	(4,735,025)	(59,008)	364,507	(2,759,571)	(7,632,379)	2,565,330	(3,129,032)	(3,539,654)	(13,589,342)	(7,091,804)
Special Item, pension contribution	-	-	(13,420,437)	-	-	-	-	-	-	-
Restatement	-	2,621,362	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (3,912,212)	7,921,103	(12,300,819)	17,030,747	10,655,739	23,789,935	1,936,837	5,937,737	(3,630,982)	8,473,065
Debt service as a percentage of noncapital expenditures	1.58%	1.49%	1.42%	1.35%	1.31%	1.01%	0.95%	1.23%	1.23%	1.49%

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification A Tax Due	Total Revenue Classification A Tax Paid	Total Revenue Classification A Percentage Paid	Total Direct Classification A Base Tax Rate ¹	Total Direct Classification A Additional Tax Rate ¹
2012	\$ 1,173,725	1,379,716	117.55%	238.76	0.05000
2011	1,304,048	1,706,240	130.84%	237.10	0.05000
2010	1,113,626	1,573,720	141.31%	235.00	0.04907
2009	1,495,961	1,236,629	82.66%	232.00	0.48540
2008	1,113,856	1,137,522	102.12%	222.36	0.04658
2007	1,251,491	1,209,995	96.68%	215.56	0.04537
2006	1,110,923	1,088,021	97.94%	207.39	0.04345
2005	1,195,093	1,177,781	98.55%	197.07	0.04128
2004	1,185,094	1,169,135	98.65%	193.81	0.04060
2003	1,214,580	1,204,494	99.17%	187.60	0.03930

1. Business Tax Classifications and associated rate structures:

Classification A - Business Services:

- Base Tax and first 2080 hours of employee payroll
- Each Additional hour of employee payroll

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification B Tax Due	Total Revenue Classification B Tax Paid	Total Revenue Classification B Percentage Paid	Total Revenue Classification B Minimum Tax Rate ¹	Total Revenue Classification B Additional Tax Rate ¹
2012	\$ 3,778,207	3,974,656	105.20%	75.00	0.00125
2011	3,418,895	3,776,219	110.45%	75.00	0.00125
2010	3,074,933	3,227,558	104.96%	75.00	0.00125
2009	3,613,053	3,572,124	98.87%	75.00	0.00125
2008	3,979,385	3,973,626	99.86%	75.00	0.00125
2007	3,706,470	3,646,756	98.39%	75.00	0.00125
2006	3,510,620	3,488,038	99.36%	75.00	0.00125
2005	3,256,101	3,247,327	99.73%	75.00	0.00125
2004	3,034,898	3,029,840	99.83%	75.00	0.00125
2003	2,890,044	2,881,423	99.70%	75.00	0.00125

1. Business Tax Classifications and associated rate structures:

Classification B - Retail, Wholesale % Manufacturing:

-Minimum

-Per \$1.00 of gross receipts over \$60,000

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Total Revenue Classification C Tax Due	Total Revenue Classification C Tax Paid	Total Revenue Classification C Percentage Paid	Total Revenue Classification C Base Tax Rate ¹	Total Revenue Classification C Professional Payroll Tax Rate ¹	Total Revenue Classification C-1 Tax Due	Total Revenue Classification C-1 Tax Paid	Total Revenue Classification C-1 Non-Professional Payroll Tax Rate ¹
2012	\$ 4,256,916	4,517,034	106.11%	1,322.90	0.63606	847,414	915,264	0.12778
2011	4,054,866	4,469,390	110.22%	1,313.70	0.63164	850,549	1,000,304	0.12689
2010	4,092,325	4,392,554	107.34%	1,302.00	0.62601	846,522	857,807	0.12576
2009	3,910,791	3,974,905	101.64%	1,288.00	0.61920	935,859	909,219	0.12439
2008	3,790,129	3,806,890	100.44%	1,236.02	0.59424	13,007	807,117	0.11938
2007	3,786,305	3,669,272	96.91%	1,203.76	0.57873	819	704,506	0.11626
2006	4,117,922	4,022,750	97.69%	1,152.81	0.55424	-	670,399	0.11134
2005	4,085,790	4,011,585	98.18%	1,095.41	0.52664	-	622,335	0.10580
2004	4,056,169	3,995,910	98.51%	1,077.31	0.51794	577,307	27,704	0.10405
2003	4,052,604	4,004,914	98.82%	1,042.79	0.50135	534,071	28,857	0.10071

1. Business Tax Classifications and associated rate structures:

- Classification C - Professionals
 - Base and first 2080 hours of professional payroll or billed hours
 - Each additional hour of professional/semiprofessional payroll or billed hours
- Classification C-1 -
 - Each hour of non-professional employee payroll

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification D Tax Due	Total Revenue Classification D Tax Paid	Total Revenue Classification D Percentage Paid	Total Revenue Classification D Minimum Tax Rate ¹	Total Revenue Classification D Additional Tax Rate ¹
2012	\$ 437,905	446,570	101.98%	255.00	0.0030
2011	397,325	397,325	100.00%	255.00	0.0030
2010	409,032	409,106	100.02%	255.00	0.0030
2009	292,324	292,309	99.99%	255.00	0.0030
2008	365,873	365,941	100.02%	255.00	0.0030
2007	352,937	349,646	99.07%	255.00	0.0030
2006	316,780	316,780	100.00%	255.00	0.0030
2005	205,933	205,933	100.00%	255.00	0.0030
2004	195,540	195,540	100.00%	255.00	0.0030
2003	193,238	193,238	100.00%	255.00	0.0030

1. Business Tax Classifications and associated rate structures:

Classification D - Used Car Sales (not associated with new car dealership)
 -Minimum Tax
 -Each \$1.00 of gross receipts over \$85,000

