

CITY OF BEVERLY HILLS, CALIFORNIA

FISCAL YEAR ENDED JUNE 30, 2013



COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY of BEVERLY HILLS
STATE of CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2013

Prepared by the Staff of the Administrative Services Department
Under the Direction of Don Rhoads, *Director of Administrative Services, Chief Financial Officer*



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Comprehensive Annual Financial Report

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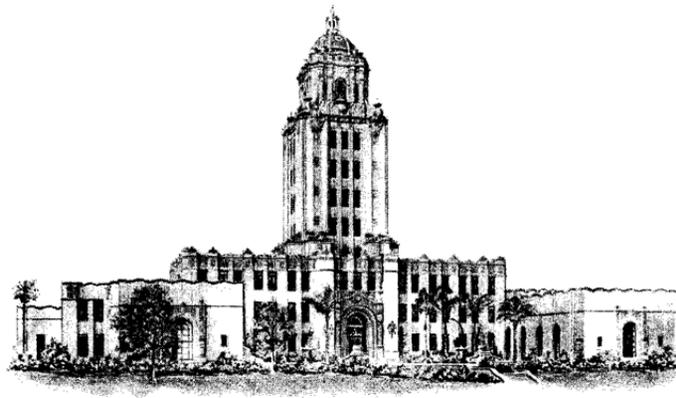
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Honorable Mayor, City Council and
Citizens of the City of Beverly Hills:

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, 2013.

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, 2013, 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, 2013, 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
- Charitable Solicitations Commission
- Cultural Heritage Commission
- Design Review Commission
- Fine Art Commission
- Health & Safety Commission
- Human Relations Commission
- Planning Commission
- Public Works Commission
- Recreation & Parks Commission
- Traffic & Parking 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



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services, premium life enrichment opportunities and a renowned physical environment.

This year's budget comes with a great deal of good news, forecasting continued growth in the City's micro-economy but also some significant challenges that the City must address. The budget contrasts considerably with budgets of recent years. Despite transfers from the General Fund to the Parking Authority, Clean Water Fund, and the Capital Improvement Program the budget has no cuts or one-time measures to achieve balance. In contrast with recent years, one-time cost-cutting measures were not necessary to allow these transfers without utilizing General Fund reserves.

Nearly five years ago the housing bubble burst and vast numbers of subprime mortgage-holders defaulted, which resulted in a fiscal crisis and severe recession. In Beverly Hills this was manifest by a 28% decline in sales tax revenue and a 19% decline in transient occupancy tax revenue between FY 2007/08 and FY 2009/10. Property tax revenue showed the first decline since 1996. Over the next four years, the City eliminated 84 full-time equivalent positions. The General Fund expenditures were reduced by \$4.8 million in FY 2008/09, \$18.4 million in FY 2009/10 and \$9.3 million in FY 2010/11. In addition, various one-time measures to reduce the budget were utilized in FY 2011/12 and FY 2012/13 to achieve balance after transfers to other funds. These measures were utilized because they had the least impact on service levels to the community.

In the FY 2012/13 budget, one time reduction measures provided about \$5.7 million in savings, much of which would need to be restored to the operating budget in FY 2013/14. As the City's year-end actual fiscal performances for FY 2010/11 and FY 2011/12 were better than budgeted, the City Council was able to restore many of the one-time cuts, which included funds for the future purchase of vehicles, computers and other equipment. At no time were General Fund reserves used to close the gap and balance the budget. In some instances, when the General Fund ended a fiscal year with a significant surplus, those surplus funds were used to reduce unfunded liabilities.

The City Council directed staff to work towards a pattern of budgets which require no one-time measures to balance after General Fund transfers. The City Council acknowledged that achieving this would likely require a few years, but that staff should work toward reducing ongoing costs and maximize revenues within the existing revenue structure for future budgets.

City staff approaches budgeting conservatively: Revenues are projected at the low end of expectations and expenditures are projected at potential full cost. This approach to budgeting frequently results in a year-end surplus and has yet to result in a deficit.

The FY 2013/14 adopted budget includes no one-time reductions or ongoing cuts and thus no reduction in service levels. Rather this budget restored staffing in areas with inadequate resources. For example, the growing economy has increased the demand for development services and increases in occupation of City-owned building space have increased maintenance requirements. The City Council also increased spending in areas where it would result in future cost savings, such as the repair of uneven sidewalks, and removal and replacement of street trees causing damage to sidewalks.

Economic Outlook

The economy continues to move in the right direction, albeit slowly. One economist has referred to the current economy as the "plow horse" economy, one which moves slowly but moves nonetheless and creates opportunity. This steady growth has given the economy momentum and the City has benefitted. GDP, personal income, consumer spending, home values and construction have all improved since 2009. From the end of 2009 to the end of 2012, GDP increased by 5.4%, consumer spending increased by 6.2%, the annual valuation of building permits in Los Angeles County increased by 9.9%, the median home price in Los Angeles County increased by 10.6% and personal income increased by 15.2%.

Over the past year, California economists have pointed to low vacancy rates, low inventories of homes for sale, and relatively high affordability of homes. Economists report that construction activity has increased to meet



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the demand. In support of this, at the national level, the Commerce Department reported in mid-April that seasonally adjusted housing starts came to 1,036,000 in March, the first time this measure has topped 1 million since June 2008. This construction momentum has been positively influenced by continued low interest rates and a low inflation rate, though there have been slight increases in each. It is anticipated that the Federal Reserve will maintain low interest rates at least until 2015.

An improving economy results in greater hotel revenues, retail sales, auto sales and property valuations. These drive the General Fund revenues and suggest continued growth for the City's economic base.

Budget Summary

The City Council adopted the budget with General Fund revenues of \$184.7 million, General Fund expenditures of \$169.5 million, and net transfers of \$13.9 million. This is an increase in revenue of 8.1% and of expenditures of 4.2% compared to the FY 2012/13 budget. The combined operating budget for all funds provides for revenues of \$389.5 million, expenditures of \$362.2 million and total transfers out of \$14.5 million. This represents an increase of 4.6% in revenue and an increase of 0.7% in expenditures when compared to last year's budget.

Cost Containment Efforts

Continuing cost containment efforts include memoranda of understanding (MOU) between the City and public safety bargaining groups (police and fire), which take significant steps toward reducing future growth by implementing a lower tier of pension for newly hired employees with current membership in PERS and a phase-in of employees sharing pension costs. Similar terms are expected when new agreements are reached with the City's non-safety employee bargaining groups over the next year. In recent years, the City has contained the growth of health benefit costs through the implementation of defined contributions for retiree health benefits for newly hired employees, cafeteria plans in which employees

share the cost of rising health insurance costs and lower cafeteria benefit levels for newly hired employees.

Other efforts to reduce City expenses include the refunding of City issued bonds when lower rates and better terms would provide savings to the City and when bond covenants allow for early retirement. When the City refinances its debt, it does not increase the term nor the underlying obligations, so that the City enjoys savings in current debt service cost without increasing long-term obligations.

At the end of FY 2012/13, the inter-fund loan from the Capital Assets Fund to the Information Technology Fund for radio replacement was fully paid off. Retirement of this internal loan will save the General Fund about \$1.2 million in radio charges annually. The City has also made regular contributions to convert previously unfunded liabilities for other post-employment benefits (OPEB) into funded liabilities. In addition, as directed by the City Council, our Finance and Budget staff continues to work with the City Treasurer's Citizen's Budget Review Committee to explore cost cutting and revenue opportunities for the Parking Authority, Parking Fund and the Clean Water Fund. These areas have required General Fund subsidies of \$18.3 million in the past two years.

By taking the above actions, the City is better able to serve the community and provide for continued investment in infrastructure and facilities using the revenue sources available to the City.

City Council Priorities

In December 2012, the City Council met to establish its priorities for FY 2013/14. Typically, a substantial portion of the budget enhancement requests are designed to address City Council priorities: either new priorities or full implementation of programs established in prior years. A complete list of the City Council priorities for FY 2013/14 is included in the Supplemental Information Section of this budget. Below are City Council "A" priorities for FY 2013/14:



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- Fiscal Sustainability
- R-1 Development Standards
- Complete Zoning Code Update
- Support for Beverly Gardens Park Respiration Project
- Technology
- Public Safety
- Beverly Hills Brand and Centennial Celebration
- Economic Sustainability
- Open Space
- Small Business Task Force
- Southeast Task Force Implementation
- Government Efficiency 2.0
- Advanced Capital Investment in the Community
- Disabled Placards
- Emergency Medical Response
- Expansion of In-Lieu Parking Program
- Sidewalk Maintenance
- City Facilities Maintenance
- Subway Monitoring

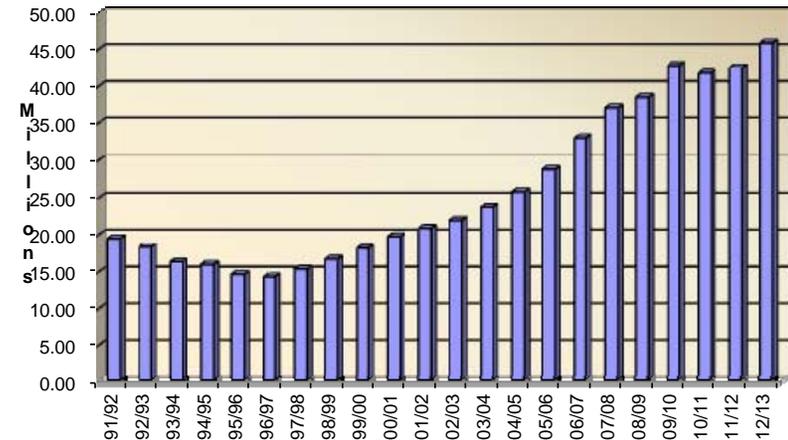
Revenues

Fiscal Year 2012/13 General Fund revenues performed well. This is largely the result of increases over budget of 8.9% in property tax, 13.2% in sales tax, 5.5% in transient occupancy tax and 4.5% in business tax. It is projected that total FY 2013/14 General Fund revenue will increase by about 4% as detailed below.

Property Tax

For secured and unsecured property tax, the 2012 County Assessor’s roll provided the City with a 6.5% increase in valuation. Beverly Hills was the top city in the County in terms of percentage growth of assessed valuation. Given uncertainty and the revenue projections for year-end FY 2012/13 at the time the budget was under consideration, our projection provided for growth of 2.7% for FY 2013/14. However, after further improvement in property tax revenue, our projection of \$43.7 million in property tax revenue is only 1.3% higher than FY 2012/13 projected revenue. This projection will likely be exceeded.

Property Tax



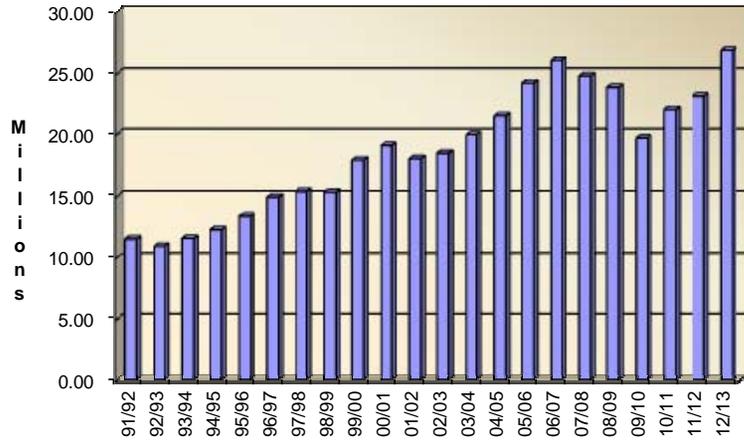
Sales Tax

Based on year-end projections for FY 2012/13, sales tax revenue will have risen by over 36% in the three-year period since FY 2009/10. The FY 2012/13 sales tax revenue continued to improve after the proposed budget was delivered to the City Council and deliberated upon. As a result, the adopted sales tax revenue projection for FY 2013/14 is less than the projected FY 2012/13 year-end sales tax revenue of \$26.8 million. FY 2013/14 sales tax revenue should easily exceed the adopted projection of \$26.1 million.



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Sales Tax

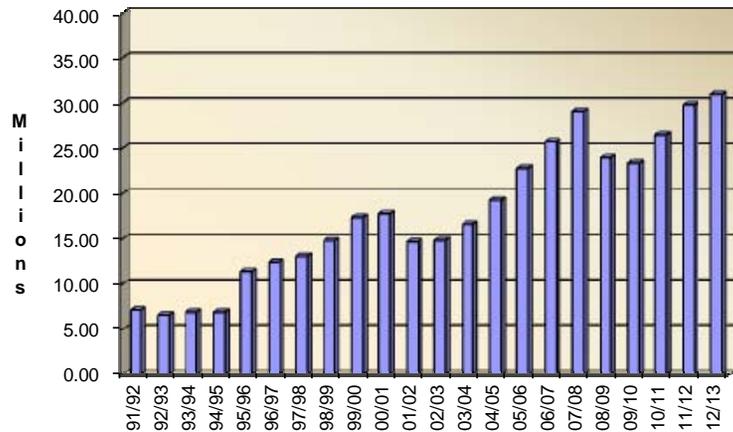


Two close watchers and knowledgeable followers of the hospitality industry are Smith Travel Research (STR) and PricewaterhouseCoopers (PwC). STR forecasts that average daily rates of U.S. hotels will grow 4.9% in 2013 and by 4.6% in 2014. In addition, they project that hotel occupancy will increase by 0.8% in 2013 and by 1.3% in 2014. STR forecasts that luxury hotels in 2013 will increase occupancy by 2.3%, increase rates by 6.6% and that revenue per available room will increase by 9%. PwC's January 2013 forecast provides a more conservative look at 2013 hospitality industry growth. PwC forecasts 5.9% increase in revenue per available room and a 4.8% increase in average daily rates. Looking at chain scale PwC forecasts luxury hotels to increase occupancy by 1%, average daily rates by 6% and revenue per available room by 7% during 2013. Based on this information, we forecast an increase of 5% in transient occupancy revenue for FY 2013/14 over FY 2012/13, with projected year-end revenue of about \$32 million.

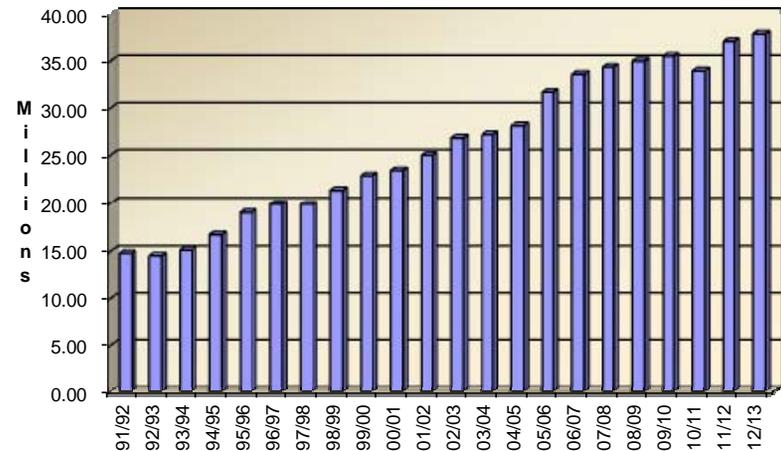
Business Tax

Transient Occupancy Tax

Transient Occupancy Tax



Business Tax





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Business tax revenue reached a new high in FY 2012/13 of \$37.8 million. For commercial leasing, retail and certain other categories of businesses, the business tax is computed on gross receipts. As a result, rising occupancy, lease rates and growth in retail sales all contributed to the growth of this revenue. Commercial lease rates, which are typically the strongest driver of business tax revenue, are reported to have increased by 10% for office space and 17% for retail space over the past year. As the economy continues to improve and retail sales increase, this revenue will continue to grow. PwC reports that overall consumer spending growth is expected to improve from a pace of 1.9% in 2012 to 2.2% in 2013 and 2.7% in 2014. Beacon Economics forecasts GDP growth for 2013 at 2-3%. Macroeconomic Advisers forecasted that with sequestration in effect, the GDP would increase by 2% in 2013 and by 3.4% in 2014. Given all these inputs, it would be reasonable to expect business tax revenue to increase by 2-3% for FY 2013/14. However, the business tax revenue also continued to improve after publication of the proposed budget. As a result, the adopted revenue projection for business tax in FY 2013/14 is only 0.3% higher than the year-end actual revenue for FY 2012/13. It is highly likely that FY 2013/14 business tax revenue will exceed the original estimate.

Expenditures

Year-end General Fund expenditures for FY 2012/13 are projected to be \$158.6 million. This is approximately \$3.9 million or 2.4% below the funds appropriated by the City Council for that fiscal year. The FY 2012/13 operations expenditures for all funds are projected to be \$344.6 million, which represents a savings of \$12 million or 3.4% when compared to appropriations. Much of the expenditure savings is the result of job vacancies, which result in salary and benefits savings. In addition, the City finalized salary surveys, which resolves uncertainty about personnel costs.

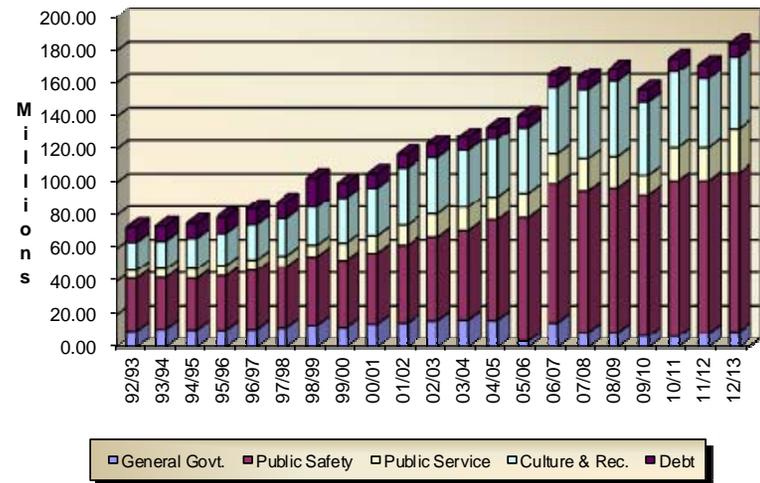
The General Fund budget for FY 2013/14 provides for expenditures of \$169.5 million, which amounts to an increase of \$7 million or 4.3% over the FY 2012/13 budget. As previously stated, the budget for FY 2013/14 has no one-time reduction measures. Fully funding all police positions, including vacancies, restoring General Fund capital improvement transfers from \$3.5 to \$5 million, fully funding all General Fund internal service

charges, and eliminating both the transfer from Fund 48 and the use of carryover funds from the previous year adds approximately \$5.6 million or 3.4% to the General Fund budget. This includes an increase of about \$860,000 for internal service charges of the PAL Fund (Fund 48) to offset the reductions in FY 2012/13.

The operations budget for all funds includes expenditures of \$362.2 million, which represents an increase of \$2.5 million or 0.7% over the FY 2012/13 budget. Capital improvement expenditures for all funds total \$40 million and transfers out for all funds total \$14.5 million.

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.