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Classification E Tax Due	Classification E Tax Paid	Classification E Percentage Paid	Classification E Tax Rate ¹	Classification F Tax Due	Total Revenue Classification F Tax Paid	Total Revenue Classification F Percentage Paid	Total Revenue Classification F Tax Rate ¹
2012	\$ 4,925,774	5,062,993	102.79%	0.0120	14,964,157	15,245,669	101.88%	0.02350
2011	4,294,773	4,496,336	104.69%	0.0120	13,711,498	14,291,742	104.23%	0.02350
2010	4,060,778	4,195,169	103.31%	0.0120	14,201,325	14,577,480	102.65%	0.02350
2009	4,797,380	4,838,172	100.85%	0.0120	14,257,997	14,577,480	102.24%	0.02350
2008	4,689,574	4,604,390	98.18%	0.0120	12,674,689	12,688,193	100.11%	0.02350
2007	4,101,037	4,047,342	98.69%	0.0120	11,867,324	11,403,119	96.09%	0.02350
2006	3,612,397	3,590,766	99.40%	0.0120	10,512,617	10,414,647	99.07%	0.02350
2005	3,264,531	3,261,926	99.92%	0.0120	10,481,624	10,421,110	99.42%	0.02350
2004	3,019,859	3,019,646	99.99%	0.0120	10,073,178	10,027,327	99.54%	0.02350
2003	2,930,346	2,929,104	99.96%	0.0120	9,756,471	9,755,242	99.99%	0.02350

1. Business Tax Classifications and associated rate structures:

- Classification E - Residential Property Rental - Each \$1.00 of gross receipts
- Classification F - Commercial Property Rental - Each \$1.00 of gross receipts

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification G Tax Due	Total Revenue Classification G Tax Paid	Total Revenue Classification G Percentage Paid	Total Revenue Classification G Tax Rate ¹	Total Revenue Classification G1 Tax Due ²	Total Revenue Classification G1 Tax Paid ²	Total Revenue Classification G1 ² Percentage Paid	Total Revenue Classification G1 ² Tax Rate ¹
2012	\$ 3,662,304	5,319,203	145.24%	0.00350	155,462	344,097	221.34%	0.00100
2011	3,797,779	4,205,601	110.74%	0.00350	94,523	175,133	185.28%	0.00100
2010	3,726,945	4,018,195	107.81%	0.00350	116,591	175,133	150.21%	0.00100
2009	3,399,337	3,483,909	102.49%	0.00350	51,831	44,074	85.03%	0.00100
2008	4,460,328	4,363,312	97.82%	0.00350	-	-	N/A	0.00100
2007	6,342,778	5,254,920	82.85%	0.00350	-	-	N/A	0.00100
2006	5,189,759	4,773,106	91.97%	0.00350	28,923	8,881	30.71%	0.00100
2005	6,001,981	5,653,590	94.20%	0.00350	147,190	112,009	76.10%	N/A
2004	4,883,326	4,633,712	94.89%	0.00350	-	-	N/A	N/A
2003	4,628,555	4,464,970	96.47%	0.00350	-	-	N/A	N/A

1. Business Tax Classifications and associated rate structures:

Classification G - Lenders, Brokers, Real Estate Brokers/Offices - Each \$1.00 of gross receipts
 Classification G1 - Real Estate Agents - Each \$1.00 of gross receipts

2. Tax rate information does not exist for years prior to Fiscal Year 2005.

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification O.1 Tax Due	Total Revenue Classification O.1 Tax Paid	Total Revenue Classification O.1 Percentage Paid	Total Revenue Classification O.1 Minimum Tax Rate ¹	Total Revenue Classification O.1 Additional Tax Rate ¹
2012	\$ 68,505	68,505	100.00%	1,946.73	0.14
2011	56,000	56,728	101.30%	1,933.20	0.14
2010	84,890	84,423	99.45%	1,916.00	0.14
2009	69,679	69,679	100.00%	1,895.00	0.14
2008	72,408	72,328	99.89%	1,818.55	0.13
2007	75,482	75,402	99.89%	1,771.09	0.12
2006	114,881	114,881	100.00%	1,696.12	0.12
2005	110,942	110,942	100.00%	1,611.67	0.11
2004	118,460	118,460	100.00%	1,585.04	0.11
2003	125,905	125,905	100.00%	1,534.25	0.11

1. Business Tax Classifications and associated rate structures:

Classification Oil Wells 1 - Outside City
 -First 10,000 barrels
 -Per each additional barrel

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification O.2 Tax Due	Total Revenue Classification O.2 Tax Paid	Total Revenue Classification O.2 Percentage Paid	Total Revenue Classification O.2 Minimum Tax Rate ¹	Total Revenue Classification O.2 Additional Tax Rate ¹
2012	\$ 120,890	122,065	100.97%	3,907.76	0.36
2011	129,650	133,980	103.34%	3,880.60	0.36
2010	109,730	112,080	102.14%	3,846.00	0.35
2009	119,274	119,340	100.06%	3,804.00	0.35
2008	118,472	118,472	100.00%	3,650.75	0.34
2007	120,570	117,556	97.50%	3,555.46	0.34
2006	69,999	69,999	100.00%	3,406.96	0.32
2005	62,179	62,179	100.00%	3,235.43	0.31
2004	51,539	51,539	100.00%	3,181.97	0.30
2003	70,621	70,621	100.00%	3,080.02	0.29

1. Business Tax Classifications and associated rate structures:

Classification Oil Wells 2 - Inside City
 -First 10,000 barrels
 -Per each additional barrel

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Business Tax Payers²

June 30, 2012

(Unaudited)

Rank	2012 Taxpayer¹	2003 Taxpayer¹
1	B.W. HOTEL L.L.C.	ED DORAN
2	WILLIAM MORRIS ENDEAVOR ENT,LLC	TAMAR SINGER
3	OASIS WEST REALTY LLC	PRO SPORTS HEALING INC
4	SAJAHTERA,INC. DBA THE B.H HOT	MOUTAZALMAWALDI
5	TWO RODEO DR	FMS SERVICES LTD, LLC
6	PLATINUM EQUITY ADVISORS LLC	ARLENE WALSH
7	PENINSULA BEVERLY HILLS	BLAINE AND ASSOCIATES, INC.
8	UNITED TALENT AGENCY INC.	DAYBREAK MOON PRODUCTIONS
9	DE2000, LLC-9601 WILSHIRE	OMNEITY ENTERTAINMENT
10	BEVERLY HILLS LUXURY HOTEL, LLC	FIELD SCOFIELD LLC

1. The amounts of business tax have not been disclosed due to the City's practice of confidentiality.
2. Source - The City of Beverly Hills Administrative-Services Department

CITY OF BEVERLY HILLS, CALIFORNIA

Property Tax Levies and Collections

Last Ten Fiscal Years
(Unaudited)

Fiscal Year ³	Secured Taxes					Unsecured Taxes					Total Levy	Total Collections to Date	
	Total Levy	Collections		Delinquency ¹		Total Levy	Collections		Delinquency ¹ (Delinquencies Collected)			Amount	Amount
		Amount	Percent	Amount	Percent		Amount	Percent ²	Amount	Percent			
2012	\$ 38,440,450	34,849,673	90.66%	3,590,777	9.34%	1,482,515	1,504,935	101.51%	(22,420)	-1.51%	39,922,965	36,354,608	91.06%
2011	37,246,849	34,627,655	92.97	2,619,194	7.03%	1,542,493	1,547,253	100.31	(4,760)	-0.31	38,789,342	36,174,908	93.26%
2010	37,997,237	34,923,926	91.91	3,073,311	8.09	1,542,801	1,640,503	106.33	(97,702)	-6.33	39,540,038	36,564,429	92.47%
2009	35,712,203	32,595,949	91.27	3,116,254	8.73	1,291,430	1,363,777	105.60	(72,347)	-5.60	37,003,633	33,959,726	91.77%
2008	32,319,660	29,450,707	91.12	2,868,953	8.88	1,291,430	1,287,733	99.71	3,697	0.29	33,611,090	30,738,440	91.45%
2007	27,687,280	25,526,817	92.20	2,160,463	7.80	1,242,848	1,195,746	96.21	47,102	3.79	28,930,128	26,722,563	92.37%
2006	25,332,035	22,650,471	89.41	2,681,564	10.59	1,223,537	1,236,965	101.10	(13,428)	-1.10	26,555,572	23,887,436	89.95%
2005	23,053,582	21,930,784	95.13	1,122,798	4.87	1,210,988	1,208,802	99.82	2,186	0.18	24,264,570	23,139,586	95.36%
2004	21,401,458	20,446,150	95.54	955,308	4.46	1,257,766	1,224,093	97.32	33,673	2.68	22,659,224	21,670,243	95.64%
2003	20,079,300	19,285,914	96.05	793,386	3.95	1,296,475	1,202,994	92.79	93,481	7.21	21,375,775	20,488,908	95.85%

1. Delinquency amounts obtained from the Los Angeles County Auditor-Controller's Office.
2. For some years the total property tax collections to date as a percentage of the annual levy exceeds 100 percent because overcollections existed in those years. No interest or penalties are included in these totals.
3. Fiscal year indicates year of levy and as such, collections and delinquency amounts are represented respectively for each year.

CITY OF BEVERLY HILLS, CALIFORNIA

Assessed and Estimated Actual Value of Taxable Property¹

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Real Property Exemptions	Net Assessed Value	Estimated Actual Value	Ratio of Net Assessed Value to Estimated Actual Value	Total Direct Tax Rate²
2012	\$ 20,811,530,307	515,563,539	34,384,000	21,292,709,846	21,327,093,846	99.84%	1.018459
2011	20,534,364,962	541,088,467	35,105,000	21,040,348,429	21,075,453,429	99.83	1.015449
2010	21,055,787,380	578,769,365	35,515,200	21,599,041,545	21,634,556,745	99.84	1.014700
2009	19,813,776,889	567,725,139	35,618,800	20,345,883,228	20,381,502,028	99.83	1.014226
2008	17,690,479,457	543,352,271	35,725,200	18,198,106,528	18,233,831,728	99.80	1.017000
2007	16,239,966,588	451,072,766	35,728,000	16,655,311,354	16,691,039,354	99.79	1.006200
2006	14,966,672,240	424,717,447	36,086,400	15,355,303,287	15,391,389,687	99.77	1.006100
2005	13,678,028,419	438,688,276	36,335,600	14,080,381,095	14,116,716,695	99.74	1.006100
2004	12,797,945,339	398,885,451	36,197,000	13,160,633,790	13,196,830,790	99.73	1.006200
2003	12,045,395,152	409,001,238	36,428,000	12,417,968,390	12,454,396,390	99.71	1.006400

1. Source – Taxpayers’ Guide compiled by the Los Angeles County Auditor-Controller’s Office.
2. Total direct tax rates are estimates based on post-Proposition 13 assessed values and tax levies from the Los Angeles County Tax Collector. In previous years, these amounts were represented as direct and overlapping tax rates combined.

CITY OF BEVERLY HILLS, CALIFORNIA

Property Tax Rates for Direct and Overlapping Governments¹
(Per \$100 of Assessed Value)

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City of Beverly Hills			School Districts			County of Los Angeles					West	
	General Fund (Base) ²	Retirement Benefits for Public Safety Personnel	Total	Beverly Hills Unified	Los Angeles Unified	Los Angeles Community College ³	Flood Control District ³	Sanitation District No. 4	School Services ³	Metropolitan Water District	Mosquito Abatement District	Total	
2012	1.0000	0.0185	1.0185	0.0502	0.1775	0.0403	—	—	—	—	0.0037	—	1.2901
2011	1.0000	0.0154	1.0154	0.0502	0.1870	0.0231	—	—	—	—	0.0037	—	1.2794
2010	1.0000	0.0147	1.0147	0.0453	0.1495	0.0231	—	—	—	—	0.0043	—	1.2369
2009	1.0000	0.0142	1.0142	0.0484	0.1247	0.0221	—	—	—	—	0.0043	—	1.2137
2008	1.0000	0.0170	1.0170	0.0499	0.1233	0.0088	0.0007	—	—	—	0.0045	—	1.2042
2007	1.0000	0.0062	1.0062	0.0546	0.1067	0.0215	0.0007	0.0001	—	—	0.0047	—	1.1944
2006	1.0000	0.0061	1.0061	0.0605	0.0842	0.0143	0.0008	0.0000	—	—	0.0052	—	1.1712
2005	1.0000	0.0061	1.0061	0.0619	0.0888	0.0181	0.0009	0.0002	—	—	0.0058	—	1.1818
2004	1.0000	0.0062	1.0062	0.0668	0.0771	0.0199	0.0010	0.0005	0.0000	—	0.0061	—	1.1776
2003	1.0000	0.0064	1.0064	0.0678	0.0369	0.0146	0.0010	0.0009	0.0010	—	0.0067	—	1.1353