Governmental Operating Expenses
 (Shown Cumulatively)



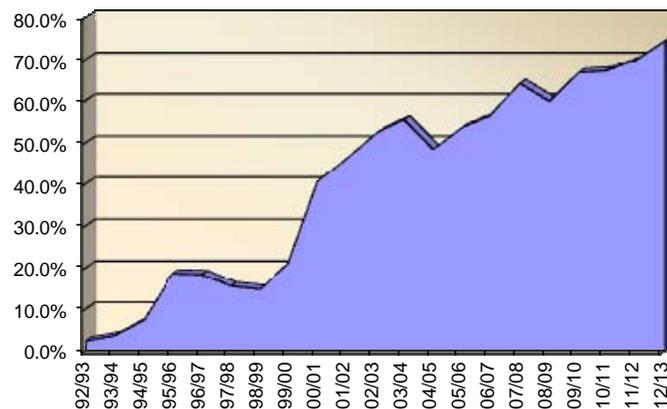
Perhaps the best measure of the City’s effectiveness in weathering an economic downturn and building sustained growth for the future is its ability to build fund reserves. As a rule of thumb, a city should maintain



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sufficient reserves to weather the worst potential emergency scenarios. Ideally, municipalities would maintain a reserve equal to 25% to 50% of their annual General Fund operating expenditure budget. For Beverly Hills,

**Ratio of the General Fund's Fund Balance
to Total General Fund Expenditures**



that would equate to reserves between \$38.4 million and \$76.8 million for fiscal year 2012/13. 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.

Budget Enhancements

Budget enhancements are increases above the prior year's base budget and are requested early in the budget process. The budget team gave these requests particular scrutiny and established priorities within the available funding for the year. This year departments submitted 99 budget enhancement requests. After consideration of these requests, the City Manager recommended approval of 81 at a total net cost, after offsets, of about \$4.49 million, \$2.35 million of which would come from the General Fund. During its budget deliberations, the City Council considered these

requests. After review the City Council determined that it wished to reduce funding from the General Fund for these enhancements by \$553,000. The Council directed staff to prioritize the enhancements, scale them back and implement those that could be funded at this reduced net cost. A complete list of the approved and funded budget enhancements is included in the Budget Modification section of this document.

In addition, the City Council identified some priority items that required additional funding. The City Council appropriated \$1,837,500 in additional funds from FY 2013/14 proposed revenues to fund:

1. A study of the revenue impacts of 2-hour free parking in City facilities \$50,000;
2. A study of public sector versus private sector total compensation for comparable positions \$50,000;
3. Acquisition of property in southeast Beverly Hills \$1,250,000;
4. Extend Library hours for holidays, weekends and Sundays \$230,000; and,
5. Fund personnel costs formerly charged to the Tourism & Marketing program with General Funds \$257,500.

In addition, the City Council directed that about \$1.6 million be placed into General Fund reserves. The City Council also identified uses for estimated FY 2012/13 surplus funds in the amount of \$7.5 million as follows:

1. Sidewalk and street tree maintenance acceleration \$1 million;
2. Increased parking structure maintenance and repair \$1 million;
3. Reduce unfunded liability for retiree medical or Other Post-Employment Benefits (OPEB) \$1 million;
4. Reduce the City's Public Employee Retirement System (PERS) unfunded liability \$1 million;
5. Property acquisition in Southeast Beverly Hills \$2.25 million; and,
6. Additional funding for the Clean Water Fund \$1.3 million.



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Reorganization of Public Works Functions

Following the retirement of the City's Director of Public Works and Transportation, we conducted a standard review of departmental function, organization and leadership. As a result of this review, we created a new department structure that we believe will improve staff effectiveness. As of September 2013, the Transportation Planning function of Public Works is part of the Community Development Department. A new Capital Assets Department was created and assumed the functions of Project Administration, CIP Management, Civil Engineering, previously under Public Works, and Real Estate Management, previously under Administrative Services. The Deputy City Manager—Capital Assets and Housing, who has provided leadership over the years in capital improvements and economic development, was named the Director of the Capital Assets Department.

The remaining programs previously under Public Works and Transportation are now grouped under the Public Works Services Department. This reorganization does not result in any net increases in positions or costs but merely changes groupings of functions and leadership of those functions in a way that we believe will provide lasting benefits to the City. Additional shifting of positions between departments to complete this reorganization will occur during the fiscal year or within next year's budget.

Enterprise Funds with Structural Imbalance

In FY 2011/12 and FY 2012/13, the Parking Authority and Parking Operations Fund (Fund 81) received \$17 million in General Fund or Capital Asset Fund subsidies. At the end of the FY 2012/13, the combined parking operations of the City and the Parking Authority will have run approximately a \$13 million deficit after capital improvements, debt service, transfers in and capital contributions from depreciation. For FY 2013/14, the combined operations of the Parking Authority and the Parking Operations Fund will result in a net gain of about \$84,000 after the \$5 million General Fund transfer and a payment of \$2.6 million by the Wallis Annenberg PAC for the parking spaces at the Crescent Parking Facility.

The Clean Water Fund (Fund 85) is organized as a self-supporting enterprise fund. As such the fund's operating revenues are expected to support its operations. Unfortunately, the revenue stream for this fund is fixed and does not grow from year to year. While these revenues remain constant the costs of managing and treating storm water are increasing, as well as the cost of operations and capital improvements. The primary driver of these increases is the increased level of treatment and management of storm water mandated by state and federal Agencies.

During FY 2012/13, the General Fund transferred \$1.3 million into the Clean Water Fund to keep the fund solvent. Due to budget savings during the year, it is likely that once the books are closed for FY 2012/13, the Clean Water Fund will likely have a small positive fund balance. For FY 2013/14, the Clean Water Fund is projected to run a deficit of about \$2.3 million. The adopted budget includes a transfer of \$1.3 million from the General Fund to the Clean Water Fund; FY 2012/13 General Fund year-end surplus funds will be used to provide the additional funds necessary to keep this fund solvent.

These are not good models for enterprise (self-supporting) operations. Use of General Fund revenues to subsidize enterprise funds is generally regarded as a warning sign that, if unresolved, can cause future fiscal problems for a city. The imbalance of these funds' expenditure, obligations and revenue must be resolved in order to ensure the continued sound fiscal condition of the City. It should be noted that user fees for the Clean Water Fund cannot be raised without voter approval.

Public Employees Retirement System (PERS) Costs

The City is a member of the Public Employee Retirement System (PERS). The current retirement formulas for Beverly Hills fall into two general categories: Public Safety and Miscellaneous Members. In the last year's agreements with public safety bargaining groups, a new pension tier was created. In addition, after the City concluded its negotiations with the public safety bargaining units, the California Legislature passed the Public Employee Pension Reform Act (PEPRA). As a result the City now has three



The Honorable Mayor, City Council and
Citizens of the City of Beverly Hills, California
Letter of Transmittal
February 15, 2014

tiers of pensions for Public Safety employees: 3% @ 50, 3% @ 55, and 2.7% @57.

For Miscellaneous employees (non-safety) the City currently provides a pension plan with a formula of 2.5% @ 55. Under PEPRA, newly hired employees who have not worked in a PERS participating or reciprocal agency within the past six months before hire will be placed in the new tier of 2% @ 62. These new tiers will provide long-term cost savings to the City. But since they only apply to newly hired employees, these savings will be realized over a long period of time. Employer contributions for FY 2013/14 increased by 1.532% for safety employees to 33.161%, and by 2.002% for miscellaneous employees to 16.676%. The rates are stated as the percent of applicable salary.

The PERS Board recently adopted new policies to provide for better management of the system and to prevent the deferral and possible compounding of obligations through smoothing plans which stretch out payments on liability. The changes are quite likely to further increase the rates.

Capital Improvement Plan (CIP)

The Capital Improvement Plan is designated as Volume 2 of the budget. FY 2013/14 funding includes \$10 million of general capital funding, which includes \$5 million transfer to the Infrastructure Fund (Fund 06) from the General Fund and \$5 million in Capital Assets (Fund 08) replacement internal service charges. Capital improvement investments from all funds this year total about \$40 million. Initiatives for the coming year include street resurfacing, sidewalk improvements, southeast area enhancements such as acquisition of land and development of parking, the reconstruction of North Santa Monica Boulevard, water main and hydrant replacements, and improvements to the water treatment plant.

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, 2012. 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.

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,

Jeff Kolin
City Manager

Don Rhoads
Chief Financial Officer

CITY OF BEVERLY HILLS, CALIFORNIA

Principal City Officials

Elected Officials

City Council

Mayor	John A. Mirisch
Vice Mayor	Lili Bosse
Councilmember	William W. Brien MD
Councilmember	Julian A. Gold MD
Councilmember	Nancy H. Krasne

City Treasurer

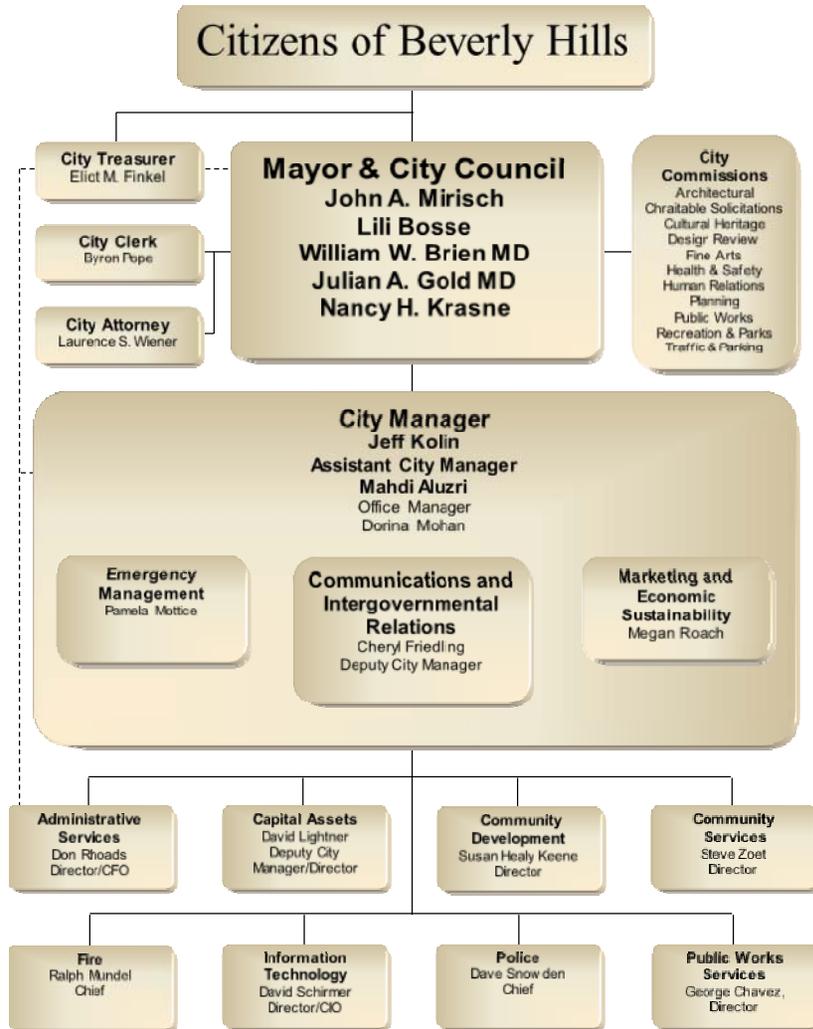
Eliot M. Finkel

Appointed Officials

City Manager	Jeff Kolin	Fire Chief	Ralph Mundel
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
Director, Administrative Services	Don Rhoads	Director of Public Works Services	George Chavez
Chief Financial Officer	David Lightner	Director of Information Technology	David Schirmer
Deputy City Manager/Director Capital Assets	Cheryl Friedling		
Deputy City Manager/Communications and Intergovernmental Relations			

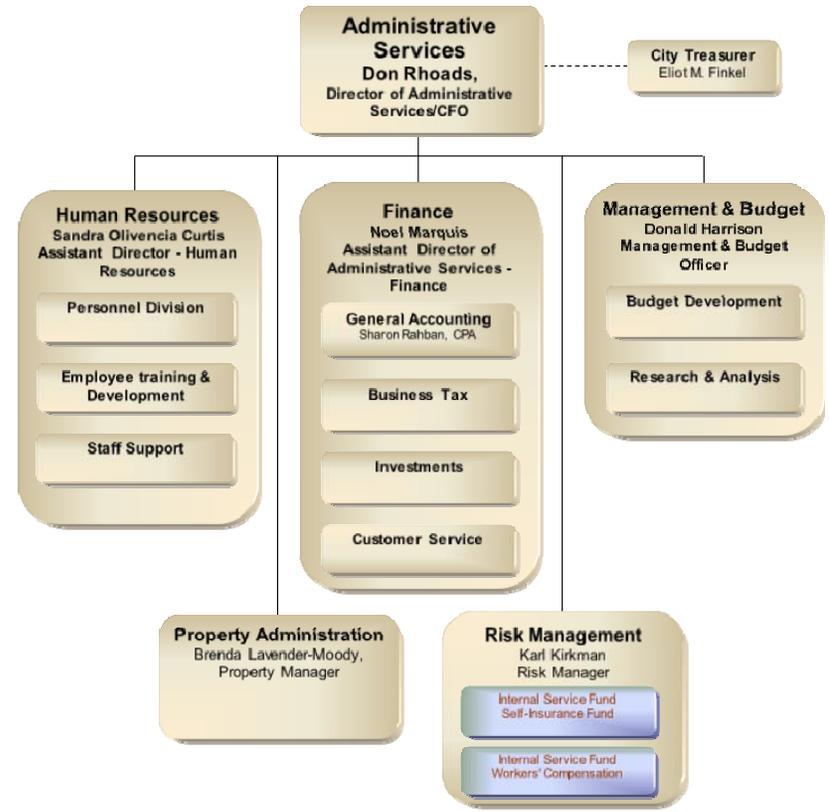
CITY OF BEVERLY HILLS, CALIFORNIA

Organizational Chart



CITY OF BEVERLY HILLS, CALIFORNIA

Department of Administrative Services Organizational Chart



Government Finance Officers Association

**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, 2012



Executive Director/CEO

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, 2012. This was the twenty-fifth 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.



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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 activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison information for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress, identified as required supplementary information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedules 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 schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on them.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and individual non-major fund schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Matters (Continued)

Other Information (Continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2014 on our consideration of the City of Beverly Hills, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
February 14, 2014



CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis

June 30, 2013

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, 2013. 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 \$758,266,396 (*net position*). Of this amount, \$356,501,785 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$48,833,994.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$173,283,059, an increase of \$16,823,355 from the prior year. Of this amount, \$118,117,598 or approximately 68.6% of total fund balances are reported as Committed (\$33,218,891), Assigned (\$4,293,685), or Unassigned (\$80,605,022) 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 \$10,702,968 and an increase in Other financing sources (uses) of \$2,343,024. The increase was the result of the overall economic improvements providing a substantial increase in revenues (\$8,359,944), and decreased expenditures (\$2,343,024) while the increase in other financial uses was the result of increased operating transfers out to fund, for example, future land acquisition needs and to subsidize the Clean Water Fund.
- At the end of the current fiscal year, the Committed, Assigned and Unassigned fund balance for the General Fund was \$82,691,045 or 70.1% of total General Fund balance.

- The City's net capital assets increased by \$262,268 from the prior year as a result of the current capital replacement program activities.
- The City's net long-term liabilities decreased by \$17,466,337 or 5.4% primarily as the result of ongoing debt payments and refunding an earlier bond issue with the City of Beverly Hills Public Financing Authority 2013 Lease Revenue Refunding bonds, Series A (2003 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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (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

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2013

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 under-

stand 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 non-major 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, 2013

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 position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$758,266,396 at the close of the most recent fiscal year.

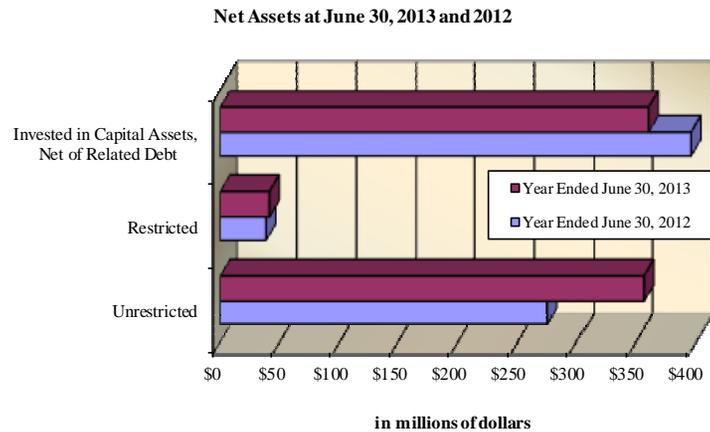
The second largest portion of the City's net position, \$356,501,785 (47.02%), is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2013

The largest portion of the City's net position, \$361,206,998 (47.64%), 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 is 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 position, \$40,557,613 (5.35%), represents resources that are subject to external restrictions on how they may be used. Of these restricted net position 21.36% is for repayment of long-term debt, 45.85% is for construction of capital assets (unspent proceeds from long-term debt issues) and 32.79% 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 position for the City as a whole, as well as for its separate governmental and business activities. However, as a result of moving parking facility assets to the Parking Au-

thority, the Parking Facilities Fund net investment in capital category had a negative \$43,010,588. The Parking Authority's business-type activities unrestricted category had a negative \$48,213,670. At the end of the prior fiscal year the City reported positive balances in all three categories of net position for the City as a whole as well as for its separate governmental activities. Business Activities experienced a negative unrestricted balance of \$21,519,141.

City of Beverly Hills' Net Position (000's)						
As of June 30, 2013 and 2012						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current assets	\$ 321,309	302,935	115,443	92,929	436,752	395,864
Restricted and other assets	72,121	77,441	(40,581)	(35,853)	31,540	41,588
Capital assets	358,564	354,930	300,295	303,666	658,859	658,596
Total assets	<u>751,994</u>	<u>735,306</u>	<u>375,157</u>	<u>360,742</u>	<u>1,127,151</u>	<u>1,096,048</u>
Current liabilities	44,103	42,660	18,945	20,652	63,048	63,312
Long-term liabilities, net of current portion	171,597	181,091	134,241	142,213	305,838	323,304
Other liabilities	-	-	-	-	-	-
Total liabilities	<u>215,700</u>	<u>223,751</u>	<u>153,186</u>	<u>162,865</u>	<u>368,886</u>	<u>386,616</u>
Net assets:						
Invested in capital assets, net of related debt	199,111	185,561	162,096	210,326	361,207	395,887
Restricted	34,012	29,264	6,545	9,070	40,557	38,334
Unrestricted	303,171	296,731	53,331	(21,519)	356,502	275,212
Total net assets \$	<u>536,294</u>	<u>511,556</u>	<u>221,972</u>	<u>197,877</u>	<u>758,266</u>	<u>709,433</u>

The City's governmental current assets increased by \$18,374,017, which resulted primarily from an increase of \$24,214,695 in Cash and Investments. Taxes and Intergovernmental receivables decreased \$2,865,429 and \$3,283,254 respectively. The governmental restricted assets decreased by \$29,782, recognizing the continued progress in completing bonded capital projects.