1. Source – Taxpayers' Guide compiled by the Los Angeles County Auditor-Controller's Office. For any given tax year, unsecured property is taxed at the prior year's secured tax rate. For jurisdictions with more than one tax rate, the rate most commonly associated with the City of Beverly Hills is given.
2. The property tax rates for the General Fund are estimates based on post-Proposition 13 assessed values and tax levies from the Los Angeles County Tax Collector.
3. Beginning July 1, 1978, due to Proposition 13, Section 2237(a) of the California Revenue and Taxation Code provides that no local agency, school district, county superintendent of schools or community college district shall levy an ad valorem tax, other than that amount which is equal to the amount needed to make annual payments for the interest and principal on general obligation bonds or other indebtedness approved by the voters prior to July 1, 1978, or the amount levied pursuant to Part 10 of Division I and Sections 39309, 39311, 81338 and 81341 of the California Education Code.

Section 2237(b) of the California Revenue and Taxation Code provides that the County shall levy an ad valorem property tax on taxable assessed value at a rate equal to \$4 per \$100 of assessed value, which equates to 1% of market value. For the year ended June 30, 1979, the revenue from such tax shall be distributed to local agencies, school districts, county superintendents of schools, community college districts and community redevelopment agencies in accordance with the provisions of Section 26912 of the California Government Code. Subsequent state action enacted the necessary legislation for the allocation of property tax revenues for the year ended June 30, 1980 and thereafter. In addition, the rate was modified to be \$1 per \$100 of assessed value and the assessed value was modified from 25% to 100% of cash value.

CITY OF BEVERLY HILLS, CALIFORNIA

Property Tax Levies for All Overlapping Governments¹

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	School Districts			County of Los Angeles				Metropolitan Water District	West Mosquito Abatement District
	Beverly Hills Unified	Los Angeles Unified	Los Angeles Community College	General	Flood Control District	Sanitation District No. 4	School Services		
2012	\$ 44,957,437	1,639,239,416	340,915,436	2,511,361,318	96,614,339	381,367	2,238,225,341	47,062,597	852,863
2011	44,006,959	1,692,375,302	368,693,634	2,469,799,250	95,060,304	376,486	2,202,942,646	45,359,572	839,519
2010	44,077,643	1,568,986,406	279,833,358	2,514,165,817	96,590,730	371,525	2,240,662,798	51,225,143	859,067
2009	42,133,834	1,447,110,531	269,915,862	2,519,542,643	96,751,661	371,525	2,254,472,192	50,706,055	828,275
2008	37,912,065	1,336,677,741	186,241,856	2,354,220,287	90,503,686	342,017	2,124,251,752	51,167,058	756,506
2007	35,457,542	1,160,435,290	229,168,057	2,181,826,195	84,265,365	312,918	1,961,481,312	44,710,877	698,041
2006	33,486,667	978,209,602	178,652,749	1,973,711,974	76,289,600	275,723	1,785,859,454	47,266,926	641,561
2005	30,871,967	913,999,954	179,854,125	1,819,799,380	72,120,621	250,145	1,638,404,110	50,158,693	613,289
2004	29,440,970	806,245,366	172,145,440	1,690,927,359	68,658,901	233,828	1,532,895,593	45,823,845	579,904
2003	27,774,098	647,868,189	143,792,343	1,575,523,696	66,870,275	220,548	1,435,656,696	50,337,656	552,379

1. Source – Taxpayers’ Guide compiled by the Los Angeles County Auditor-Controller’s Office. Levies include maximum allocation under Proposition 13 and debt service requirements. Levies do not include direct assessments and allocations from special augmentation fund.

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Property Taxpayers

Last Ten Fiscal Years

(Unaudited)

		<u>2012¹</u>				<u>2003¹</u>	
<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>
Douglas Emmett LLC	Office buildings	\$ 407,880,497	1.92%	Arden Realty LTD Ptnshp	Office buildings	\$ 190,368,482	1.53%
Sloane Two Rodeo LLC	Shopping center	281,953,973	1.32	B W Hotel LLC	Hotel	177,921,903	1.43
Sajahtera Inc.	Residential property	229,293,272	1.08	Sajahtera Inc.	Residential property	166,430,777	1.34
B W Hotel LLC	Hotel	180,514,730	0.85	Rodeo Owner Corp	Shopping center	140,057,000	1.13
TREA Wilshire Rodeo LLC	Office buildings	169,200,000	0.79	Grifftel	Hotel	115,271,608	0.93
BH Wilshire Intl LLC	Residential condominium developer	148,300,000	0.70	Wilroad Assoc LTD Ptnshp	Office/store/residential/parking	88,979,166	0.72
Maple Plaza LP	Office buildings	141,221,329	0.66	9601 Wilshire Corporation	Office buildings	73,772,369	0.59
Oasis West Realty LLC	Office buildings	138,249,117	0.65	Burton Way Hotel Inc	Hotel	68,776,776	0.55
Brickman Beverly Hills Owner LLC	Real estate	100,700,000	0.47	Maple Plaza LP	Office buildings	64,303,407	0.52
407 N Maple LP	Office buildings	89,934,489	0.42	Belvedere Hotel Partnership	Hotel	61,092,100	0.49
Total of principal property taxpayers		1,887,247,407	8.86	Total of principal property taxpayers		1,146,973,588	9.24
All other property taxpayers		19,405,462,439	91.14	All other property taxpayers		11,269,173,244	90.76
Total		\$ 21,292,709,846	100.00%	Total		\$ 12,416,146,832	100.00%