The City's business-type current assets increased by \$22,514,144, primarily from an increase in Cash and investments of \$21,761,324. Restricted assets decreased by \$7,644,435 as the result of the progress in completing bonded capital projects.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2013

City of Beverly Hills' Changes in Net Position (000's)						
As of June 30, 2013 and 2012						
	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services \$	58,978	55,137	112,977	102,231	171,955	157,368
Op. grants & cont.	4,337	4,068	9	-	4,346	4,068
Cap. grants & cont.	1,905	4,522	201	387	2,106	4,909
General revenues:						
Taxes	146,317	135,923	-	-	146,317	135,923
Investment earnings	7,722	10,717	89	1,039	7,811	11,756
Other	1,901	2,316	3,278	4,553	5,179	6,869
Total revenues	221,160	212,683	116,554	108,210	337,714	320,893
Expenses:						
General government	10,559	8,906	-	-	10,559	8,906
Public safety	96,008	92,347	-	-	96,008	92,347
Public services	26,938	19,761	-	-	26,938	19,761
Culture and recreation	42,983	41,918	-	-	42,983	41,918
Interest on LT debt	7,886	8,693	-	-	7,886	8,693
Water	-	-	29,458	27,819	29,458	27,819
Parking facilities	-	-	17,528	18,504	17,528	18,504
Solid waste	-	-	13,925	12,982	13,925	12,982
Wastewater	-	-	10,847	10,034	10,847	10,034
Stormwater	-	-	2,806	2,580	2,806	2,580
Parking authority	-	-	29,942	23,486	29,942	23,486
Total expenses	184,374	171,625	104,506	95,405	288,880	267,030
Excess (deficiency) of revenues over expenditures	36,786	41,058	12,048	12,805	48,834	53,863
Transfers	(12,048)	(4,556)	12,048	4,556	-	-
Increase in net assets	24,738	36,502	24,096	17,361	48,834	53,863
Net assets, July 1	511,556	475,054	197,876	180,516	709,432	655,570
Net assets, June 30	\$ 536,294	511,556	221,972	197,877	758,266	709,433

The City reported a net increase of \$262,268 in capital assets, \$3,633,922 in governmental activities and (\$3,371,654) in business-type activities. The net increase in governmental was the result of the completion of several large projects including adding upgraded buildings, improvements other than buildings, infrastructure improvements and machinery and equipment and increased construction in progress totaling \$8,504,653 offset by increased depreciation and eliminated end of life equipment (\$7,815,431). Business activities declined primarily as a result of depreciation offset by construction in progress.

The City's net position increased by \$48,833,9994 during the current fiscal year, a 6.83% increase over the prior year. Total adjusted revenues increased 5.21% (\$16.8 million). The City experienced an increase of 7.65% in tax revenues (\$10.4 million), and a 2.00% (\$6.4 million) increase in all other revenues. The increase reflects the overall improvement to economic conditions in our area.

Expenses increased by 8.18% (\$21.8 million) over the prior year. The increases were primarily from the Parking Authority, Public services and General government accounting for \$15.3 million or 5.72% increase as all other areas experienced a 2.45% (\$6.6 million) increase in expenses.

Governmental Activities

Governmental activities net position increased by \$24,738,549, thereby accounting for 50.66% of the total growth in the net position of the City. Key elements of the increase in governmental activities net position are as follows:

- Taxes, 76.33% of total governmental activities revenues, increased by \$10.6 million (7.78%) from the prior year.
- Business taxes, which are primarily levied based on the gross receipts of the business in the prior calendar year, increased by \$762,100 (2.06%).
- 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 2013 were up as the market continues to recover from the decreased values and foreclosures throughout the industry. This resulted in a \$3,270,726 (7.67%) increase.
- Sales taxes are a direct reflection of the general economy; the increase of \$3,727,040 (16.14%) reflects the continuing improvement in the economy.
- Transient occupancy tax revenues increased 4.35% (\$1,296,626) from the prior year also as a result of improving economic conditions.

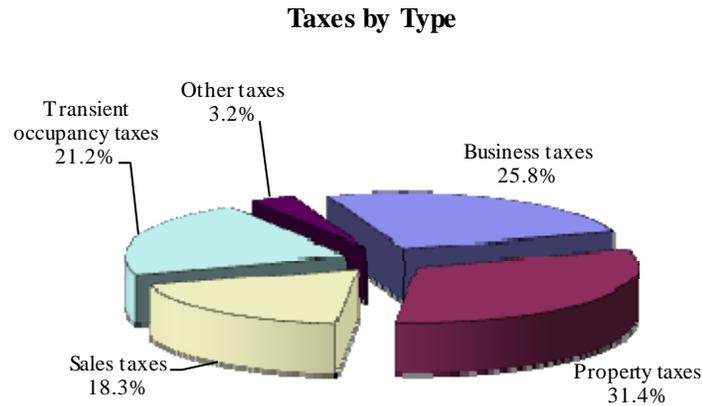
CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2013

- Investment earnings decreased by \$2,995,396 (27.95%) during the year. This was primarily a result of changes in fair value of investments.

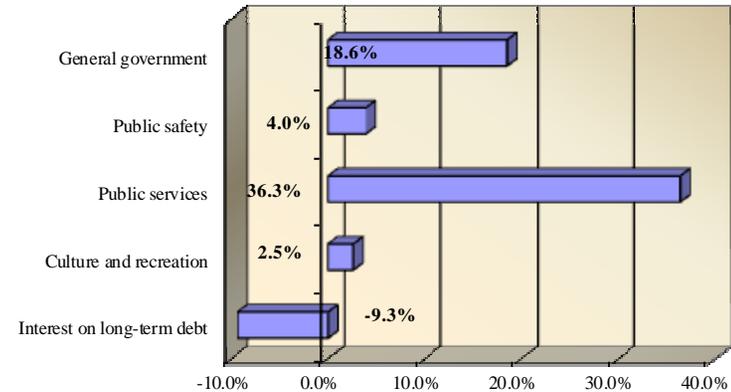
The four major tax sources are relatively evenly split, reducing the City's reliance on any one source.



The City continued its efforts to maintain effective cost controls. Governmental activities expenses increased 7.43% during FY 2013.

- General government expenses increased 18.55% (\$1,652,222).
- Increase in public safety of 3.96% (\$3,660,359).
- Public services increased 36.32% (\$7,177,628).
- Culture and recreation increased 2.54% (\$1,063,816).
- Interest on long-term debt decreased (9.28%) because of re-funded debt issues and scheduled debt payments.

**Percent Change in Governmental Activities Functional Expenses
Between Fiscal Years 2012 and 2013**



Business-type Activities

Business-type activities increased the City's net position by \$24,095,445 or 12.18% of the growth in the City's net position. Key elements of this increase in business-type activities net position are as follows:

- Charges for services, representing 96.93% of total business-type activities revenues, increased by \$10,746,152 (10.51%) from the prior year.
- Expenses in the business-type activities increased by 9.54% (\$9,100,804) in FY 2013.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2013

(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 \$173,283,058, an increase of \$16,823,354 from the prior year. Operations for the current year provided an \$8.36 million (4.54%) increase in revenues, a \$2.34 million (1.39%) decrease in expenditures and a \$2.35 million (33.17%) increase 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** - \$23,137,136 (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** - \$32,028,325 (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** - \$33,218,891 (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** - \$4,293,685 (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** - \$80,605,022 (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 \$23,055,755, committed \$12,167,283, assigned \$2,000,000 and unassigned \$80,691,045 for a total General Fund balance of \$117,914,083.

The fund balance of the City's General Fund increased by \$10,705,089 during the current fiscal year. Key factors in this increase are as follows:

- Tax revenues increased \$10.39 million (7.65%). 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 2013 are: business taxes increased by \$762,100 (2.06%), property taxes increased by \$3.27 million (7.67%), sales taxes increased \$3.72 million (16.14%) and transient occupancy taxes increased \$1.3 million (4.35%). The category Licenses and permits increased \$2.06 million (15.69%).
- The City experienced an increase of 3.08% (\$4.73 million) in General Fund expenditures during FY 2013. General Government expenses increased \$803,028 (11.17%), Public Safety decreased \$448,958 (0.51%), Public Service increased \$3.65 million (18.10%) and Culture and recreation increased \$729,914 (1.90%).

Activities in the Infrastructure Capital Projects Fund continued a very aggressive program in FY 2013. These projects include the citywide

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2013

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

Nonmajor governmental funds' fund balances increased \$2.86 million (8.39%) during FY 2013.

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 position of the enterprise funds totaled \$53.33 million, an increase of \$74.85 million (347.83%). The improvement to unrestricted net position is the result of improvements to the financial position of the Water, Solid Waste, Wastewater, Stormwater and Parking Facilities 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 position of the Parking Facilities are now shown in the Parking Facilities Enterprise Fund at \$30,545,488 and the Parking Authority as a negative \$48,213,670. Other factors concerning the finances of these funds are as follows:

- Operating revenue for the Water Enterprise increased \$3.82 million (12.27%), operating expenses increased \$1.64 million (5.9%), operating income increased by \$1.5 million (21.28%), income after non-operating items increased \$1.78 million (49.84%) and change in net position increased by \$1.45 million (37.15%).
- Operating revenue for the Parking Facilities Enterprise decreased \$991,908 (4.05%) operating expenses decreased \$977,313 (5.3%), operating income decreased \$401,685 (4.27%), income after non-operating items decreased \$2.15 million (26.41%) an increase in change in net position of \$67.31 million.
- Operating revenue for the Solid Waste Enterprise increased \$675,630 (4.58%) operating expenses increased \$942,792 (7.3%), operating income decreased \$267,162 (15.10%), income after non-operating items decreased \$402,561 (20.96%) providing a decrease to change in net position of \$336,461 (18.75%).
- Operating revenues for the Wastewater Enterprise increased \$509,405 (4.01%), expenses increased \$813,686 (8.1%), operating

income decreased \$333,318 (10.36%), income after non-operating items decreased \$727,208 (16.19%) translating to a decrease in net assets of \$700,408 (15.69%).

- Operating revenues for the Stormwater Enterprise increased \$46,156 (2.60%), expenses increased \$226,830 (8.8%), operating income decreased by \$180,674 (22.44%), income after non-operating items decreased by \$193,172 (24.31%) and change in net assets increased \$1.65 million.
- Operating revenues for the Parking Authority increased \$6.69 million (37.24%), expenses increased \$6.46 million (27.50%), operating losses decreased \$120,013 (3.66%) and loss after non-operating improved by \$935,662 and change in net assets was \$750,928.

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 financial plans as a management tool for its enterprise and internal ser-

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2013

vice 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 \$20.44 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 \$10.59 million and a favorable variance in total expenditures of \$9.84 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 \$658,858,634 (net of accumulated depreciation of \$359,941,447) as of June 30, 2013. 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 1.83% before depreciation (an increase of 1.76% for governmental activities and 1.92% 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.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 51,833	51,602	33,114	33,114	84,947	84,716
Buildings	157,001	153,054	118,585	124,704	275,586	277,758
Utility systems	-	-	138,130	134,154	138,130	134,154
Improvements other						
than buildings	18,727	18,152	2,575	2,804	21,302	20,956
Infrastructure	81,252	83,423	-	-	81,252	83,423
Machinery and equipment	26,400	28,061	2,558	3,190	28,958	31,251
Fine art collection	2,170	1,746	-	-	2,170	1,746
Construction in progress	21,181	18,892	5,333	5,700	26,514	24,592
Total capital assets, net	<u>\$ 358,564</u>	<u>354,930</u>	<u>300,295</u>	<u>303,666</u>	<u>658,859</u>	<u>658,596</u>

The City has an aggressive capital improvement program totaling over \$179.8 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 (\$3.56 million), improvements to City infrastructure including streetscape, street resurfacing and replacement of street lights (\$25.66 million), improvements to City buildings and facilities and acquisition of land (\$37.58 million), improvements to the City's parks and recreation facilities (\$7.39 million), upgrades to the City's information technology infrastructure (\$18.16 million) and repairs and upgrades to the City's utility systems (\$53.54 million). The City has budgeted capital projects expenditures totaling \$40 million for FY 2013/14.

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 \$272,579,742, including current portion of \$16,000,001. Of this amount, \$272,579,742 represents revenue bonds secured solely by specified revenue sources. Other long-term obligations include notes payable \$28,454,620, employee-compensated absences of \$13,327,226 and outstanding claims of \$10,411,260.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2013

Additions to the City's long-term debt included a revenue bonds issue of \$19.02 million, current year claims totaling \$7.14 million and additions to compensated absences of \$1.46 million. Deductions include a revenue bond refunding and debt payments of \$27.12 million, notes payable of \$1.48 million, compensated absences paid of \$2.11 million, payments against claims totaling \$6.72 million, payment of capital leases of \$144,226.

City of Beverly Hills' Outstanding Long-Term Debt (000's)						
As of June 30, 2013 and 2012						
	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenue bonds	132,608	140,657	139,972	151,442	272,580	292,099
Capital leases	-	-	-	-	-	-
OPEB obligations	-	-	-	-	-	-
Note payable	28,455	29,940	-	-	28,455	29,940
Compensated absences	13,327	13,968	-	-	13,327	13,968
Claims payable	10,411	9,978	-	-	10,411	9,978
Capital lease payable	227	371	-	-	227	371
Total debt	\$ 185,028	194,914	139,972	151,442	325,000	346,356

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, 2013 is \$851.5 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.

On February 6, 2013 the Community Facilities District No. 2002-A (Business Triangle) of the City of Beverly Hills (Community Facilities District) issued the 2013 Special Tax Refunding Bonds in the amount of \$12,545,000 to refund the December 2002 issue.

Ratings on outstanding bonds are provided below. The ratings are from Moody's Investor Services, Fitch, Inc. and Standard and Poor's.

City of Beverly Hills' Debt Ratings			
Debt Issue	Moody's	Fitch's	S&P
Revenue bonds:			
2008 Water Revenue Refunding Bonds	Aa1	AA+	AAA
2008 Wastewater Revenue Refunding Bonds	Aa3	AA+	AAA
2009 Lease Revenue Bonds	Aa2	AA+	AA+
2010 Lease Revenue Bonds	Aa2	AA+	AA+
2012 Lease Revenue Refunding Bonds	Aa2	AA+	AA+
2012 Water Revenue Refunding Bonds	Aaa	AAA	AAA
2013 Lease Revenue Refunding Bonds			AA+

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 2013/2014.

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

This budget also sets the financial foundation to establish an accurate and understandable assessment and tracking of the uses and sources of

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2013

all funds. The 2013/2014 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 2013/2014 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 programs 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 Don Rhoades, 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 year's 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 Position

June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments (note 4)	\$ 294,153,198	101,105,952	395,259,150
Accounts receivable, net (note 5)	8,945,693	12,832,617	21,778,310
Interest receivable (note 5)	857,966	242,295	1,100,261
Taxes receivable (note 5)	11,309,532	—	11,309,532
Intergovernmental receivables (note 5)	4,330,455	—	4,330,455
Inventories	353,668	1,262,597	1,616,265
Prepaid expenses	1,358,846	—	1,358,846
Total current assets	<u>321,309,358</u>	<u>115,443,461</u>	<u>436,752,819</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash and investments (notes 4C and 9)	2,507,108	9,755,944	12,263,052
Interest receivable (note 5)	864	—	864
Permanently restricted:			
Cash and investments (note 4C)	81,381	—	81,381
Total restricted assets	<u>2,589,353</u>	<u>9,755,944</u>	<u>12,345,297</u>
Other noncurrent assets:			
Deferred bond issuance costs, net (note 9)	1,566,045	1,699,709	3,265,754
Internal balances	52,568,855	(52,568,855)	—
Net pension assets (note 10)	11,988,699	532,239	12,520,938
Other post employment benefit asset (note 12)	3,407,956	—	3,407,956
Total other noncurrent assets	<u>69,531,555</u>	<u>(50,336,907)</u>	<u>19,194,648</u>
Capital assets (note 8):			
Land	51,833,124	33,114,045	84,947,169
Buildings	242,764,133	211,006,931	453,771,064
Utility systems	—	203,000,110	203,000,110
Improvements other than buildings	34,418,609	4,308,169	38,726,778
Infrastructure	135,476,932	—	135,476,932
Machinery and equipment	64,320,090	9,873,730	74,193,820
Fine art collection	2,169,851	—	2,169,851
	<u>530,982,739</u>	<u>461,302,985</u>	<u>992,285,724</u>
Less accumulated depreciation	(193,600,117)	(166,341,330)	(359,941,447)
Construction in progress	21,181,387	5,332,970	26,514,357
Total capital assets, net	<u>358,564,009</u>	<u>300,294,625</u>	<u>658,858,634</u>
Total noncurrent assets	<u>430,684,917</u>	<u>259,713,662</u>	<u>690,398,579</u>
Total assets	<u>751,994,275</u>	<u>375,157,123</u>	<u>1,127,151,398</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 9,263,429	6,659,827	15,923,256
Contracts payable	330,828	483,520	814,348
Accrued payroll	5,933,550	548,533	6,482,083
Interest payable (note 9)	455,502	525,120	980,622
Current portion of long-term liabilities :			
Compensated absences (note 9)	826,335	—	826,335
Outstanding claims (note 9)	3,144,240	—	3,144,240
Capital leases (note 9)	65,275	—	65,275
Note payable (note 9)	1,573,429	—	1,573,429
Revenue bonds (note 9)	8,138,672	7,861,329	16,000,001
Intergovernmental liabilities	1,732,818	812,858	2,545,676
Customer deposits	7,153,393	1,719,540	8,872,933
Unearned revenue (note 5)	5,485,450	333,901	5,819,351
Total current liabilities	<u>44,102,921</u>	<u>18,944,628</u>	<u>63,047,549</u>
Long-term liabilities, net of current portion:			
Compensated absences (note 9)	12,500,891	—	12,500,891
Outstanding claims (note 9)	7,267,020	—	7,267,020
Unearned revenue (note 5)	—	475,898	475,898
Capital leases (note 9)	161,568	—	161,568
Note payable (note 9)	26,881,191	—	26,881,191
Revenue bonds (note 9)	129,118,086	135,689,377	264,807,463
Deferred amount on refunding, net (note 9)	(4,648,854)	(3,578,867)	(8,227,721)
Leased property deposits	316,996	691,980	1,008,976
Deferred credit from sale-leaseback transactions (note 11)	—	962,167	962,167
Total long-term liabilities	<u>171,596,898</u>	<u>134,240,555</u>	<u>305,837,453</u>
Total liabilities	<u>215,699,819</u>	<u>153,185,183</u>	<u>368,885,002</u>
NET POSITION			
Net investment in capital assets	199,111,492	162,095,506	361,206,998
Restricted for:			
Debt service	2,116,519	6,545,159	8,661,678
Construction of capital assets	18,595,979	—	18,595,979
Streets, highways, bikeways, public transit and other related purposes	8,083,948	—	8,083,948
Endowment or trust agreement:			
Expendable	172,893	—	172,893
Nonexpendable	81,381	—	81,381
Other purposes	4,961,734	—	4,961,734
Unrestricted	<u>303,170,510</u>	<u>53,331,275</u>	<u>356,501,785</u>
Total net position	<u>\$ 536,294,456</u>	<u>221,971,940</u>	<u>758,266,396</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Activities