1. Source – Los Angeles County assessor Data, Muniservice, LLC 2011-2012

CITY OF BEVERLY HILLS, CALIFORNIA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita Income factor	Per Capita
	Revenue Bonds	Capital Leases	Notes Payable	Revenue Bonds	Capital Leases				
2012 ¹	\$ 140,657,377	256,932	28,454,620	151,442,225	—	292,099,602	9.6450%	84,657	3,450
2011 ¹	152,885,822	1,670,291	29,939,603	164,843,128	—	317,728,950	10.4912%	84,657	3,753
2010 ¹	139,920,811	—	14,450,639	127,564,570	—	267,485,381	8.8322%	84,657	3,160
2009 ¹	146,313,284	—	9,519,369	122,987,903	—	269,301,187	8.8922%	84,657	3,181
2008 ¹	152,323,541	—	—	127,529,455	—	279,852,996	9.5397%	81,526	3,433
2007 ¹	158,012,245	—	—	110,637,929	18,536,904	287,185,316	10.0402%	79,269	3,623
2006 ²	140,288,157	—	—	64,163,600	19,215,841	223,667,598	—	—	—
2005 ²	144,999,466	—	—	68,050,505	19,855,335	232,905,306	19.4670%	33,362	6,981
2004 ²	149,528,882	—	—	71,794,305	20,457,678	241,780,865	21.0599%	31,918	7,575
2003 ²	153,630,608	—	—	75,235,792	23,311,857	252,178,257	23.0278%	30,674	8,221

1. Source- 2006-07, 2007-08, 2008-09, 2009-10 and 2011-12 MuniServices LLC

2. Source - U.S. Department of Commerce, Bureau of Economic Analysis. For fiscal year 2006, the information on percentage of personal income and per capita income is unavailable.

CITY OF BEVERLY HILLS, CALIFORNIA

Computation of Direct and Overlapping Debt

June 30, 2012
(Unaudited)

Jurisdiction	Gross Debt ²	Net Assessed Valuation ³	Amount of Gross Debt Applicable to the City ²		Total Direct And Overlapping Debt	Gross Debt Applicable to the City
			Direct	Overlapping		
City of Beverly Hills ¹	\$ 140,657,377	21,292,709,846	140,657,377	1,406,574	142,063,951	100.000%
Beverly Hills Unified School District	180,084,540	21,236,332,327	—	179,699,159	179,699,159	99.786
Los Angeles Unified School District	11,279,905,000	444,525,661,464	—	2,707,177	2,707,177	0.024
Los Angeles Community College District	3,504,910,000	578,203,325,574	—	142,509,641	142,509,641	4.066
County of Los Angeles	1,474,122,758	1,070,532,224,196	—	33,875,341	33,875,341	2.298
Los Angeles County Flood Control District	37,195,000	1,028,351,673,809	—	857,717	857,717	2.306
County Sanitation District No. 4 Authority	2,944,116	Direct Assessment	—	78,549	78,549	2.668
Mountains Recreation/Conservation Authority	11,965,000	Direct Assessment	—	96	96	0.001
	<u>\$ 16,631,783,791</u>		<u>140,657,377</u>	<u>361,134,254</u>	<u>501,791,631</u>	

1. The City of Beverly Hills gross debt excludes compensated absences, outstanding claims and amounts to be repaid from revenues of enterprise funds.
2. Source – MuniServices, LLC
3. Source – Taxpayers' Guide compiled by the Los Angeles County Auditor-Controller's Office.

CITY OF BEVERLY HILLS, CALIFORNIA

Legal Debt Margin Information

Last Ten Fiscal Years
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 467,039,865	494,881,155	529,376,876	577,177,113	625,913,976	683,768,690	764,306,326	811,295,787	789,013,066	799,766,019
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	467,039,865	494,881,155	529,376,876	577,177,113	625,913,976	683,768,690	764,306,326	811,295,878	789,013,066	798,713,969
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed valuations:

Net assessed value	\$ 21,292,709,846 ¹
Add back exempt real property	<u>34,384,000 ²</u>
Total assessed value	<u>21,327,093,846</u>

Legal debt margin:

Debt limitation (3.75% of total assessed value)	799,766,019
Debt applicable to limitation:	
Total long-term liabilities	348,797,842
Amounts to be paid from:	
Water revenue	66,284,649
Parking revenue	72,794,462
Wastewater revenue	12,363,114
Unearned Revenue	507,275
Deferred Credit from sale-leaseback transactions	996,531
Other lease revenue bonds	140,657,377
Compensated absences	13,967,814
Outstanding claims	9,978,036
Capital lease	256,932
Notes payable	<u>29,939,602</u>
Total long-term liabilities excluded from computation	<u>347,745,792</u>
Total debt applicable to limit	<u>1,052,050</u>
Legal debt margin	<u>\$ 798,713,969</u>

1. Source – Taxpayers’ Guide compiled by the Los Angeles County Auditor-Controller’s Office.

2. Source – Taxpayers’ Guide compiled by the Los Angeles County Auditor-Controller’s Office.

CITY OF BEVERLY HILLS, CALIFORNIA

Ratio of Annual Debt Service Expenditures of Governmental Funds to Total Governmental Fund Expenditures and
Ratio of Total Debt Service Expenditures to Total Governmental Activities Expenses¹

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Funds Debt Service		(A) Subtotal	Governmental Activities Debt Service in Internal Service Funds		(C) Total Debt	(D) Total General Government Expenditures	(E) Total Governmental Activities Expenses	Ratio of Debt Service to General Governmental Expenditures (A)/(D)	Ratio of Governmental Activities Debt Service to General Governmental Expenses Plus Principal (C)/[(B)+(E)]
	Principal	Interest		Principal (B)	Interest					
2012	\$ 719,104	1,623,429	2,342,533	37,939,434	7,046,315	47,328,282	159,638,635	171,625,827	1.47%	22.58%
2011	344,461	1,500,955	1,845,416	7,466,688	6,658,545	15,970,649	164,563,149	175,459,317	1.12	8.73
2010	333,697	1,512,625	1,846,322	6,847,517	5,768,719	14,462,558	155,666,002	162,029,301	0.97	4.33
2009	—	1,512,819	1,512,819	6,037,268	5,904,076	13,454,163	167,399,885	168,883,945	0.90	7.69
2008	—	1,511,527	1,511,527	5,715,718	6,057,765	13,285,010	149,191,092	163,897,748	1.01	7.83
2007	—	1,504,183	1,504,183	4,820,830	5,253,563	11,578,576	112,418,295	164,737,826	0.01	0.07
2006	—	1,766,075	1,766,075	4,654,162	5,429,350	11,849,587	134,003,203	140,676,177	1.32	8.15
2005	—	1,766,075	1,766,075	4,472,268	5,610,429	11,848,772	124,731,458	133,777,195	1.42	8.57
2004	—	1,769,950	1,769,950	4,044,580	6,104,186	11,918,716	118,910,306	127,547,376	1.49	9.06
2003	—	1,770,425	1,770,425	1,848,571	6,342,325	9,961,321	117,285,794	123,385,095	1.51	7.95

1. A significant portion of the debt service for bonded debt of the City's governmental activities is now reported in its internal service funds since conversion to GASB 34. Accordingly, the City provides two measures of the governmental activities debt service coverage in order to provide comparable information for pre- and post-GASB 34 conversion. The first measure is the ratio of debt service expenditures reported in governmental funds to total governmental funds expenditures (excluding capital outlay). The second measure represents the ratio of total debt service for bonded

CITY OF BEVERLY HILLS, CALIFORNIA

Ratios of Debt Service Per Capita

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Per Capita ¹
	Principal	Interest	Principal	Interest		
2012	\$ 9,252,375	5,678,418	10,132,625	6,775,654	31,839,072	931
2011	7,811,149	6,901,445	6,438,851	7,412,750	28,564,195	835
2010	7,181,213	6,788,760	4,688,787	5,603,809	24,262,569	675
2009	6,037,268	7,295,907	4,692,732	5,657,844	23,683,751	662
2008 ²	5,715,718	7,524,535	2,999,282	4,333,646	20,573,181	572
2007	4,820,830	5,740,760	4,284,170	3,725,437	18,571,197	515
2006	6,420,238	7,091,662	2,780,837	1,882,432	18,175,169	508
2005	4,472,269	5,384,700	3,007,102	1,818,017	14,682,088	411
2004	4,044,580	7,499,719	2,425,420	1,957,097	15,926,816	447
2003	1,848,570	7,686,546	976,430	2,323,925	12,835,471	363

1. The totals for Fiscal Years 2002 - 2005 have been updated based on the restated population data from Muniservices available as of October 25, 2011.

2. The per capita information for 2008 is provided by the California Department of Finance Projections.

CITY OF BEVERLY HILLS, CALIFORNIA

Water Enterprise Fund Long-Term Debt Coverage

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Water Enterprise Fund Operations			Water Enterprise Long-Term Debt Service Requirements ³			Coverage
	Gross Revenues ¹	Expenses Net of Depreciation and Interest ²	Net Revenue Available for Debt Service	Principal ⁵	Interest Expense ^{4,5}	Total	
2012	31,364,068	20,517,579	10,846,489	2,890,000	2,109,098	4,999,098	2.17
2011	32,201,380	20,065,768	12,135,612	1,575,000	2,680,904	4,255,904	2.85
2010	25,159,048	17,723,125	7,435,923	1,690,000	2,748,504	4,438,504	1.68
2009	25,501,072	19,693,842	5,807,230	1,465,000	2,788,791	4,253,791	1.37
2008	26,132,391	16,556,523	9,575,868	670,000	2,190,839	2,860,839	3.35
2007	24,730,942	16,150,895	8,580,047	500,000	1,036,009	1,536,009	5.59
2006	18,491,068	14,881,353	3,609,715	475,000	542,048	1,017,048	3.55
2005	17,616,827	12,817,261	2,522,234	460,000	560,448	1,020,448	2.47
2004	17,789,695	15,267,461	4,157,948	680,000	579,581	1,259,581	3.30
2003	16,594,748	12,436,800	5,228,502	655,000	607,548	1,262,548	4.14

1. Includes operating and nonoperating revenues. Amounts exclude operating transfers in and contributions from other funds.
2. Includes operating expenses less depreciation and amortization, plus nonoperating expenses less interest expense. Amounts exclude operating transfers out and contributions to other funds.
3. Amounts exclude compensated absences.
4. The interest amount reported in 2007 and later includes new debt issued by the City (2007 Water Revenue Bonds).

CITY OF BEVERLY HILLS, CALIFORNIA

Wastewater Enterprise Fund Long-Term Debt Coverage

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Wastewater Enterprise Fund Operations						Coverage
	Gross Revenues ¹	Expenses Net of Depreciation and Interest ²	Net Revenue Available for Debt Service	Wastewater Enterprise Long-Term Debt Service Requirements ³			
				Principal	Interest	Total	
2012	13,010,992	7,987,257	5,023,735	1,070,000	551,650	1,621,650	3.10
2011	13,397,886	4,432,745	8,965,141	1,045,000	576,730	1,621,730	5.53
2010	13,173,309	4,326,481	8,810,828	1,000,000	613,397	1,613,397	5.46
2009	11,705,763	4,883,899	6,821,864	910,000	695,453	1,605,453	4.25
2008	9,347,275	5,136,271	4,211,004	870,000	758,071	1,628,071	2.59
2007	8,387,722	4,773,246	4,521,302	835,000	867,721	1,702,721	2.66
2006	7,917,174	3,395,872	4,521,302	800,000	899,721	1,699,721	2.66
2005	7,549,042	1,949,560	5,599,482	775,000	930,721	1,705,721	3.28
2004	7,928,519	2,933,966	4,994,553	745,000	958,038	1,703,038	2.93
2003	6,764,202	2,473,840	4,290,362	700,000	994,209	1,694,209	2.53

1. Includes operating and nonoperating revenues. Amounts exclude operating transfers in, capital contributions and residual equity transfers in.
2. Includes operating expenses less depreciation and amortization, plus nonoperating expenses less interest expense. Amounts exclude operating transfers out and residual equity transfers out.
3. Amounts exclude compensated absences.