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ (10,558,448)	1,242,289	53,188	297,613	(8,965,358)	—	(8,965,358)
Public safety	(96,008,043)	29,207,003	2,927,612	575,901	(63,297,528)	—	(63,297,528)
Public service	(26,938,269)	19,721,555	1,322,831	1,031,031	(4,862,852)	—	(4,862,852)
Culture and recreation	(42,982,186)	8,807,283	34,244	—	(34,140,659)	—	(34,140,659)
Interest on long-term debt	(7,886,202)	—	—	—	(7,886,202)	—	(7,886,202)
Total governmental activities	<u>(184,373,148)</u>	<u>58,978,129</u>	<u>4,337,875</u>	<u>1,904,545</u>	<u>(119,152,599)</u>	<u>—</u>	<u>(119,152,599)</u>
Business-type activities:							
Water	(29,457,542)	34,945,035	—	—	—	5,487,493	5,487,493
Parking facilities	(17,527,741)	22,929,670	—	—	—	5,401,929	5,401,929
Solid waste	(13,925,218)	15,427,363	9,469	200,951	—	1,712,565	1,712,565
Wastewater	(10,847,548)	13,210,209	—	—	—	2,362,661	2,362,661
Stormwater	(2,806,633)	1,820,854	—	—	—	(985,779)	(985,779)
Parking authority	(29,942,501)	24,644,203	—	—	—	(5,298,298)	(5,298,298)
Total business-type activities	<u>(104,507,183)</u>	<u>112,977,334</u>	<u>9,469</u>	<u>200,951</u>	<u>—</u>	<u>8,680,571</u>	<u>8,680,571</u>
Total	<u>\$ (288,880,331)</u>	<u>171,955,463</u>	<u>4,347,344</u>	<u>2,105,496</u>	<u>(119,152,599)</u>	<u>8,680,571</u>	<u>(110,472,028)</u>
General revenues:							
Taxes:							
Business					37,773,711	—	37,773,711
Property					45,893,196	—	45,893,196
Sales					26,820,826	—	26,820,826
Transient occupancy					31,085,808	—	31,085,808
Other					4,743,455	—	4,743,455
Grants and contributions not restricted to specific programs					667,516	—	667,516
Unrestricted investment earnings					12,297,202	1,371,810	13,669,012
Net change in fair value of investments					(4,575,516)	(1,283,053)	(5,858,569)
Miscellaneous					1,233,050	3,278,017	4,511,067
Transfers (note 7)					(7,925,000)	7,925,000	—
Transfers to Parking Authority (note 14)					(4,123,100)	4,123,100	—
Total general revenues and transfers					<u>143,891,148</u>	<u>15,414,874</u>	<u>159,306,022</u>
Change in net position					<u>24,738,549</u>	<u>24,095,445</u>	<u>48,833,994</u>
Net position, July 1					<u>511,555,907</u>	<u>197,876,495</u>	<u>709,432,402</u>
Net position, June 30					<u>\$ 536,294,456</u>	<u>221,971,940</u>	<u>758,266,396</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Balance Sheet

Governmental Funds

June 30, 2013

Assets	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
Cash and investments (note 4)	\$ 96,527,432	18,637,716	31,325,638	—	146,490,786
Accounts receivable, net (note 5)	8,856,097	—	—	—	8,856,097
Interest receivable (note 5)	234,912	54,751	92,366	—	382,029
Taxes receivable (note 5)	11,309,532	—	—	—	11,309,532
Interfund receivables (note 6)	23,700	—	—	(23,700)	—
Intergovernmental receivables (note 5)	4,066,786	11,062	252,607	—	4,330,455
Prepaid expenses	757,967	—	—	—	757,967
Advances to other funds (note 6)	16,388,949	—	7,235,981	—	23,624,930
Restricted assets:					
Cash and investments (note 4C)	—	—	273,827	—	273,827
Interest receivable (note 5)	—	—	864	—	864
Total assets	<u>138,165,375</u>	<u>18,703,529</u>	<u>39,181,283</u>	<u>(23,700)</u>	<u>196,026,487</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 3,548,312	62,525	354,822	—	3,965,659
Contracts payable	—	—	14,169	—	14,169
Accrued payroll	4,850,641	—	33,117	—	4,883,758
Interfund payables (note 6)	—	—	23,700	(23,700)	—
Intergovernmental payables	1,727,660	—	5,158	—	1,732,818
Customer deposits	5,521,050	—	1,632,343	—	7,153,393
Deferred revenue (note 5)	4,603,629	45,025	344,978	—	4,993,632
Total liabilities	<u>20,251,292</u>	<u>107,550</u>	<u>2,408,287</u>	<u>(23,700)</u>	<u>22,743,429</u>
Fund balances (note 15):					
Nonspendable	23,055,755	—	81,381	—	23,137,136
Restricted	—	18,595,979	13,432,345	—	32,028,324
Committed	12,167,283	—	21,051,608	—	33,218,891
Assigned	2,000,000	—	2,293,685	—	4,293,685
Unassigned	80,691,045	—	(86,023)	—	80,605,022
Total fund balances	<u>117,914,083</u>	<u>18,595,979</u>	<u>36,772,996</u>	<u>—</u>	<u>173,283,058</u>
Total liabilities and fund balances	<u>\$ 138,165,375</u>	<u>18,703,529</u>	<u>39,181,283</u>	<u>(23,700)</u>	<u>196,026,487</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

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

June 30, 2013

Total governmental fund balances (page 31)	\$ 173,283,058
Amounts reported for governmental activities in the statement of net position 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.	121,818,840
– 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 position.	10,714,263
– Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	232,335
– Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,265,696
– Certain intergovernmental receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	326,527
– 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 position.	257,764,129
– 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>(30,110,392)</u>
Net position of governmental activities (page 29)	<u><u>\$ 536,294,456</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, 2013

	<u>General Fund</u>	<u>Infrastructure Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 143,359,655	—	3,445,376	—	146,805,031
Licenses and permits	15,218,056	—	—	—	15,218,056
Intergovernmental	1,156,868	630,086	4,553,027	—	6,339,981
Charges for service	11,069,035	—	148,993	(399,208)	10,818,820
Fines, forfeitures and penalties	7,508,395	—	—	—	7,508,395
Use of money and property	5,683,405	223,472	680,728	—	6,587,605
Net change in fair value of investments	(1,201,676)	(320,774)	(517,289)	—	(2,039,739)
Contribution in aid of construction	—	131,255	—	—	131,255
Miscellaneous	956,257	—	5,000	—	961,257
Total revenues	183,749,995	664,039	8,315,835	(399,208)	192,330,661
Expenditures:					
Current:					
General government	7,989,942	—	—	(1,519)	7,988,423
Public safety	87,217,113	—	1,057,985	—	88,275,098
Public service	23,812,071	—	1,250,409	(100,783)	24,961,697
Culture and recreation	39,241,042	—	65,112	(296,906)	39,009,248
Debt service:					
Interest	—	—	1,307,007	—	1,307,007
Capital outlay	131,680	1,842,399	2,547,273	—	4,521,352
Total expenditures	158,391,848	1,842,399	6,227,786	(399,208)	166,062,825
Excess (deficiency) of revenues over expenditures	25,358,147	(1,178,360)	2,088,049	—	26,267,836
Other financing sources (uses):					
Transfers in (note 7)	506,000	4,450,000	1,630,789	(6,286,789)	300,000
Insurance recoveries	5,286	—	—	—	5,286
Transfers out (note 7)	(11,041,244)	—	(859,289)	6,286,789	(5,613,744)
Payment to bond escrow agent	—	—	(12,924)	—	(12,924)
Transfer out-Contrib to Parking Authority (note 14)	(4,123,100)	—	—	—	(4,123,100)
Total other financing sources (uses)	(14,653,058)	4,450,000	758,576	—	(9,444,482)
Net change in fund balances	10,705,089	3,271,640	2,846,625	—	16,823,354
Fund balances, July 1	107,208,994	15,324,339	33,926,371	—	156,459,704
Fund balances, June 30	\$ 117,914,083	18,595,979	36,772,996	—	173,283,058

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, 2013

Net change in fund balances – total governmental funds (page 33)	\$ 16,823,354
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.	2,265,696
• 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.	(2,753,731)
• Certain intergovernmental revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	326,527
– Interest revenues:	
• Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	232,335
• 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	(107,907)
– 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.	9,584,763
– 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 position	(378,723)
– 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.	(1,304,725)
– 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 position. 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.	50,960
Change in net position of governmental activities (page 30)	\$ <u>24,738,549</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, 2013

	<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	\$ 36,150,000	36,150,000	37,773,711	1,623,711
Property	42,648,000	42,648,000	46,381,231	3,733,231
Sales	23,690,000	23,690,000	26,820,826	3,130,826
Transient occupancy	28,943,000	28,943,000	31,085,808	2,142,808
Other	865,000	865,000	1,298,079	433,079
Licenses and permits	13,174,074	13,174,074	15,218,056	2,043,982
Intergovernmental	891,364	2,540,404	1,156,868	(1,383,536)
Charges for services	9,824,531	9,844,601	11,069,035	1,224,434
Fines, forfeitures and penalties	8,544,751	8,544,751	7,508,395	(1,036,356)
Use of money and property	5,797,504	5,797,504	5,683,405	(114,099)
Net change in fair value of investments	—	—	(1,201,676)	(1,201,676)
Miscellaneous	858,514	960,514	956,257	(4,257)
Total revenues	<u>171,386,738</u>	<u>173,157,848</u>	<u>183,749,995</u>	<u>10,592,147</u>
Expenditures:				
Current:				
General government:				
Financial services	985,631	994,031	986,084	(7,947)
Economic development	4,072,200	4,732,115	4,159,889	(572,226)
Non-departmental	3,475,496	3,443,352	2,843,969	(599,383)
Total general government	<u>8,533,327</u>	<u>9,169,498</u>	<u>7,989,942</u>	<u>(1,179,556)</u>
Public safety:				
Police services	51,468,360	52,069,942	50,632,805	(1,437,137)
Fire control	32,514,260	34,279,177	32,385,963	(1,893,214)
Building and safety	4,426,335	4,738,332	4,198,345	(539,987)
Hazard Mitigation	—	9,647	—	(9,647)
Total public safety	<u>88,408,955</u>	<u>91,097,098</u>	<u>87,217,113</u>	<u>(3,879,985)</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final		
Public service:				
Engineering and administration	\$ 1,021,441	1,065,194	844,327	(220,867)
Streets and subdrains	6,755,453	6,840,453	6,176,518	(663,935)
Planning services	6,645,193	6,658,867	6,199,877	(458,990)
Community services	11,563,162	11,999,572	10,591,349	(1,408,223)
Total public service	<u>25,985,249</u>	<u>26,564,086</u>	<u>23,812,071</u>	<u>(2,752,015)</u>
Culture and recreation:				
Recreation and parks	17,712,477	17,757,945	16,447,641	(1,310,304)
Library	10,717,365	10,737,833	10,519,312	(218,521)
Education	10,997,964	12,247,964	12,201,211	(46,753)
Promotion and tourism	250,000	250,000	72,878	(177,122)
Total culture and recreation	<u>39,677,806</u>	<u>40,993,742</u>	<u>39,241,042</u>	<u>(1,752,700)</u>
Capital outlay	—	410,874	131,680	(279,194)
Total expenditures	<u>162,605,337</u>	<u>168,235,298</u>	<u>158,391,848</u>	<u>(9,843,450)</u>
Excess of revenues over expenditures	<u>8,781,401</u>	<u>4,922,550</u>	<u>25,358,147</u>	<u>20,435,597</u>
Other financing sources (uses):				
Transfers in (note 7)	506,000	506,000	506,000	—
Insurance recoveries	—	—	5,286	5,286
Transfers out (note 7)	(10,090,100)	(15,164,344)	(11,041,244)	(4,123,100)
Contribution to Parking Authority (note 14)	—	—	(4,123,100)	4,123,100
Total other financing sources (uses)	<u>(9,584,100)</u>	<u>(14,658,344)</u>	<u>(14,653,058)</u>	<u>5,286</u>
Net change in fund balances	(802,699)	(9,735,794)	10,705,089	20,440,883
Fund balance, July 1	<u>107,208,994</u>	<u>107,208,994</u>	<u>107,208,994</u>	<u>—</u>
Fund balance, June 30	<u>\$ 106,406,295</u>	<u>97,473,200</u>	<u>117,914,083</u>	<u>20,440,883</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Position

Proprietary Funds

June 30, 2013

	Business-type Activities – Enterprise Funds						Business-type Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater	Parking Authority		
ASSETS								
Current assets:								
Cash and investments (note 4)	\$ 23,741,427	30,661,774	13,145,962	27,178,290	1,433,885	4,944,614	101,105,952	147,662,412
Accounts receivable, net (note 5)	5,971,506	82,582	3,547,723	2,574,025	452,082	204,699	12,832,617	89,596
Interest receivable (note 5)	57,049	57,590	40,535	84,207	2,914	—	242,295	475,937
Inventories	1,262,597	—	—	—	—	—	1,262,597	353,668
Prepaid expenses	—	—	—	—	—	—	—	600,879
Total current assets	31,032,579	30,801,946	16,734,220	29,836,522	1,888,881	5,149,313	115,443,461	149,182,492
Noncurrent assets:								
Restricted assets:								
Cash and investments (notes 4C and 9)	5,772,807	2,359,387	—	1,623,750	—	—	9,755,944	2,314,662
Total restricted assets	5,772,807	2,359,387	—	1,623,750	—	—	9,755,944	2,314,662
Bond issuance costs, net	706,669	817,145	—	175,895	—	—	1,699,709	1,299,163
Advances to other funds (note 6)	—	—	1,800,000	—	(1,800,000)	—	—	28,943,925
Net pension assets	189,755	80,935	144,325	47,638	69,586	—	532,239	1,274,436
Other post employment benefit asset	—	—	—	—	—	—	—	3,407,956
Total other noncurrent assets	896,424	898,080	1,944,325	223,533	(1,730,414)	—	2,231,948	34,925,480
Capital assets (note 8):								
Land	5,260,911	7,291,981	—	8,709,000	—	11,852,153	33,114,045	32,273,138
Buildings	16,683,327	24,672,145	—	—	—	169,651,459	211,006,931	235,700,356
Utility systems	136,490,809	—	—	56,407,651	10,101,650	—	203,000,110	—
Improvements other than buildings	—	493,851	—	—	—	3,814,318	4,308,169	30,200,478
Machinery and equipment	5,774,158	48,163	1,247,008	689,382	67,533	2,047,486	9,873,730	60,699,133
Infrastructure	—	—	—	—	—	—	—	659,445
	164,209,205	32,506,140	1,247,008	65,806,033	10,169,183	187,365,416	461,302,985	359,532,550
Less accumulated depreciation	(52,567,052)	(12,639,380)	(1,056,159)	(18,220,817)	(6,851,375)	(75,006,547)	(166,341,330)	(137,621,383)
Construction in progress	3,416,648	1,233,894	—	682,428	—	—	5,332,970	14,834,002
Total capital assets, net	115,058,801	21,100,654	190,849	48,267,644	3,317,808	112,358,869	300,294,625	236,745,169
Total noncurrent assets	121,728,032	24,358,121	2,135,174	50,114,927	1,587,394	112,358,869	312,282,517	273,985,311
Total assets	152,760,611	55,160,067	18,869,394	79,951,449	3,476,275	117,508,182	427,725,978	423,167,803

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Position, Continued

Proprietary Funds

June 30, 2013

	Business-type Activities – Enterprise Funds						Business-type Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater	Parking Authority		
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 3,085,772	736,318	954,275	1,871,943	11,075	444	6,659,827	5,445,237
Contracts payable	359,798	25,747	—	97,975	—	—	483,520	316,659
Accrued payroll	166,150	135,547	68,152	116,655	62,029	—	548,533	1,049,792
Interest payable	227,186	256,926	—	41,008	—	—	525,120	346,585
Current portion of long-term liabilities:								
Compensated absences (note 9)	—	—	—	—	—	—	—	826,335
Outstanding claims (note 9)	—	—	—	—	—	—	—	2,996,773
Advances from other funds (note 6)	—	—	—	—	—	3,099,978	3,099,978	—
Revenue bonds (note 9)	1,995,000	4,741,329	—	1,125,000	—	—	7,861,329	8,092,608
Capital leases (note 9)	—	—	—	—	—	—	—	65,275
Notes payable (note 9)	—	—	—	—	—	—	—	1,573,429
Intergovernmental payable	7,299	—	—	805,559	—	—	812,858	—
Customer deposits	1,716,465	—	—	3,075	—	—	1,719,540	—
Unearned revenue (note 5)	232,197	—	—	—	—	101,704	333,901	3,316,376
Total current liabilities	7,789,867	5,895,867	1,022,427	4,061,215	73,104	3,202,126	22,044,606	24,029,069
Long-term liabilities (net of current portion):								
Compensated absences (note 9)	—	—	—	—	—	—	—	12,500,891
Outstanding claims (note 9)	—	—	—	—	—	—	—	7,267,020
Unearned revenue (note 5)	—	475,898	—	—	—	—	475,898	—
Capital leases (note 9)	—	—	—	—	—	—	—	161,568
Advances from other funds (note 6)	—	—	—	—	—	49,468,877	49,468,877	—
Revenue bonds (note 9)	57,460,000	57,199,223	—	10,790,000	—	—	125,449,223	89,188,857
Original issue premium, net (note 9)	6,281,938	3,655,290	—	302,926	—	—	10,240,154	8,165,555
Amount on refunding, net (note 9)	(1,723,051)	(971,236)	—	(884,580)	—	—	(3,578,867)	(3,107,473)
Notes payable (note 9)	—	—	—	—	—	—	—	26,881,191
Leased property deposits	—	—	—	—	—	691,980	691,980	316,996
Credit from sale-leaseback transactions (note 11)	—	962,167	—	—	—	—	962,167	—
Total long-term liabilities	62,018,887	61,321,342	—	10,208,346	—	50,160,857	183,709,432	141,374,605
Total liabilities	69,808,754	67,217,209	1,022,427	14,269,561	73,104	53,362,983	205,754,038	165,403,674
NET POSITION								
Net investment in capital assets (note 14)	52,304,271	(43,010,588)	190,849	36,934,297	3,317,808	112,358,869	162,095,506	123,755,860
Restricted for:								
Debt service	4,513,451	407,958	—	1,623,750	—	—	6,545,159	2,116,519
Unrestricted (note 14)	26,134,135	30,545,488	17,656,118	27,123,841	85,363	(48,213,670)	53,331,275	131,891,750
Total net position (deficit)	\$ 82,951,857	(12,057,142)	17,846,967	65,681,888	3,403,171	64,145,199	221,971,940	257,764,129

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2013

	Business-type Activities – Enterprise Funds						Governmental	
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater	Parking Authority	Business-type Total	Activities – Internal Service Funds
Operating revenues:								
Sales, service charges and fees	\$ 34,945,035	22,929,670	15,427,363	13,210,209	1,820,854	24,644,203	112,977,334	79,292,116
Operating expenses:								
Salaries and employee benefits	2,929,187	3,496,966	1,865,067	1,001,542	987,070	—	10,279,832	23,748,649
Maintenance and operation	19,974,285	9,813,037	11,862,774	7,776,777	1,521,657	22,154,100	73,102,630	21,609,110
Insurance premiums, settlements and provisions	—	—	—	—	—	—	—	4,232,592
Depreciation (note 8)	3,912,964	605,246	197,377	1,464,065	297,906	5,649,575	12,127,133	13,912,219
Amortization of issuance costs	(153,974)	8,595	—	84,959	—	—	(60,420)	442,404
Total operating expenses	<u>26,662,462</u>	<u>13,923,844</u>	<u>13,925,218</u>	<u>10,327,343</u>	<u>2,806,633</u>	<u>27,803,675</u>	<u>95,449,175</u>	<u>63,944,974</u>
Operating income (loss)	<u>8,282,573</u>	<u>9,005,826</u>	<u>1,502,145</u>	<u>2,882,866</u>	<u>(985,779)</u>	<u>(3,159,472)</u>	<u>17,528,159</u>	<u>15,347,142</u>
Nonoperating revenues (expenses):								
Investment revenue	230,618	604,332	172,511	355,659	8,690	—	1,371,810	5,585,169
Net change in fair value of investments	(355,149)	(238,099)	(222,712)	(451,313)	(15,780)	—	(1,283,053)	(2,535,777)
Interest expense	(2,795,080)	(3,603,897)	—	(520,205)	—	(2,138,826)	(9,058,008)	(6,579,195)
Intergovernmental revenue	—	200,951	9,469	—	—	—	210,420	243,428
Gain (loss) on sale of capital assets	—	—	—	—	—	—	—	(54,553)
Other revenue (expense)	(1,262)	32,283	57,002	1,497,372	5,102	1,687,520	3,278,017	189,805
Total nonoperating revenues (expenses)	<u>(2,920,873)</u>	<u>(3,004,430)</u>	<u>16,270</u>	<u>881,513</u>	<u>(1,988)</u>	<u>(451,306)</u>	<u>(5,480,814)</u>	<u>(3,151,123)</u>
Income (loss) before contributions and operating transfers	5,361,700	6,001,396	1,518,415	3,764,379	(987,767)	(3,610,778)	12,047,345	12,196,019
Transfers in (note 7)	—	6,300,000	—	—	1,860,000	—	8,160,000	3,988,744
Transfers out (note 7)	—	(175,000)	(60,000)	—	—	—	(235,000)	(6,600,000)
Transfers in/(out)-contributions to Parking Authority (note 14)	—	(238,605)	—	—	—	4,361,705	4,123,100	—
Change in net position	<u>5,361,700</u>	<u>11,887,791</u>	<u>1,458,415</u>	<u>3,764,379</u>	<u>872,233</u>	<u>750,927</u>	<u>24,095,445</u>	<u>9,584,763</u>
Net position, July 1	<u>77,590,157</u>	<u>(23,944,933)</u>	<u>16,388,552</u>	<u>61,917,509</u>	<u>2,530,938</u>	<u>63,394,272</u>	<u>197,876,495</u>	<u>248,179,366</u>
Net position (deficit), June 30	<u>\$ 82,951,857</u>	<u>(12,057,142)</u>	<u>17,846,967</u>	<u>65,681,888</u>	<u>3,403,171</u>	<u>64,145,199</u>	<u>221,971,940</u>	<u>257,764,129</u>

See accompanying notes to basic financial statements.





CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2013

	Business-type Activities – Enterprise Funds						Governmental	
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater	Parking Authority	Business-type Total	Activities – Internal Service Funds
Cash flows from operating activities:								
Cash received from customers	\$ 35,080,575	22,602,387	14,983,994	12,985,597	1,777,147	13,662,135	101,091,835	100,143,881
Rents received under property leases	11,070	221,268	—	—	—	10,771,457	11,003,795	—
Cash payments to employees for services	(2,870,341)	(3,483,957)	(1,861,822)	(916,222)	(960,579)	—	(10,092,921)	(25,175,826)
Cash payments for goods and services	(19,503,074)	(9,801,229)	(11,794,888)	(8,791,154)	(1,518,942)	(22,173,656)	(73,582,943)	(36,954,827)
Cash payments for insurance premiums, settle- ments and claims	—	—	—	—	—	—	—	(5,722,483)
Net cash provided by (used in) operating activities	12,718,230	9,538,469	1,327,284	3,278,221	(702,374)	2,259,936	28,419,766	32,290,745
Cash flows from noncapital financing activities:								
Grant receipts and other revenue (expenditures)	(1,262)	233,233	66,471	1,497,372	5,102	1,687,520	3,488,436	200,984
Intergovernmental revenue	—	—	—	—	—	—	—	232,250
Cash received (paid) from unfunded liabilities	6,702	2,858	5,097	1,682	2,458	—	18,797	45,010
Cash received from other funds	—	6,125,000	—	—	1,860,000	4,123,100	12,108,100	2,563,744
Cash paid to other funds	—	—	(60,000)	—	—	—	(60,000)	(5,175,000)
Net cash provided by (used in) noncapital financing activities	5,440	6,361,091	11,568	1,499,054	1,867,560	5,810,620	15,555,333	(2,133,012)
Cash flows from capital financing activities:								
Proceeds from sale of property	—	—	—	—	—	—	—	76,439
Acquisition and construction of (inflows from) capital assets	(5,703,481)	(1,424,547)	(14,497)	645,560	—	—	(6,496,965)	(18,886,468)
Proceeds from issuance of bonds	—	7,050,651	—	—	—	—	7,050,651	12,704,604
Payments of bond issue costs	—	(64,322)	—	—	—	—	(64,322)	(116,038)
Payments to defeased bonds escrow trustee	—	(6,961,334)	—	—	—	—	(6,961,334)	(12,543,665)
Principal received (payments) on interfund advance	—	—	—	—	—	—	—	1,292,459
Interest received (paid) on note receivable	—	—	—	—	—	—	—	708,314
Interest received (paid) on interfund advance	—	—	—	—	—	—	—	455,787
Principal payments on debt	(2,090,000)	(8,203,587)	—	(1,095,000)	—	(2,985,053)	(14,373,640)	(9,946,395)
Interest payments on debt	(2,801,338)	(3,649,118)	—	(522,760)	—	(2,138,825)	(9,112,041)	(6,639,890)
Net cash provided by (used in) capital financing activities	(10,594,819)	(13,252,257)	(14,497)	(972,200)	—	(5,123,878)	(29,957,651)	(32,894,853)
Cash flows from investing activities:								
Earnings on investments	(125,416)	394,708	(53,550)	(104,932)	(8,879)	—	101,931	1,892,635
Net cash provided by investing activities	(125,416)	394,708	(53,550)	(104,932)	(8,879)	—	101,931	1,892,635
Net increase (decrease) in cash and cash equivalents	2,003,435	3,042,011	1,270,805	3,700,143	1,156,307	2,946,678	14,119,379	(844,485)
Cash and cash equivalents, July 1	27,510,799	29,979,150	11,875,157	25,101,897	277,578	1,997,936	96,742,517	150,821,559
Cash and cash equivalents, June 30	\$ 29,514,234	33,021,161	13,145,962	28,802,040	1,433,885	4,944,614	110,861,896	149,977,074

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows, Continued

Proprietary Funds

For the Year Ended June 30, 2013

	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)	\$ 8,282,573	9,005,826	1,502,145	2,882,866	(985,779)	(3,159,472)	17,528,159	15,347,142
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation	3,912,964	605,246	197,377	1,464,065	297,906	5,649,575	12,127,133	13,912,219
Amortization of issuance costs	(153,974)	8,595	—	84,959	—	—	(60,420)	442,404
Changes in assets and liabilities:								
Increase (decrease) in other post-employment benefit obligations	—	—	—	—	—	—	—	1,859,376
(Increase) decrease in accounts receivable	(153,565)	(14,033)	(449,622)	(220,387)	(43,707)	(63,795)	(945,109)	59,438
(Increase) decrease in inventory	119,702	—	—	—	—	—	119,702	2,486
(Increase) decrease in prepaid expenses	3,470	58,345	—	—	—	—	61,815	(105,033)
Increase (decrease) in accounts payable	346,054	(46,451)	67,885	12,223	2,715	444	382,870	721,205
Increase (decrease) in intergovernmental payable	5,474	—	—	(1,026,386)	—	—	(1,020,912)	—
Increase (decrease) in interfund payable	—	(86)	—	—	—	—	(86)	(2,464)
(Increase) decrease in interfund receivable	—	—	6,254	—	—	—	6,254	—
Increase (decrease) in accrued payroll	58,846	13,008	3,245	85,320	26,491	—	186,910	310,251
Increase (decrease) in other liabilities	(3,489)	—	—	(214)	—	(20,000)	(23,703)	—
Increase (decrease) in accrued compensated absences	—	—	—	—	—	—	—	(640,588)
Increase in outstanding claims	—	—	—	—	—	—	—	330,449
Increase in unearned revenue	61,615	(91,981)	—	—	—	(183,219)	(213,585)	53,860
Increase (decrease) in customer deposits	238,560	—	—	(4,225)	—	36,403	270,738	—
Total adjustments	4,435,657	532,643	(174,861)	395,355	283,405	5,419,408	10,891,607	16,943,603
Net cash provided by (used in) operating activities	\$ 12,718,230	9,538,469	1,327,284	3,278,221	(702,374)	2,259,936	28,419,766	32,290,745
Cash and investments	23,741,427	30,661,774	13,145,962	27,178,290	1,433,885	4,944,614	101,105,952	147,662,412
Restricted cash and investments	5,772,807	2,359,387	—	1,623,750	—	—	9,755,944	2,314,662
Total cash and cash equivalents	\$ 29,514,234	33,021,161	13,145,962	28,802,040	1,433,885	4,944,614	110,861,896	149,977,074
Significant noncash investing and financing activities:								
– Amortization of bond issuance costs, premiums, discounts and amounts on refunding (note 9)	\$ (153,974)	8,595	—	84,959	—	—	(60,420)	442,404
– Value of capital asset under lease (note 9)	—	—	—	—	—	—	—	226,843
– Change in fair value of investments	(355,149)	(238,099)	(222,712)	(451,313)	(15,780)	—	(1,283,053)	(2,535,777)
See accompanying notes to basic financial statements.								





CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Fiduciary Net Position

City of Beverly Hills Community Charitable Foundation

June 30, 2013

	Community Charitable Foundation
Assets	
Current assets:	
Cash and investments (note 4)	\$ 419,734
	419,734
Total assets	419,734
 Liabilities and net position	
Liabilities:	
Accounts payable	3,692
Deposit payable	416,042
	419,734
Total liabilities	419,734
Net position:	
Restricted	—
Total net position	—
 Total liabilities and net position	\$ 419,734

See accompanying notes to basic financial statements



CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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.

The 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, 2013, 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 by contributing \$4,123,100 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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund and no Parking Authority financial transactions occurred in subsequent 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 for additional explanation.) 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 Community Charitable 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 City maintains a fiduciary fund for the City of Beverly Hills Community Charitable Foundation. 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 reported, however, as part of the basic financial statements to ensure fiscal accountability.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary 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.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements (note that the City has one fiduciary fund, the City of Beverly Hills Community Charitable Foundation). Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The 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 measurable 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 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.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

• (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- The *Stormwater Enterprise Fund* accounts for the certain standards for street sweeping, storm drain maintenance and other environmental 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:

- 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.
- *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.
- *Fiduciary funds* are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.
- *Permanent funds* are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may

be used for purposes that support the reporting government’s programs—that is, for the benefit of the government or its citizenry.

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 nonoperating 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 Position 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.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 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 Expenses

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 expenses 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 endowments, 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.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
CONTINUED**

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, 2013.

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.

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 position. 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 Outflows of Resources and Net Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. As of June 30, 2013, the City does not have any applicable deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2013, the City does not have any applicable deferred inflows of resources.

Net Position and Fund Equity

In the government-wide financial statements and proprietary fund financial statements, net position is displayed in three components: net investment in capital assets, restricted net position, and unrestricted net position. The restricted component of net position reflects constraints placed on the use of resources 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 assets are temporarily restricted (ultimately expendable assets). The unrestricted component of net position is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position. Please also refer to Note 14 for more information on net investment in capital assets.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
CONTINUED**

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 respective 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

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, 2013 and 2012:

<u>FY</u>	<u>Liability Balance – Beginning of FY</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability Balance – End of FY</u>
<i>General Liability:</i>				
2012	6,448,180	2,042,647	(5,567,516)	2,923,311
2013	2,923,311	6,348,701	(6,247,013)	3,024,999
<i>Workers' Compensation:</i>				
2012	6,481,441	808,272	(259,484)	7,030,229
2013	7,030,229	633,308	(440,696)	7,222,841
<i>Unemployment Insurance:</i>				
2012	100,674	21,806	(97,984)	24,496
2013	24,496	19,486	(28,028)	15,954

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 pronouncements have been implemented this fiscal year:

- i. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- ii. GASB Statement No 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

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

- i. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements
- ii. GASB Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Pending Accounting Standards

GASB has issued the following statements which may impact the City's financial reporting requirements in the future:

- GASB 65 - "Items Previously Reported as Assets and Liabilities", effective for periods beginning after December 15, 2012.
- GASB 66 - "Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62", effective for periods beginning after December 15, 2012.
- GASB 67 - "Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25", effective for the fiscal years beginning after June 15, 2013.
- GASB 68 - "Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27", effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - "Government Combinations and Disposals of Government Operations", effective for periods beginning after December 15, 2013.
- GASB 70 - "Accounting and Financial Reporting for Nonexchange Financial Guarantees", effective for the periods beginning after June 15, 2013.

(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:

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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 Position

	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	\$ 146,490,786	—	—	—	147,662,412	—	294,153,198
Accounts receivable, net	8,856,097	—	—	—	89,596	—	8,945,693
Interest receivable	382,029	—	—	—	475,937	—	857,966
Taxes receivable	11,309,532	—	—	—	—	—	11,309,532
Intergovernmental receivable	4,330,455	—	—	—	—	—	4,330,455
Inventory	—	—	—	—	353,668	—	353,668
Prepaid expenses	757,967	—	—	—	600,879	—	1,358,846
Restricted assets:							
Cash and investments	273,827	—	—	—	2,314,662	—	2,588,489
Interest receivable	864	—	—	—	—	—	864
Deferred bond issuance costs, net	—	—	—	266,882	1,299,163	—	1,566,045
Advances to other funds	23,624,930	—	—	—	28,943,925	—	52,568,855
Net pension assets	—	10,714,263	—	—	1,274,436	—	11,988,699
Other Post Employment Benefit asset	—	—	—	—	3,407,956	—	3,407,956
Capital assets, net	—	—	121,818,840	—	236,745,169	—	358,564,009
Total assets	<u>196,026,487</u>	<u>10,714,263</u>	<u>121,818,840</u>	<u>266,882</u>	<u>423,167,803</u>	<u>—</u>	<u>751,994,275</u>
LIABILITIES							
Accounts payable	3,965,659	—	—	—	5,445,237	—	9,410,896
Contracts payable	14,169	—	—	—	316,659	—	330,828
Accrued payroll	4,883,758	—	—	—	1,049,792	—	5,933,550
Interest payable	—	—	—	108,917	346,585	—	455,502
Current portion of long-term liabilities	—	—	—	46,064	13,554,420	—	13,600,484
Intergovernmental payables	1,732,818	—	—	—	—	—	1,732,818
Customer deposits	7,153,393	—	—	—	316,996	—	7,470,389
Deferred revenue	4,993,632	—	—	—	3,316,376	(2,824,558)	5,485,450
Long-term liabilities, net of current portion:							
Note Payable	—	—	—	—	26,881,191	—	26,881,191
Compensated absences	—	—	—	—	12,500,891	—	12,500,891
Outstanding claims	—	—	—	—	7,267,020	—	7,267,020
Revenue bonds	—	—	—	28,991,920	89,188,857	—	118,180,777
Original issue premium, net	—	—	—	2,771,754	8,165,555	—	10,937,309
Deferred amount on refunding, net	—	—	—	(1,541,381)	(3,107,473)	—	(4,648,854)
Capital lease	—	—	—	—	161,568	—	161,568
Total liabilities	<u>22,743,429</u>	<u>—</u>	<u>—</u>	<u>30,377,274</u>	<u>165,403,674</u>	<u>(2,824,558)</u>	<u>215,699,819</u>
FUND BALANCES/NET POSITION							
Fund balances:							
Nonspendable	23,137,136	—	—	—	—	(23,137,136)	—
Restricted	32,028,324	—	—	—	—	(32,028,324)	—
Committed	33,218,891	—	—	—	—	(33,218,891)	—
Assigned	4,293,685	—	—	—	—	(4,293,685)	—
Unassigned	80,605,022	—	—	—	—	(80,605,022)	—
Net position:							
Net investment in capital assets debt	—	—	121,818,840	(30,268,357)	123,755,860	(16,194,851)	199,111,492
Restricted	—	—	—	—	2,116,519	31,895,935	34,012,454
Unrestricted	—	10,714,263	—	157,965	131,891,750	160,406,532	303,170,510
Total fund balances/net position	<u>\$ 173,283,058</u>	<u>10,714,263</u>	<u>121,818,840</u>	<u>(30,110,392)</u>	<u>257,764,129</u>	<u>2,824,558</u>	<u>536,294,456</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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	\$ 177,797,574
Accumulated depreciation	<u>(55,978,734)</u>
General capital assets, net	<u>\$ 121,818,840</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	\$ 29,037,984
Add: original issue premium (amortized over the life of the bonds to interest expense)	2,771,754
Less: deferred bond issuance costs (amortized over the life of the bonds to interest expense)	(266,882)
Less: deferred amount on refunding (amortized over the life of the bonds to interest expense)	(1,541,381)
Plus: interest payable	<u>108,917</u>
Infrastructure long-term liabilities, net	<u>\$ 30,110,392</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 position. Net position total:	
Net investment in capital assets	\$ 123,755,860
Restricted	2,116,519
Unrestricted	<u>131,891,750</u>
Internal service funds net position	<u>\$ 257,764,129</u>