CITY OF BEVERLY HILLS, CALIFORNIA

Demographic and Economic Statistics

Last Ten Fiscal Years
(Unaudited)

Year	Population ¹	Median Household Income ^{2,3}	Personal Income ³	Per Capita Personal Income ³	Unemployment Rate ⁴
2012	34,291	\$ 82,020	\$ 2,364,649,751	\$ 68,958	7.7%
2011	34,210	81,726	2,241,664,460	65,526	8.6%
2010	35,953	84,356	2,308,470,224	64,208	8.1%
2009	35,774	84,657	2,305,169,238	64,437	5.2%
2008	35,983	81,526	2,232,903,115	62,054	3.4%
2007	36,084	79,269	2,177,160,255	60,336	3.2%
2006	35,813	-	2,096,283,817	58,450	3.3%
2005	35,754	-	2,021,351,317	56,535	3.4%
2004	35,648	-	1,949,314,987	54,682	4.2%
2003	35,353	-	1,883,037,596	53,264	4.5%

1. Source - State of California Department of Finance. Demographics estimates now incorporate 2010 Census counts as the benchmark.
2. Median household income information is not available for years 2006-2002.
3. Source: MuniServices, LLC, U.S. Census Bureau, 2010 American Community Survey.
4. Source: MuniServices, LLC, EDD's Bureau of Labor Statistics Department.

CITY OF BEVERLY HILLS, CALIFORNIA

Demographic Statistical Data

June 30, 2012

(Unaudited)

Percent of Population in Various Age Groups ¹:

Age	1960	1970	1980	1990	2000	2010
0-9	7.8%	7.4%	5.8%	7.7%	9.1%	8.6%
10-19	13.1	14.4	14.7	11.0	12.9	13.0
20-34	12.0	13.6	17.7	20.1	18.5	17.5
35-44	13.7	11.6	13.2	15.9	15.2	12.7
45-54	19.3	16.0	13.7	13.7	15.8	15.7
55-64	17.7	17.0	13.7	11.3	17.6	13.5
65+	16.4	19.9	21.3	20.3	17.6	19.0
Median age:	46.8	46.9	43.9	42.3	41.3	43.6

Population Distribution by Race (2010 Census) ¹:

	Total	Percent
White	28,112	82.40%
Asian	3,032	8.90
African American	746	2.20
Native American	48	0.10
Two or more races	1,674	4.90
Other	497	1.40
	<u>34,109</u>	<u>100.00%</u>

Average income levels (Estimated 2008-2010) ³:

	Non-Family	Families	Total Households
Median	\$ 51,895	94,237	77,938

Household Size (2010 Census) ¹:

Household	Households	Percent
1	5,400	36.30%
2	4,470	30.10
3	2,034	13.70
4	1,757	11.80
5	875	5.90
6+	333	2.20
	<u>14,869</u>	<u>100.00%</u>

Housing Units (2010 Census) ¹:

16,394

Housing Units (Estimated 2008-2010) ³:

	Total	Percent
Single	5,812	35.10%
Multiple	8,386	64.40
Mobile	—	0.00
Boat,RV,van	68	0.40
3. The inform:	<u>14,266</u>	<u>100.00%</u>

Median value of owner-occupied units (2005-2009) ⁴:

\$1,000,001+

School Enrollment:

BHUSD (K-12) ² :	4,617
All schools (Nursery - 12) (Est. 2008-2010) ¹	5,634

1. Source – Census of Population and Housing, U.S. Bureau of the Census (respective year). The official population census of the United States is conducted every ten years, most recently in 2010.
2. Source – Beverly Hills Unified School District
3. Source - U.S. Census Bureau, American Community Survey 3-year Estimates
4. Source - U.S. Census Bureau, American Community Survey 5-year Estimates

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Employers

Current Year and Ten Years Ago³
(Unaudited)

Rank	Employer	2012 ¹		Employer	2004 ²	
		Employees	Percentage of Total City Employment		Employees	Percentage of Total City Employment
1	City of Beverly Hills	1,000	2.1%	City of Beverly Hills	1,042	2.2%
2	Beverly Hilton Hotel	800	1.7%	Beverly Hills Unified School District	642	1.4%
3	Beverly Wilshire Hotel	800	1.7%	Regent Beverly Wilshire Hotel	620	1.3%
4	William Morris Agency, Inc	652	1.4%	Beverly Hilton Hotel	599	1.3%
5	Beverly Hills Unified School District	600	1.3%	Beverly Hills Hotel	500	1.1%
6	Beverly Hills Hotel	540	1.2%	William Morris Agency, Inc.	500	1.1%
7	Peninsula Beverly Hills Hotel	479	1.0%	Saks Fifth Avenue	460	1.0%
8	Saks Fifth Avenue	430	0.9%	Neiman Marcus Group, Inc.	450	1.0%
9	Advance Building Maintenance	213	0.5%	Creative Artists Agency	425	0.9%
10	Live Nation Entertainment Inc	200	0.4%	Peninsula Beverly Hills Hotel	400	0.9%
	Total	5,714	12.2%	Total	5,638	12.1%
	All others:	41,191	87.8%	All others:	40,081	87.80%
	Total	46,905	100%	Total	45,719	100%

1. Source -MuniServices, LLC 2011-2012

2. Source - Dun & Bradstreet, Info USA, Burr Consulting. The most recent period prior to Fiscal Year 2011-2012, in which such information is available is Fiscal Year 2004.