4) Certain reclassifications and eliminations are required to properly state governmental activities in the statement of net position:	
– 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 position	\$ <u>10,714,263</u>
– Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	232,335
Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	2,265,696
Certain intergovernmental receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	<u>326,527</u>
Net reduction in deferred revenue	<u>2,824,558</u>
– Fund balances are reclassified and restated into three categories of net position: net investment in capital assets, restricted and unrestricted.	
Fund balances,	
Nonspendable	(23,137,136)
Restricted	(32,028,324)
Committed	(33,218,891)
Assigned	(4,293,685)
Unassigned	(80,605,022)
Net Position, Net investment in capital assets related debt	(16,194,851)
Net position, restricted	31,895,935
Net position, unrestricted	<u>160,406,532</u>
Net fund balance reclassifications	<u>2,824,558</u>
Net reclasses and eliminations	\$ <u>-</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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	\$ 10,818,820	—	—	—	79,292,116	(31,132,807)	58,978,129
Operating grants and contributions	—	—	—	—	—	4,337,875	4,337,875
Capital grants and contributions	131,255	—	—	—	—	1,773,290	1,904,545
Licenses and permits	15,218,056	—	—	—	—	(15,218,056)	—
Fines, forfeitures and penalties	7,508,395	—	—	—	—	(7,508,395)	—
General revenues:							
Taxes	146,805,031	—	—	—	—	(488,035)	146,316,996
Intergovernmental	6,339,981	—	—	—	243,428	(6,583,409)	—
Grants and contributions not restricted to specific programs	—	—	—	—	—	667,516	667,516
Investment earnings	6,587,605	—	—	—	5,585,169	124,428	12,297,202
Net change in fair value of investments	(2,039,739)	—	—	—	(2,535,777)	—	(4,575,516)
Gain (loss) on sale of capital assets	—	—	—	—	(54,553)	54,553	—
Miscellaneous	961,257	—	—	—	189,805	81,988	1,233,050
Transfers in	300,000	—	—	—	3,988,744	(4,113,744)	175,000
Total revenues and transfers in	192,630,661	—	—	—	86,708,932	(58,004,796)	221,334,797
Expenditures/expenses:							
General government	7,988,423	—	—	—	—	2,570,025	10,558,448
Public safety	88,275,098	—	—	—	—	7,732,945	96,008,043
Public service	24,961,697	—	—	—	—	1,976,572	26,938,269
Culture and recreation	39,009,248	—	—	—	—	3,972,938	42,982,186
Debt service:							
Interest	1,307,007	—	—	—	6,579,195	—	7,886,202
Capital outlay	4,521,352	—	—	—	—	(4,521,352)	—
Internal service fund operating expenses:							
Salaries and employee benefits	—	—	—	—	23,748,649	(23,748,649)	—
Maintenance and operation	—	—	—	—	21,609,110	(21,609,110)	—
Insurance premiums, settlements and provisions	—	—	—	—	4,232,592	(4,232,592)	—
Depreciation and amortization	—	—	4,367,119	(38,036)	13,912,219	(18,241,302)	—
Amortization of debt issue costs	—	—	—	—	442,404	(442,404)	—
Transfers out	5,613,744	—	—	—	6,600,000	(4,113,744)	8,100,000
Contribution to Parking Authority	4,123,100	—	—	—	—	—	4,123,100
Insurance Recoveries	(5,286)	—	—	—	—	5,286	—
Payment to refunded bond escrow agent	12,924	—	—	(12,924)	—	—	—
Infrastructure, fine art assets, and net pension assets completed and transferred	—	378,723	(3,062,394)	—	—	2,683,671	—
Total expenditures/expenses and transfers out	175,807,307	378,723	1,304,725	(50,960)	77,124,169	(57,967,716)	196,596,248
Change in fund balances/net position	16,823,354	(378,723)	(1,304,725)	50,960	9,584,763	(37,080)	24,738,549
Fund balances/net position, July 1	156,459,704	11,092,986	123,123,565	(30,161,352)	248,179,366	2,861,638	511,555,907
Fund balances/net position, June 30	\$ 173,283,058	10,714,263	121,818,840	(30,110,392)	257,764,129	2,824,558	536,294,456

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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	\$ 4,521,352
Items not capitalized are reclassified	(1,458,958)
Depreciation expense	<u>(4,367,119)</u>
Excess of capital outlay expenditures over depreciation expense in the current period	\$ <u>(1,304,725)</u>
6) 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>9,584,763</u>
7) 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 position.	\$ <u>(378,723)</u>
8) 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>50,960</u>

9) 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	\$ 2,265,696
Intergovernmental revenue	326,527
Interest	<u>232,335</u>
Net reduction in deferred revenue	<u>2,824,558</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	(2,753,731)
Interest revenue	(107,907)
Net position, beginning	<u>2,861,638</u>
Net reduction in revenues related to prior periods	<u>—</u>
– The effect of internal service fund activities is eliminated in the statement of activities:	
Charges for services	(53,836,996)
General government expenditures	1,568,358
Public safety expenditures	29,918,324
Public services expenditures	8,578,683
Culture and recreation expenditures	<u>13,771,631</u>
Net effect of elimination of internal service fund activities	<u>—</u>
– Licenses and permits revenues and fines, forfeitures and penalties revenues are reported as charges for services in program revenues:	
Charges for services	22,726,451
Licenses and permits	(15,218,056)
Fines, forfeitures and penalties	<u>(7,508,395)</u>
Net effect of reclassification of certain revenues	<u>—</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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	\$	4,337,875
Capital grants and contributions		1,661,117
Grants and contributions not restricted to specific programs		340,989
Intergovernmental revenues		<u>(6,339,981)</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		4,119,683
Public safety		37,446,885
Public service		10,512,795
Culture and recreation		16,194,694
Salaries and employee benefits		(23,748,649)
Maintenance and operation		(21,609,110)
Insurance premiums and settlements		(4,232,592)
Depreciation and amortization		<u>(18,683,706)</u>
Net effect of reclassification of internal service funds operating expenses		<u>—</u>
- Operating transfers within governmental activities are eliminated:		
Reduction in transfers in		(4,113,744)
Reduction in transfers out		<u>4,113,744</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		1,458,958
Capital outlay expense		<u>(1,458,958)</u>
Net effect of reclassification of capital outlay not capitalized		<u>—</u>

- Other reclassifications:

Pension contribution that is deferred and amortized in the Statement of Activities	<u>—</u>
Net effect of other reclassifications	<u>—</u>
Net reclassifications and eliminations	<u><u>\$ 2,824,558</u></u>

(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

B. Supplemental Budget Appropriations and Adjustments

The budget at June 30, 2013 includes appropriations based on encumbrances outstanding and approved re-appropriations at June 30, 2012 and excludes amounts reserved for encumbrances outstanding and approved re-appropriations at June 30, 2013.

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	\$ 172,695,436	7,408,594
Reappropriation of prior year approved projects and expenditures	2,042,864	12,704,587
Additional appropriations for:		
Various programs and capital projects	1,907,340	1,668,208
Purchase of equipment	14,000	216,170
Adjustments and net transfers between fund types	6,740,000	-
Amended budget	<u>183,399,640</u>	<u>21,997,559</u>
Encumbrances outstanding at year-end	(1,471,608)	(1,395,209)
Other reappropriations:		
Reappropriations by Fund to 2013-2014	<u>(1,508,176)</u>	<u>(14,238,836)</u>
Final budget	\$ <u>180,419,856</u>	<u>6,363,514</u>

C. Excess of Expenditures and Other Uses Over Appropriations

For the fiscal year ended June 30, 2013, the following funds reflected expenditures in excess of budgeted amounts:

	<u>Amount of Excess</u>
Special Revenue Fund	
Proposition A	\$ 215,463
Fine Art Fund	99,062
Permanent Fund	
Burton Green	972
Total:	\$ <u>315,497</u>

D. Deficit Fund Equity

For the fiscal year ended June 30, 2013 the Community Development Block Grant fund was in a fund equity deficit position of \$86,023 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 \$12,057,142 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, 2013 are summarized as follows.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(4) CASH AND INVESTMENTS, CONTINUED

June 30, 2013	Unrestricted Cash and Investments					Restricted Cash and Investments			
	Governmental Activities	Business-type Activities	Government-wide Subtotal	Fiduciary Funds	Total	Governmental Activities	Business-type Activities	Total	Total
Major funds:									
General	\$ 96,527,432	—	96,527,432	—	96,527,432	—	—	—	96,527,432
Infrastructure Capital Projects	18,637,716	—	18,637,716	—	18,637,716	—	—	—	18,637,716
Water Enterprise	—	23,741,427	23,741,427	—	23,741,427	—	5,772,807	5,772,807	29,514,234
Parking Facilities Enterprise	—	30,661,774	30,661,774	—	30,661,774	—	2,359,387	2,359,387	33,021,161
Solid Waste Enterprise	—	13,145,962	13,145,962	—	13,145,962	—	—	—	13,145,962
Wastewater Enterprise	—	27,178,290	27,178,290	—	27,178,290	—	1,623,750	1,623,750	28,802,040
Stormwater Enterprise	—	1,433,885	1,433,885	—	1,433,885	—	—	—	1,433,885
Parking Authority	—	—	—	—	—	—	—	—	—
Fiduciary funds:									
Community Charitable Foundation	—	4,944,614	4,944,614	419,734	5,364,348	—	—	—	5,364,348
	115,165,148	101,105,952	216,271,100	419,734	216,690,834	—	9,755,944	9,755,944	226,446,778
Other governmental funds:	31,325,638	—	31,325,638	—	31,325,638	273,827	—	273,827	31,599,465
Total fund type	146,490,786	101,105,952	247,596,738	419,734	248,016,472	273,827	9,755,944	10,029,771	258,046,243
Internal service funds:	147,662,412	—	147,662,412	—	147,662,412	2,314,662	—	2,314,662	149,977,074
Total	\$ 294,153,198	101,105,952	395,259,150	419,734	395,678,884	2,588,489	9,755,944	12,344,433	408,023,317
Components of cash and investments:									
Cash in demand deposits			\$ 124,247,088	419,734	124,666,822			—	124,666,822
Change and petty cash funds			14,559	—	14,559			—	14,559
Pooled investments			270,997,503	—	270,997,503			273,827	271,271,330
Investments with fiscal agents			—	—	—			12,070,606	12,070,606
Total cash and investments			\$ 395,259,150	419,734	395,678,884			12,344,433	408,023,317

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, 2013

(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, 2013, the carrying amount of the City’s various demand deposit accounts totaled \$124,247,088. Please note that in prior years, overnight sweep deposits were categorized as pooled investments. Beginning in FY2011/12, overnight sweep deposits were categorized as cash and demand deposits because they are indeed demand deposits and can be liquidated at any time. Bank balances at June 30, 2013 totaling \$127,185,801, 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 \$14,559 at June 30, 2013.

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
Federal Home Loan Banks	Federal Agency Securities	\$ 44,083,100
Federal National Mortgage Assoc.	Federal Agency Securities	\$ 83,319,005
Federal Agricultural Mortgage Corporation	Federal Agency Securities	\$ 14,731,350
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$ 19,707,500
General Electric Cap	Mid Term Corp. Note	\$ 22,328,045

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, 2013

(4) CASH AND INVESTMENTS, CONTINUED

June 30, 2013	Fair Value	Investment Maturities				
		<1 Year	<2 Years	<3 Years	<4 Years	<5 Years
Pooled investments:						
U.S. Federal Agency securities	\$ 161,840,955	—	—	7,707,375	—	154,133,580
State Municipal Bond	10,302,900	—	—	10,302,900	—	—
State Treasurer's Local Agency Investment Fund	26,032,780	26,032,780	—	—	—	—
Corporate Bonds	73,094,695	14,506,110	34,049,835	—	9,958,000	14,580,750
Total pooled investments	271,271,330	40,538,890	34,049,835	18,010,275	9,958,000	168,714,330
Investments held by fiscal agents:						
Money market mutual funds	12,070,606	12,070,606	—	—	—	—
Total investments held by fiscal agents	12,070,606	12,070,606	—	—	—	—
Total investments	\$ 283,341,936	52,609,496	34,049,835	18,010,275	9,958,000	168,714,330

	Minimum Legal Rating	Total	Rating as of Year End				
			Aaa	Aa2	Aa3	A1	A2
Pooled investments:							
U.S. Federal Agency securities	N/A	\$ 161,840,955	161,840,955	—	—	—	—
State Municipal Bond	A1	10,302,900	—	—	—	10,302,900	—
State Treasurer's Local Agency Investment Fund	N/A	26,032,780	26,032,780	—	—	—	—
Corporate Bonds	A	73,094,695	—	9,958,000	19,929,050	26,615,405	16,592,240
Total pooled investments		271,271,330	187,873,735	9,958,000	19,929,050	36,918,305	16,592,240
Investments held by fiscal agents:							
Money market mutual funds	AAAm	12,070,606	12,070,606	—	—	—	—
Total investments held by fiscal agents		12,070,606	12,070,606	—	—	—	—
Total investments		\$ 283,341,936	199,944,341	9,958,000	19,929,050	36,918,305	16,592,240

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(4) CASH AND INVESTMENTS, CONTINUED

State Treasurer’s Local Agency Investment Fund

At June 30, 2013, the City had \$26,032,780 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, 2013, such investments represent 1.28% of the total PMIA portfolio of \$58.8 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	\$ 12,263,052
Permanently restricted	<u>81,381</u>
	<u>\$ 12,344,433</u>

**Restricted Cash and Investments
June 30, 2013**

<u>Debt Issues/Capital Projects/Endowments</u>	<u>Amount</u>
Governmental activities:	
Nonmajor funds:	
Permanent Funds:	
Temporarily restricted:	
Buck Fund endowment	172,242
Burton Green Fund endowment	<u>20,204</u>
	<u>192,446</u>
Permanently restricted:	
Buck Fund endowment	34,641
Burton Green Fund endowment	<u>46,740</u>
	<u>81,381</u>
Total permanent funds	<u>273,827</u>
Total governmental funds	<u>273,827</u>
Capital Assets Internal Service Fund:	
2009 Refunding Bonds reserve funds	2,116,519
2012 Lease Revenue Bond project funds	4
2013 Refunding Bonds project funds	13,858
Employee Benefits Internal Service Fund:	
2010 Lease Revenue Bonds project funds	<u>184,281</u>
Total internal service funds	<u>2,314,662</u>
Total governmental activities	<u>2,588,489</u>
Business-type activities:	
Water Enterprise Fund:	
2008 Refunding Water Bonds reserve funds	2,737,337
2009 Refunding Bonds construction funds	1,259,356
2009 Refunding Bonds reserve funds	<u>1,776,114</u>
Total Water Enterprise Fund	<u>5,772,807</u>
Parking Facilities Enterprise Fund:	
2010 Lease Revenue Bonds construction funds	1,943,739
2009 Refunding Bonds reserve funds	407,958
2013 Refunding Bonds project funds	<u>7,690</u>
Total Parking Facilities Enterprise Fund	<u>2,359,387</u>
Wastewater Enterprise Fund:	
2008 Ref. Wastewater Bonds reserve funds	<u>1,623,750</u>
Total business-type activities	<u>9,755,944</u>
Total restricted cash and investments	<u>\$ 12,344,433</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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 UNEARNED 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, former 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, 2013 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	\$ 9,306,097	—	—	89,596	9,395,693
Taxes	11,309,532	—	—	—	11,309,532
Interest – unrestricted	234,912	54,751	92,366	475,937	857,966
Intergovernmental	4,066,786	11,062	252,607	—	4,330,455
Interest and other – restricted	—	—	864	—	864
Advances to other funds	16,388,949	—	7,235,981	—	23,624,930
Gross receivables	41,306,276	65,813	7,581,818	565,533	49,519,440
Less: allowance for uncollectibles	(450,000)	—	—	—	(450,000)
Net receivables	\$ 40,856,276	65,813	7,581,818	565,533	49,069,440

<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	\$ 5,974,926	82,630	3,555,199	2,574,541	452,346	204,699	12,844,341
Interest – unrestricted	57,049	57,590	40,535	84,207	2,914	—	242,295
Gross receivables	6,031,975	140,220	3,595,734	2,658,748	455,260	204,699	13,086,636
Less: allowance for uncollectibles	(3,420)	(48)	(7,476)	(516)	(264)	—	(11,724)
Net receivables	\$ 6,028,555	140,172	3,588,258	2,658,232	454,996	204,699	13,074,912

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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, 2013, 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	\$ 232,197
Delinquent property taxes	\$ 2,265,696	—	2,265,696	Prepaid property leases	101,704
Business tax	—	515,957	515,957	Prepaid Post Office lease	<u>475,898</u>
Interest receivable	145,721	—	145,721		
Prepaid Community Development					\$ <u><u>809,799</u></u>
services	—	433,883	433,883		
Federal grant revenue	23,138	—	23,138		
Prepaid recreation services	<u>—</u>	<u>1,219,234</u>	<u>1,219,234</u>		
General fund total	<u>2,434,555</u>	<u>2,169,074</u>	<u>4,603,629</u>		
Infrastructure capital projects fund	45,025	—	45,025		
Other governmental funds	<u>344,978</u>	<u>—</u>	<u>344,978</u>		
Governmental funds total	<u>2,824,558</u>	<u>2,169,074</u>	<u>4,993,632</u>		
Internal Service funds total	\$ <u><u>—</u></u>	<u>3,316,376</u>	<u>3,316,376</u>		

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(6) INTERFUND RECEIVABLES/PAYABLES

Interfund receivable/payable balances at June 30, 2013 consist of the following:

- The Community Development Block Grant Special Revenue Fund borrowed \$23,700 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 Stormwater fund was advanced a total of \$1,800,000 from the Solid Waste fund for operational purposes.

As of June 30, 2013, the total balance of interfund receivables due to the City from The Parking Authority is \$52,568,855 which consists of the following:

- 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, 2013, the balance of the receivable is \$12,564,153.

- 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, 2013, the balance of the receivable is \$3,824,796.
- 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, 2013, the balance of these receivables is \$36,179,906, consisting of \$7,235,981 owed to the Parks and Recreation Facilities fund, \$17,611,343 owed to the Capital Assets Fund, and \$11,332,582 owed to the Vehicles Internal Service fund. The terms of the borrowing require unpaid interest to add to the principal.

<u>Interfund Payable</u>	<u>Interfund Receivable</u>					Total
	General Fund	Parks and Recreation Facilities Fund	Capital Assets Fund*	Vehicles Fund*	Solid Waste Enterprise Fund	
Governmental Activities:						
Community Development Block Grant	\$ 23,700	-	-	-	-	23,700
Governmental Activities Total:	23,700	-	-	-	-	23,700
Business-type Activities:						
Stormwater Enterprise Fund	-	-	-	-	1,800,000	1,800,000
Parking Authority	16,388,949	7,235,981	17,611,343	11,332,582	-	52,568,855
Business-type Activities Total:	16,388,949	7,235,981	17,611,343	11,332,582	1,800,000	54,368,855
Total:	\$ 16,412,649	7,235,981	17,611,343	11,332,582	1,800,000	54,392,555

* Internal service fund

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(7) TRANSFERS

Significant interfund transfers during the year ended June 30, 2013 consist of the following:

- The General Fund transferred \$3,500,000 to the Infrastructure Fund and \$1,167,000 to the Debt Service Fund to pay for capital improvement projects and debt service, respectively. It transferred an additional amount of \$750,000 to the Infrastructure Fund for the improvements to Beverly Gardens Park. It transferred \$1,150,000 to designate funds for Other Post Employment Benefits (OPEB). It transferred \$1,250,000 to the Capital Assets Fund for land acquisition. It also transferred \$1,300,000 to the Stormwater Fund to support the Clean Water Fund and \$500,000 for other projects. Lastly, the General Fund transferred \$200,000 to the Information Technology Fund, \$200,000 to the Equipment Replacement Fund, and \$590,000 to the Vehicle Fund for equipment replacement, \$250,000 to the Liability Claims Reserve Fund, \$173,744 to the Policy, Admin, & Legal Fund, and \$10,500 to the Law Enforcement Grant Fund.

- 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 \$6,000 to the General Fund for street maintenance.
- The Policy, Administration and Legal Fund (PAL) transferred \$175,000 to the Capital Assets Fund for the Southeast Improvements CIP.
- The Capital Assets fund transferred \$6,300,000 to the Parking Enterprise Fund for parking structure capital projects.
- The Solid Waste Fund transferred \$60,000 to the Stormwater Fund for its share of street sweeping expenditures.
- The Liability Claims Reserve fund transferred \$200,000 to the Infrastructure Fund in support of sidewalk replacement and repairs.

Following is a summary of transfers between funds during the year ended June 30, 2013:

Fund Transferred From	Fund Transferred To														
	Governmental Activities											Business-type Activities			
	General	Infra-structure Capital Projects	Law Enforcement Grant	Prop C Local Transit Assist	Other Governmental Funds	Information Technology	Capital Assets	Liability Insurance	Employee Health Benefits	Administration Policy and Legal	Office and Operational Equipment	Vehicle	Parking	Storm Water	Total
Governmental funds:															
General Fund:	\$ —	4,250,000	10,500	—	1,167,000	200,000	1,250,000	250,000	1,150,000	173,744	200,000	590,000	—	1,800,000	11,041,244
Nonmajor governmental funds:															
Streets & Highways State Gas Tax	6,000	—	—	—	—	—	—	—	—	—	—	—	—	—	6,000
Parks and Recreation Facilities	400,000	—	—	—	—	—	—	—	—	—	—	—	—	—	400,000
Prop A Local Transit Assistance	—	—	—	453,289	—	—	—	—	—	—	—	—	—	—	453,289
Total Nonmajor Govt funds	406,000	—	—	453,289	—	—	—	—	—	—	—	—	—	—	859,289
Internal service funds :															
Capital Assets	—	—	—	—	—	—	—	—	—	—	—	—	6,300,000	—	6,300,000
Liability Claims Reserve Fund	—	200,000	—	—	—	—	—	—	—	—	—	—	—	—	200,000
Policy, Administration, and Legal	100,000	—	—	—	—	—	—	—	—	—	—	—	—	—	100,000
Total internal service funds	100,000	200,000	—	—	—	—	—	—	—	—	—	—	6,300,000	—	6,600,000
Enterprise funds:															
Parking	—	—	—	—	—	—	175,000	—	—	—	—	—	—	—	175,000
Solid Waste	—	—	—	—	—	—	—	—	—	—	—	—	—	60,000	60,000
Total Enterprise funds	—	—	—	—	—	—	175,000	—	—	—	—	—	—	60,000	235,000
Total	\$ 506,000	4,450,000	10,500	453,289	1,167,000	200,000	1,425,000	250,000	1,150,000	173,744	200,000	590,000	6,300,000	1,860,000	18,735,533

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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, 2013 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	—	—	231,432	51,833,124
Fine Art Collection	1,746,411	—	—	423,440	2,169,851
Construction in progress	18,891,556	19,862,765	—	(17,572,934)	21,181,387
Total capital assets not being depreciated	<u>72,239,659</u>	<u>19,862,765</u>	<u>—</u>	<u>(16,918,062)</u>	<u>75,184,362</u>
Capital assets being depreciated:					
Buildings	233,182,010	—	—	9,582,123	242,764,133
Improvements other than buildings	32,872,599	—	—	1,546,010	34,418,609
Infrastructure	134,174,693	—	(149,826)	1,452,065	135,476,932
Machinery and equipment	68,245,809	2,181,486	(10,445,069)	4,337,864	64,320,090
Total capital assets being depreciated	<u>468,475,111</u>	<u>2,181,486</u>	<u>(10,594,895)</u>	<u>16,918,062</u>	<u>476,979,764</u>
Less accumulated depreciation for:					
Buildings	(80,128,106)	(5,634,845)	—	—	(85,762,951)
Improvements other than buildings	(14,720,759)	(971,122)	—	—	(15,691,881)
Infrastructure	(50,751,395)	(3,623,577)	149,826	—	(54,225,146)
Machinery and equipment	(40,184,423)	(8,049,794)	10,314,078	—	(37,920,139)
Total accumulated depreciation	<u>(185,784,683)</u>	<u>(18,279,338)</u>	<u>10,463,904</u>	<u>—</u>	<u>(193,600,117)</u>
Net capital assets being depreciated	<u>282,690,428</u>	<u>(16,097,852)</u>	<u>(130,991)</u>	<u>16,918,062</u>	<u>283,379,647</u>
Total net capital assets – governmental activities	<u>\$ 354,930,087</u>	<u>3,764,913</u>	<u>(130,991)</u>	<u>—</u>	<u>358,564,009</u>

	<u>Depreciation</u>
General government	\$ (1,102,982)
Public safety	(10,025,833)
Public service	(2,814,641)
Culture and recreation	(4,335,883)
Total depreciation expense – governmental activities	<u>\$ (18,279,338)</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(8) CAPITAL ASSETS, CONTINUED

B. Capital Assets – Business-type Activities

Changes in capital assets for business-type activities for the year ended June 30, 2013 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	5,700,551	8,559,051	—	(8,926,632)	5,332,970
Total capital assets not being depreciated	<u>38,814,596</u>	<u>8,559,051</u>	<u>—</u>	<u>(8,926,632)</u>	<u>38,447,015</u>
Capital assets being depreciated:					
Buildings	210,747,127	—	—	259,804	211,006,931
Utility systems	194,564,920	196,428	(413,569)	8,652,331	203,000,110
Improvements other than buildings	4,308,169	—	—	—	4,308,169
Machinery and equipment	9,859,233	—	—	14,497	9,873,730
Total capital assets being depreciated	<u>419,479,449</u>	<u>196,428</u>	<u>(413,569)</u>	<u>8,926,632</u>	<u>428,188,940</u>
Less accumulated depreciation for:					
Buildings	(86,043,280)	(6,378,881)	—	—	(92,422,161)
Utility systems	(60,410,980)	(4,872,853)	413,569	—	(64,870,264)
Improvements other than buildings	(1,504,388)	(228,562)	—	—	(1,732,950)
Machinery and equipment	(6,669,118)	(646,837)	—	—	(7,315,955)
Total accumulated depreciation	<u>(154,627,766)</u>	<u>(12,127,133)</u>	<u>413,569</u>	<u>—</u>	<u>(166,341,330)</u>
Net capital assets being depreciated	<u>264,851,683</u>	<u>(11,930,705)</u>	<u>—</u>	<u>8,926,632</u>	<u>261,847,610</u>
Total net capital assets – business-type activities	\$ <u>303,666,279</u>	<u>(3,371,654)</u>	<u>—</u>	<u>—</u>	<u>300,294,625</u>
		<u>Depreciation</u>			
Water	\$ (3,912,964)				
Parking facilities	(605,246)				
Solid waste	(197,377)				
Wastewater	(1,464,065)				
Stormwater	(297,906)				
Parking Authority	(5,649,575)				
Total depreciation expense – business-type activities	\$ <u>(12,127,133)</u>				

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(8) CAPITAL ASSETS, CONTINUED

C. Capital Assets – Major Proprietary Funds:

Changes in capital assets for major proprietary funds for the year ended June 30, 2013 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	4,745,902	6,055,645	—	(7,384,899)	3,416,648
Total capital assets not being depreciated	<u>10,006,813</u>	<u>6,055,645</u>	<u>—</u>	<u>(7,384,899)</u>	<u>8,677,559</u>
Capital assets being depreciated:					
Buildings	16,683,327	—	—	—	16,683,327
Utility systems	129,323,051	196,428	(413,569)	7,384,899	136,490,809
Machinery and equipment	5,774,158	—	—	—	5,774,158
Total capital assets being depreciated	<u>151,780,536</u>	<u>196,428</u>	<u>(413,569)</u>	<u>7,384,899</u>	<u>158,948,294</u>
Less accumulated depreciation for:					
Buildings	(7,008,384)	(526,614)	—	—	(7,534,998)
Utility systems	(37,474,248)	(3,189,146)	413,569	—	(40,249,825)
Machinery and equipment	(4,585,025)	(197,204)	—	—	(4,782,229)
Total accumulated depreciation	<u>(49,067,657)</u>	<u>(3,912,964)</u>	<u>413,569</u>	<u>—</u>	<u>(52,567,052)</u>
Net capital assets being depreciated	<u>102,712,879</u>	<u>(3,716,536)</u>	<u>—</u>	<u>7,384,899</u>	<u>106,381,242</u>
Total net capital assets – Water Enterprise Fund	<u>\$ 112,719,692</u>	<u>2,339,109</u>	<u>—</u>	<u>—</u>	<u>115,058,801</u>
Parking Facilities Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 7,291,981	—	—	—	7,291,981
Construction in progress	460,660	1,033,038	—	(259,804)	1,233,894
Total capital assets not being depreciated	<u>7,752,641</u>	<u>1,033,038</u>	<u>—</u>	<u>(259,804)</u>	<u>8,525,875</u>
Capital assets being depreciated:					
Buildings	24,618,685	—	—	53,460	24,672,145
Improvements other than buildings	493,851	—	—	—	493,851
Machinery and equipment	48,163	—	—	—	48,163
Total capital assets being depreciated	<u>25,160,699</u>	<u>—</u>	<u>—</u>	<u>53,460</u>	<u>25,214,159</u>
Less accumulated depreciation for:					
Buildings	(11,882,744)	(567,414)	—	(32,261)	(12,482,419)
Improvements other than buildings	(114,351)	(31,034)	—	—	(145,385)
Machinery and equipment	(4,778)	(6,798)	—	—	(11,576)
Total accumulated depreciation	<u>(12,001,873)</u>	<u>(605,246)</u>	<u>—</u>	<u>(32,261)</u>	<u>(12,639,380)</u>
Net capital assets being depreciated	<u>13,158,826</u>	<u>(605,246)</u>	<u>—</u>	<u>21,199</u>	<u>12,574,779</u>
Total net capital assets – Parking Fac. Enterprise Fund	<u>\$ 20,911,467</u>	<u>427,792</u>	<u>—</u>	<u>(238,605)</u>	<u>21,100,654</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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	\$ 1,232,511	—	—	14,497	1,247,008
Total capital assets being depreciated	<u>1,232,511</u>	<u>—</u>	<u>—</u>	<u>14,497</u>	<u>1,247,008</u>
Less accumulated depreciation for:					
Machinery and equipment	(858,782)	(197,377)	—	—	(1,056,159)
Total accumulated depreciation	<u>(858,782)</u>	<u>(197,377)</u>	<u>—</u>	<u>—</u>	<u>(1,056,159)</u>
Net capital assets being depreciated	<u>373,729</u>	<u>(197,377)</u>	<u>—</u>	<u>14,497</u>	<u>190,849</u>
Total net capital assets – Solid Waste Enterprise Fund	\$ <u><u>373,729</u></u>	<u><u>(182,880)</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>190,849</u></u>
Wastewater Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 8,709,000	—	—	—	8,709,000
Construction in progress	493,989	1,455,871	—	(1,267,432)	682,428
Total capital assets not being depreciated	<u>9,202,989</u>	<u>1,455,871</u>	<u>—</u>	<u>(1,267,432)</u>	<u>9,391,428</u>
Capital assets being depreciated:					
Utility systems	55,140,219	—	—	1,267,432	56,407,651
Machinery and equipment	689,382	—	—	—	689,382
Total capital assets being depreciated	<u>55,829,601</u>	<u>—</u>	<u>—</u>	<u>1,267,432</u>	<u>57,097,033</u>
Less accumulated depreciation for:					
Utility systems	(16,403,765)	(1,394,352)	—	—	(17,798,117)
Machinery and equipment	(352,987)	(69,713)	—	—	(422,700)
Total accumulated depreciation	<u>(16,756,752)</u>	<u>(1,464,065)</u>	<u>—</u>	<u>—</u>	<u>(18,220,817)</u>
Net capital assets being depreciated	<u>39,072,849</u>	<u>(1,464,065)</u>	<u>—</u>	<u>1,267,432</u>	<u>38,876,216</u>
Total net capital assets – Wastewater Enterprise Fund	\$ <u><u>48,275,838</u></u>	<u><u>(8,194)</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>48,267,644</u></u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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	(6,532,967)	(289,355)	—	—	(6,822,322)
Machinery and equipment	(20,502)	(8,551)	—	—	(29,053)
Total accumulated depreciation	<u>(6,553,469)</u>	<u>(297,906)</u>	<u>—</u>	<u>—</u>	<u>(6,851,375)</u>
Net capital assets being depreciated	<u>3,615,714</u>	<u>(297,906)</u>	<u>—</u>	<u>—</u>	<u>3,317,808</u>
Total net capital assets – Stormwater Enterprise Fund	<u>\$ 3,615,714</u>	<u>(297,906)</u>	<u>—</u>	<u>—</u>	<u>3,317,808</u>
Parking Authority					
Capital assets not being depreciated:					
Land	\$ 11,852,153	—	—	—	11,852,153
Total capital assets not being depreciated	<u>11,852,153</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,852,153</u>
Capital assets being depreciated:					
Buildings	169,445,115	—	—	206,344	169,651,459
Improvements other than buildings	3,814,318	—	—	—	3,814,318
Machinery and equipment	2,047,486	—	—	—	2,047,486
Total capital assets being depreciated	<u>175,306,919</u>	<u>—</u>	<u>—</u>	<u>206,344</u>	<u>175,513,263</u>
Less accumulated depreciation for:					
Buildings	(67,152,152)	(5,284,853)	—	32,261	(72,404,744)
Improvements other than buildings	(1,390,037)	(197,528)	—	—	(1,587,565)
Machinery and equipment	(847,044)	(167,194)	—	—	(1,014,238)
Total accumulated depreciation	<u>(69,389,233)</u>	<u>(5,649,575)</u>	<u>—</u>	<u>32,261</u>	<u>(75,006,547)</u>
Net capital assets being depreciated	<u>105,917,686</u>	<u>(5,649,575)</u>	<u>—</u>	<u>238,605</u>	<u>100,506,716</u>
Total net capital assets – Parking Authority	<u>\$ 117,769,839</u>	<u>(5,649,575)</u>	<u>—</u>	<u>238,605</u>	<u>112,358,869</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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, 2013.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Revenue bonds payable	\$ 135,092,765	—	(8,773,317)	126,319,448	8,138,671
Plus (less) deferred amounts for:					
Original issue premiums	11,131,183	472,842	(666,716)	10,937,309	—
Deferred amount on refundings	(5,566,571)	—	917,717	(4,648,854)	—
Total bonds payable	<u>140,657,377</u>	<u>472,842</u>	<u>(8,522,316)</u>	<u>132,607,903</u>	<u>8,138,671</u>
Note payable	29,939,602	—	(1,484,982)	28,454,620	1,573,429
Compensated absences*	13,967,814	1,465,146	(2,105,734)	13,327,226	826,335
Claims payable*	9,978,036	7,001,495	(6,715,737)	10,263,794	2,996,773
Capital leases payable	<u>371,069</u>	<u>—</u>	<u>(144,226)</u>	<u>226,843</u>	<u>65,275</u>
Long-term liabilities of governmental activities	<u>194,913,898</u>	<u>8,939,483</u>	<u>(18,972,995)</u>	<u>184,880,386</u>	<u>13,600,483</u>
Business-type activities:					
Revenue bonds payable	144,872,236	6,788,238	(18,349,922)	133,310,552	7,861,329
Plus (less) deferred amounts for:					
Original issue premiums	10,636,255	262,413	(658,514)	10,240,154	—
Deferred amount on refundings	(4,066,266)	—	487,399	(3,578,867)	—
Total bonds payable	<u>151,442,225</u>	<u>7,050,651</u>	<u>(18,521,037)</u>	<u>139,971,839</u>	<u>7,861,329</u>
Long-term liabilities of business-type activities	<u>151,442,225</u>	<u>7,050,651</u>	<u>(18,521,037)</u>	<u>139,971,839</u>	<u>7,861,329</u>
Total long-term liabilities	<u>\$ 346,356,123</u>	<u>15,990,134</u>	<u>(37,494,032)</u>	<u>324,852,225</u>	<u>21,461,812</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, 2013

(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, 2013 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	\$ 29,037,983	—	—	29,037,983	46,064
Less deferred amounts for:					
Original issue premiums	2,887,646	—	(115,892)	2,771,754	—
Deferred amount on refundings	(1,595,153)	—	53,772	(1,541,381)	—
Total bonds payable	<u>30,330,476</u>	<u>—</u>	<u>(62,120)</u>	<u>30,268,356</u>	<u>46,064</u>
<i>Internal service funds:</i>					
Revenue bonds payable	106,054,782	—	(8,773,317)	97,281,465	8,092,607
Plus (less) deferred amounts for:				—	
Original issue premiums	8,243,537	472,842	(550,824)	8,165,555	—
Deferred amount on refundings	(3,971,418)	—	863,945	(3,107,473)	—
Total bonds payable	<u>110,326,901</u>	<u>472,842</u>	<u>(8,460,196)</u>	<u>102,339,547</u>	<u>8,092,607</u>
Note payable	29,939,602	—	(1,484,982)	28,454,620	1,573,429
Compensated absences	13,967,814	1,465,136	(2,105,724)	13,327,226	826,335
Claims payable	9,978,036	7,001,495	(6,715,737)	10,263,794	2,996,773
Capital leases payable	371,069	—	(144,226)	226,843	65,275
Total internal service funds	<u>164,583,422</u>	<u>8,939,473</u>	<u>(18,910,865)</u>	<u>154,612,030</u>	<u>13,554,419</u>
Long-term liabilities of governmental activities	\$ <u>194,913,898</u>	<u>8,939,473</u>	<u>(18,972,985)</u>	<u>184,880,386</u>	<u>13,600,483</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(9) LONG-TERM LIABILITIES, CONTINUED

Changes in the long-term liabilities of business-type activities for the year ended June 30, 2013 are composed of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Water Enterprise Fund:</i>					
Revenue bonds payable	\$ 61,545,000	—	(2,090,000)	59,455,000	1,995,000
Plus (less) deferred amounts for:					
Original issue premiums	6,576,987	—	(295,049)	6,281,938	—
Deferred amount on refundings	<u>(1,837,338)</u>	<u>—</u>	<u>114,287</u>	<u>(1,723,051)</u>	<u>—</u>
Total bonds payable	<u>66,284,649</u>	<u>—</u>	<u>(2,270,762)</u>	<u>64,013,887</u>	<u>1,995,000</u>
Total Water Enterprise Fund	<u>66,284,649</u>	<u>—</u>	<u>(2,270,762)</u>	<u>64,013,887</u>	<u>1,995,000</u>
<i>Parking Facilities Enterprise Fund:</i>					
Revenue bonds payable	70,317,236	6,788,238	(15,164,922)	61,940,552	4,741,329
Plus (less) deferred amounts for:					
Original issue premiums	3,722,369	262,413	(329,492)	3,655,290	—
Deferred amount on refundings	<u>(1,245,143)</u>	<u>—</u>	<u>273,907</u>	<u>(971,236)</u>	<u>—</u>
Total bonds payable	<u>72,794,462</u>	<u>7,050,651</u>	<u>(15,220,507)</u>	<u>64,624,606</u>	<u>4,741,329</u>
Total Parking Facilities Enterprise Fund	<u>72,794,462</u>	<u>7,050,651</u>	<u>(15,220,507)</u>	<u>64,624,606</u>	<u>4,741,329</u>
<i>Wastewater Enterprise Fund:</i>					
Revenue bonds payable	13,010,000	—	(1,095,000)	11,915,000	1,125,000
Less deferred amounts for:					
Original issue premiums	336,899	—	(33,973)	302,926	—
Deferred amount on refundings	<u>(983,785)</u>	<u>—</u>	<u>99,205</u>	<u>(884,580)</u>	<u>—</u>
Total bonds payable	<u>12,363,114</u>	<u>—</u>	<u>(1,029,768)</u>	<u>11,333,346</u>	<u>1,125,000</u>
Total Wastewater Enterprise Fund	<u>12,363,114</u>	<u>—</u>	<u>(1,029,768)</u>	<u>11,333,346</u>	<u>1,125,000</u>
Long-term liabilities of business-type activities	\$ <u>151,442,225</u>	<u>7,050,651</u>	<u>(18,521,037)</u>	<u>139,971,839</u>	<u>7,861,329</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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, 2013 is as follows:

<u>Debt Issue</u>	<u>Govern- mental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Revenue bonds:			
2013 Refunding Lease	\$ 12,231,762	6,788,238	19,020,000
2012 Lease Revenue	43,114,779	13,620,221	56,735,000
2012 Water Revenue	—	37,275,000	37,275,000
2010 Lease Revenue	16,761,404	34,658,596	51,420,000
2009 Refunding Lease	54,211,503	6,873,497	61,085,000
2008 Water Revenue	—	22,180,000	22,180,000
2008 Wastewater Revenue	—	11,915,000	11,915,000
Original issue premium	10,937,309	10,240,154	21,177,463
Deferred amount on refunding	(4,648,854)	(3,578,867)	(8,227,721)
Total revenue bonds	<u>132,607,903</u>	<u>139,971,839</u>	<u>272,579,742</u>
Total bonds	<u>\$ 132,607,903</u>	<u>139,971,839</u>	<u>272,579,742</u>

A description of individual bond issues follow:

Revenue Bonds

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 En-

terprise 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.