3. The information for the top 10 employers for the City of Beverly Hills for years prior to Fiscal Year 2004 is not available.

CITY OF BEVERLY HILLS, CALIFORNIA

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years
(Unaudited)

Function	Full-time Equivalent Employees									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	93.78	90.15	89.02	97.63	100.51	108.21	114.47	100.73	101.91	104.05
Public Safety	434.91	426.16	422.27	393.72	394.30	403.90	326.87	301.27	279.87	298.00
Public Service	269.08	254.88	246.93	263.51	235.10	283.47	319.32	304.64	311.57	306.60
Culture and Recreation	211.41	207.46	194.80	163.94	137.07	178.59	206.53	208.26	168.67	168.00
Total	<u>1,009.18</u>	<u>978.65</u>	<u>953.02</u>	<u>918.80</u>	<u>866.98</u>	<u>974.17</u>	<u>967.19</u>	<u>914.90</u>	<u>862.02</u>	<u>876.65</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Operating Indicators

Last Ten Fiscal Years

(Unaudited)

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Business licenses issued ¹	11,884	11,488	11,620	11,620	12,300	14,000	10,500	10,250	11,204	10,377
Public Safety										
Police										
Physical arrests ²	275	221	1,272	0	1,180	1,040	1,057	1,047	1,074	1,061
Traffic violations:										
Signed Citations ²	13,376	14,598	9,737	0	14,690	14,693	14,105	16,289	17,422	9,495
Non-Moving Citations ²	—	—	7,311	0	6,700	5,905	5,115	6,616	7,168	4,589
Parking Citations ³	—	120,852	109,189	132,578	139,134	146,059	168,273	168,000	8,276	4,418
Calls For Service by Patrol ²	61,393	51,856	48,111	0	47,512	48,855	47,453	42,667	42,824	35,248
Fire ⁴										
Number of calls answered	—	—	—	5,187	5,645	6,065	6,073	5,942	6,230	6,306
Building and Safety										
Inspections	17,956	17,979	15,146	10,642	4,733	10,544	10,358	8,741	8,165	11,254
Building permits issued	2,319	2,447	2,743	-	2,298	2,396	1,922	1,130	2,440	3,003
Public Service										
Street resurfacing (miles)	—	—	—	1	3	3	12	14	13	1
Potholes repaired ⁵	—	—	—	678	832	750	596	650	990	1,659
New water connections	10	7	23	31	26	44	39	40	42	32
Water main breaks	29	25	20	29	32	35	18	22	15	13
Gallons of water (average daily consumption in millions)	10.30	10.30	10.30	10.30	11.20	12.01	11.40	11.20	10.00	9.70
Culture and Recreation										
Number of children participating in library programs ⁶	19,912	16,889	13,667	17,305	25,152	7,466	9,546	10,293	10,184	9,358
Total enrollment in City offered classes ⁷	—	8,787	11,094	13,041	16,990	14,270	18,272	16,067	11,451	13,349
Total participating art show artists	462	467	476	471	482	484	463	481	480	479

1. The information of the number of business licenses issued in fiscal year 2006 is not available. Therefore, a reasonable estimate has been included.

2. Based on Calendar Year. Information for the number of physical arrests, signed citations, and calls for service by patrol for fiscal year 2006 are not available. Information for the number of non-moving citations for Fiscal Years 2001-2004 is not available. 2008, 2009, 2010, 2011, and 2012 data is based on Fiscal Year.

3. Source - ACS State and Local Solutions, a parking citation collection service provided for the City of Beverly Hills. The information for parking citations during the fiscal years 2001-2003 is not available.

4. Information for the number of calls answered during fiscal years 2001-2005 is not available.

5. Information for the number of potholes repaired for the fiscal years 2001-2005 is not available.

6. The numbers represented in prior years were estimates. For Fiscal Year 2008, a new system was implemented to take count of participants.

7. Information for the number of students enrolled in City offered classes for fiscal years 2001-2003 is not available.

8. Source- Various City Departments

CITY OF BEVERLY HILLS, CALIFORNIA

Capital Asset Statistics by Function

Last Ten Fiscal Years¹
(Unaudited)

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety											
Police											
Stations	1	1	1	1	1	1	1	1	1	1	1
Patrol Units	40	40	40	43	43	48	49	45	45	43	48
Fire											
Fire Stations	3	3	3	3	3	3	3	3	3	3	3
Fire Trucks ²	—	—	—	—	16	25	25	25	25	25	25
Public Service											
Miles of streets (all paved)	102	102	102	102	109	109	109	109	109	109	111
Miles of alleys (all paved)	41	41	41	41	41	41	41	41	41	41	42
Street lights	5,683	5,683	5,683	5,683	5,017	5,017	5,018	5,018	5,018	5,019	5,094
Alley lights	858	858	858	858	858	858	858	858	858	858	858
Traffic Signalized intersections	94	94	94	94	95	95	96	98	97	97	97
Parking meters (on street)	2,770	2,770	2,770	2,770	2,762	3,150	3,129	2,756	2,756	2,541	2,516
Water mains (miles)	171	171	171	171	171	171	171	171	171	171	171
Meters in service	10,728	10,728	10,728	10,728	10,728	11,114	11,158	11,158	11,158	11,200	11,232
Fire hydrants	1,200	1,200	1,200	1,200	1,200	1,200	1,305	1,305	1,345	1,346	1,347
Sanitary sewers (miles)	96	96	96	96	96	96	98	98	98	98	98
Storm drains (miles) ³	84	84	84	84	84	84	32	32	32	32	32
Culture and Recreation											
Parks acreage	97.4	97.4	97.4	97.4	97.4	97.4	97.4	97.4	97.4	97.4	97.4
Mini-parks acreage	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
School playground acreage	16	16	16	16	16	16	16	16	16	16	16

1. Source- Various City Departments

2. The information for the number of fire trucks for Fiscal Years 2001-2005 are not available.

3. The 2008, 2009, 2010, and 2011 figures are based on the analysis report by Matrix Consulting Group for the Department of Public Works.