	\$ 22,180,000
Plus original issue premium	650,514
Less deferred amount on refunding	<u>(570,472)</u>
Net bonds outstanding	<u>22,260,042</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.

	\$ 11,915,000
Plus original issue premium	302,926
Less deferred amount on refunding	<u>(884,580)</u>
Net bonds outstanding	<u>11,333,346</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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, 2013:

Capital Assets Fund	\$ 54,211,503
Parking Enterprise Fund	<u>6,873,497</u>
	\$ 61,085,000
Plus original issue premium	5,527,965
Less deferred amount on refunding	<u>(2,509,825)</u>
Net bonds outstanding	<u>64,103,140</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, 2013:

Employee Benefits Internal Service Fund	\$ 16,761,404
Parking Facilities Fund	<u>34,658,596</u>
	51,420,000
Plus original issue premium	<u>1,097,256</u>
Net bonds outstanding	<u>52,517,256</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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.

	\$ 37,275,000
Plus original issue premium	5,631,425
Less deferred amount on refunding	<u>(1,152,578)</u>
Net bonds outstanding	\$ <u>41,753,847</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, 2013:

Capital Assets Fund	\$ 14,076,796
Parking Facilities Fund	13,620,221
General Long-Term Debt	<u>29,037,983</u>
	56,735,000
Plus original issue premium	6,437,307
Less deferred amount on refunding	<u>(2,472,950)</u>
Net bonds outstanding	\$ <u>60,699,357</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(9) LONG-TERM LIABILITIES CONTINUED

2013 Lease Revenue Bonds – \$19,020,000 Public Financing Authority, 2013 Lease Revenue Refunding Bonds, Series A (2003 Refunding Project) issued June 2013, are due in annual installments ranging from \$9,755,000 to \$9,265,000 through June 1, 2015, with an interest rate of 3% 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 2003 Lease Revenue Bonds, Series A.” 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 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 \$1,188,504 and a reduction of total debt service payments of \$1,193,245. The following is a schedule of the allocation of the 2013 Refunding LRBs by fund at June 30, 2013:

Capital Assets Fund	\$ 12,231,762
Parking Facilities Fund	<u>6,788,238</u>
	19,020,000
Plus original issue premium	1,530,071
Less deferred amount on refunding	<u>(637,313)</u>
Net bonds outstanding	\$ <u>19,912,758</u>
Total bonds outstanding	\$ <u>272,579,746</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, 2013, the amount borrowed against the line of credit is \$32,000,000. The asset pledged as security for the loan is the constructed 72,460 sq. ft. four story office building at 331 N. Foothill Road, Beverly Hills, CA 90210. As of June 30, 2013, the balance of the note payable was \$28,454,620.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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			
2014	8,138,671	5,483,359	7,861,329	6,311,068	1,573,429	1,609,180	17,573,429	13,403,607	30,977,036
2015	7,894,405	5,260,374	7,825,595	6,053,914	1,667,144	1,515,465	17,387,144	12,829,753	30,216,897
2016	10,104,161	5,018,267	7,275,839	5,778,679	1,762,520	1,420,089	19,142,520	12,217,035	31,359,555
2017	10,528,127	4,586,531	7,591,873	5,476,495	1,871,419	1,311,191	19,991,419	11,374,217	31,365,636
2018	10,983,532	4,126,812	7,906,468	5,158,250	1,982,882	1,199,727	20,872,882	10,484,789	31,357,671
2019-2023	40,755,820	13,506,069	36,074,180	20,555,910	11,829,943	4,083,104	88,659,943	38,145,083	126,805,026
2024-2028	23,985,722	6,519,210	21,009,278	13,822,251	7,767,283	619,396	52,762,283	20,960,857	73,723,140
2029-2033	6,535,995	2,439,913	16,609,005	8,963,900	-	-	23,145,000	11,403,813	34,548,813
2034-2038	6,823,015	968,416	17,856,985	3,943,175	-	-	24,680,000	4,911,591	29,591,591
2039-2043	570,000	28,500	3,300,000	337,684	-	-	3,870,000	366,184	4,236,184
Total minimum debt service payments	\$ 126,319,448	<u>47,937,451</u>	133,310,552	<u>76,401,326</u>	28,454,620	<u>11,758,152</u>	288,084,620	<u>136,096,929</u>	424,181,549
Unamortized portion of:									
Original issue premium	10,937,309		10,240,154		-		21,177,463		21,177,463
Original issue discount	—		—		-		—		—
Deferred amount on refunding	<u>(4,648,854)</u>		<u>(3,578,867)</u>		-		<u>(8,227,721)</u>		<u>(8,227,721)</u>
Net total debt outstanding	\$ <u>132,607,903</u>		<u>139,971,839</u>		<u>28,454,620</u>		<u>301,034,362</u>		<u>437,131,291</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, 2013, consisting of cash and investments, include the following:

	<u>Requirement</u>	<u>Balance</u>
2008 Refunding Water	\$ 2,737,337	2,737,337
2008 Refunding Wastewater	1,623,750	1,623,750
2009 Lease Revenue	4,300,591	4,300,591

D. Capital Leases

During FY2011-2012, there was an 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, 2013, the capital lease payable amount is \$226,843. As of June 30, 2013, the accumulated depreciation on the equipment under capital lease was \$16,303. The equipment under lease are pledged as security for this obligation to Southern California Edison.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(9) LONG-TERM LIABILITIES, CONTINUED

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, 2013 are as follows:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Total</u>
Current	\$ 1,367,962	1,612,858	15,954	2,996,774
Long-term	1,657,037	5,609,983	—	7,267,020
	<u>\$ 3,024,999</u>	<u>7,222,841</u>	<u>15,954</u>	<u>10,263,794</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, 2013 and 2012, 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, 2013:

	<u>Total</u>
Vacation leave:	
Current:	
Internal service	\$ 571,305
Long-term	5,140,045
Total vacation leave	<u>5,711,350</u>
Vested sick leave:	
Current:	
Internal service	255,030
Long-term	7,360,846
Total vested sick leave	<u>7,615,876</u>
Total compensated absences	<u>\$ 13,327,226</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) is-

sued \$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, 2013, the outstanding principal amount of the bonds were \$12,545,000.

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, 2013, 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, 2013, 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.

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 ad-

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

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

ministrative 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. (Presently, such part-time employees participate in a program through Public Agency Retirement Services (PARS)). 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 and varies by member category, Classic or PEPR, and level one or two. Classic members are those employees initially enrolled in CalPERS prior to 1/1/13. Per the California Public Employees' Pension Reform Act of 2013, PEPR employees are those hired on or after 1/1/13 with no service to a CalPERS agency for the six months prior to their hire date. Classic members' final compensation is based on the average pensionable compensation for a 36 month consecutive period of employment. Miscellaneous Classic employees receive monthly benefits payable in the amount of 2.5% at age 55, of the employee's single highest year's salary for each year of credited service. Miscellaneous PEPR members receive benefits payable in the amount of 2.00% at age 62 and over. Level one Classic Safety employees receive 3.00% at age 55 and over. Safety PEPR members receive benefits payable in the amount of 2.7% at age 57 and over. Also effective in 2013 are compensation limits for defined benefit plans. The 2013 pensionable compensation limit for Classic members is \$255,000 and \$136,440 for PEPR (non-social security) members. 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. Active full-time members hired on or after 1/1/13, who have not worked for another CalPERS agency in the prior six months are required to contribute 6.25% for miscellaneous, and 12%, 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, 2013 was 33.161% for safety members and 16.676% 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, 2013, the City's actual contributions were \$8,178,476 for the safety employees and \$5,617,641 for miscellaneous employees. The City also contributed \$2,285,435 on behalf of the safety employees and \$2,970,871 on behalf of miscellaneous employees. Miscellaneous part-time employees directly contributed \$295,610. Total contributions were \$19,348,033. The required contribution for the year ended June 30, 2013 was determined as part of the June 30, 2012 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) 3.0% 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 smoothes 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. On April 17, 2013, the CalPERS Board approved a change to the CalPERS amortization and smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will no longer use an actuarial value of assets and will employ an amortization

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

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

and rate smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

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, 2012, for 2012-13 employer rates, the average remaining amortization periods were 21 and 28 years for miscellaneous and safety members, respectively.

Three-Year Trend Information for the Plan

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Required Contribution (ARC)	13,625,336	13,868,520	11,228,842
Miscellaneous Pension Plan Portion	5,548,101	5,422,797	4,122,636
Safety Pension Plan Portion	8,077,235	8,445,723	7,106,207
Interest on Net Pension Asset	1,004,644	902,156	945,323
Miscellaneous Pension Plan Portion	409,081	352,756	347,073
Safety Pension Plan Portion	595,563	549,400	598,251
Adjustment to the ARC	1,617,640	1,391,546	1,403,375
Miscellaneous Pension Plan Portion	658,687	544,115	515,245
Safety Pension Plan Portion	958,953	847,431	888,130
Annual Pension Cost (APC)	14,238,331	14,357,911	11,686,894
Miscellaneous Pension Plan	5,797,706	5,614,156	4,290,808
Safety Pension Plan	8,440,625	8,743,755	7,396,087
Percentage of APC contributed for:			
Miscellaneous Pension Plan	97%	109%	95%
Safety Pension Plan	97%	109%	95%
Change in Net Pension Asset	442,214	(1,322,437)	557,002
Miscellaneous Pension Plan Portion	180,065	(517,092)	204,502
Safety Pension Plan Portion	262,149	(805,345)	352,500
Net Pension Asset Balance	12,520,939	12,963,153	11,640,716
Miscellaneous Pension Plan Portion	5,098,402	5,068,785	4,273,854
Safety Pension Plan Portion	7,422,538	7,894,368	7,366,862

Please see a schedule of funding progress following and on page 92. 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
2012	\$ 370,274,330	292,572,982	77,701,348	79.015%	\$ 26,434,840	293.935%
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

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
2012	\$ 278,096,896	229,758,293	48,338,603	82.618%	\$ 40,195,697	120.258%
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

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, 2013

(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, 2013 the balance remaining is \$962,167.

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 then 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, 2013 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, 2013 the outstanding principal balance of the loan was \$942,998.

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, 2013 the outstanding principal balance of the loan was \$1,024,131.

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, 2013 the outstanding principal balance of the loan was \$1,060,347.

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, 2013 the outstanding principal balance of the loan was \$707,383.

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, 2013 the outstanding principal balance of the loan was \$696,000.

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, 2013 the outstanding principal balance of the loan was \$1,180,846. 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, 2013

(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, 2013

(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, 2013

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

Fiscal Year Ended June 30:	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual Required Contribution (ARC)	\$ 4,297,000	4,061,000	4,095,000
Miscellaneous Employee Portion	1,761,770	1,518,000	1,530,709
Safety Employee Portion	2,535,230	2,543,000	2,564,291
Interest on the Net OPEB Obligation	(241,000)	(342,000)	337,000
Miscellaneous Employee Portion	(98,810)	(127,839)	125,970
Safety Employee Portion	(142,190)	(214,161)	211,030
ARC Adjustment	240,000	330,000	(316,000)
Miscellaneous Employee Portion	98,400	123,354	(118,121)
Safety Employee Portion	141,600	206,646	(197,879)
Annual OPEB Cost	<u>4,296,000</u>	<u>4,049,000</u>	<u>4,116,000</u>
Miscellaneous Employee Portion	1,761,360	1,513,514	1,538,559
Safety Employee Portion	2,534,640	2,535,486	2,577,441
OPEB contributions made	<u>(2,436,624)</u>	<u>(2,397,858)</u>	<u>(12,817,909)</u>
Increase (decrease) of Net OPEB Obligation	1,859,376	1,651,142	(8,701,909)
Miscellaneous Employee Portion	762,344	617,196	(3,252,770)
Safety Employee Portion	1,097,032	1,033,946	(5,449,139)
Net OPEB Obligation (asset) at beginning of year	<u>(5,267,332)</u>	<u>(6,918,474)</u>	<u>1,783,435</u>
Net OPEB Obligation (asset) at end of year	(3,407,956)	(5,267,332)	(6,918,474)
Miscellaneous Employee Portion	(1,397,262)	(1,968,926)	(2,586,122)
Safety Employee Portion	(2,010,694)	(3,298,405)	(4,332,351)
Percentage of annual OPEB cost contributed	56.72%	59.22%	311.42%

The City has set aside a total amount of \$31,407,111. 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 64%.

The actuarial accrued OPEB liability as of June 30, 2013 is \$48,999,000. The total unfunded actuarial liability is \$48,999,000. 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, 2013. The City's annual covered payroll is estimated to be \$72,922,623 for Fiscal Year 2012-2013. The ratio of the unfunded actuarial liability to annual covered payroll is 67.19%.

Please see a schedule of funding progress below and on page 93.

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
2013	\$ 48,999,000	—	48,999,000	—	\$ 72,922,623	67.193 %
2011	52,688,000	—	52,688,000	—	71,261,000	73.937
2009	57,787,000	—	57,787,000	—	61,551,189	93.884

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 343 participants for the year ended June 30, 2013. 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, 2013

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

Choose to maintain coverage, the City contributed \$112 per month from July 1, 2012 through December 31, 2012. From January 1, 2013 through June 30, 2013 the City contributed \$115. The City currently provides this benefit to 112 participants at a cost of \$154,940 for the year ended June 30, 2013. 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 in-to 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 in-to 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
- Police Officers: \$275 per month
- Firemen: \$275 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 \$213,927 as of the fiscal year ended June 30, 2013.

(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, 2013 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, 2013	Future Budgeted
PW Facilities Upgrade	\$ 7,170,581	—
Library Facility Maint & Improvement	4,702,071	450,000
Traffic Lights Installed	3,124,107	1,572,000
Reservoir Maint. & Repair	2,117,646	1,000,000
Water Mains Replacement	1,299,003	11,600,000
Replacement of Sewer	682,428	9,300,000
Client Server/Computer Acquisition	93,879	6,880,083
Hyperion Capital Component	—	8,018,700
Street Resurfacing	—	12,750,000
Elevator Replacement Upgrades	82,601	3,025,000
	<u>\$ 19,272,316</u>	<u>54,595,783</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.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(13) COMMITMENTS AND CONTINGENCIES, CONTINUED

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 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, 2013 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental</u>	<u>Business-type</u>
2014	1,544,567	14,090,876
2015	589,995	14,417,742
2016	261,554	12,574,207
2017	106,549	12,618,432
2018	80,996	12,392,397
2019-2023	—	49,354,089
2024-2028	—	8,851,410
2029-2033	—	10,256,669
2034-2038	—	4,562,247
2039-2043	—	28,520
2044-2045	—	11,408
	<u>\$ 2,583,661</u>	<u>139,157,997</u>

Future minimum lease payments payable for equipment and property leases at June 30, 2013 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental</u>	<u>Business-type</u>
2014	10,399,707	—
2015	10,051,109	—
2016	9,994,860	—
2017	186,846	—
2018	186,846	—
2019-2020	280,269	—
	<u>\$ 31,099,637</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, 2013

(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. 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.

On December 19, 2011, the City Council and The Parking Authority entered into a property management agreement for the management of The Parking Authority's facilities. On July 1 of each year the agreement shall automatically renew for a period of one year unless either party gives written notice to the other on or before June 1 of any year that it has elected not to renew the agreement.

B. Contribution from the City's General Fund

The Parking Authority continues to face economic challenges as its revenues from leased space and parking operations does not meet the operational, debt service and capital expenditures necessary to operate the parking system. This gap is closed only through the contribution of funds totaling \$4,123,100 from the City of Beverly Hills General Fund.

C. Net Investment in Capital Assets

I. City Parking Enterprise Fund

Transfer of Assets to Parking Authority

As noted in Section A above, the City's Parking Enterprise Fund transferred the majority of its assets, including its parking facilities, to The Parking Authority. 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 less than its liabilities, thus a net position deficit has been reported. The net position deficit of the Parking Enterprise fund at June 30, 2013 is \$12,057,142.

The line item Net Investment in Capital Assets within the Net Position section of the Statement of Net Position 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 and the facilities transferred to The Parking Authority. The value of Net Investment in Capital Assets for the Parking Enterprise fund as of June 30, 2013 is negative \$43,010,588.

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 position is displayed in three components: net investment in capital assets, restricted net position and unrestricted net position."

The Governmental Accounting Standards Board Statement Number 34 (GASB 34) paragraph 33 defines the line item of "Net Investment in Capital Assets" as, "This component of net position 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".

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

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

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 63 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 reclassified 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, 2013 is shown in Note 6 on page 63.] 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, 2013, The Parking Authority has \$52,568,855 outstanding in Advances from other funds.

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 limita-

tion. 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 Investment in Capital Assets". 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 position components. Internal balances enter into the computation of unrestricted net position."

Impact

Unfortunately, by adhering to this interpretation of GASB, which denies that internal advances constitute debt, the calculation of the line item "Net Investment in Capital Assets" then excludes the internal advances used to finance The Parking Authority's capital assets which amount to \$112,358,869 as of June 30, 2013. 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 Net Investment in Capital assets is a contradiction to paragraph 33.

If the capital assets constructed with these borrowings are included in this classification of net position, then the related debt should also be included in the same classification. This is what the title of this net position component 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 the Net Investment in Capital Assets 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 representational-

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

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

ly 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 “Net Investment in Capital Assets”. The interfund borrowing is a real debt transaction.

Not only does the answer given in Question 7.23.11 cause Net Investment in Capital Assets to be misleading, it also causes the Unrestricted Net Position line item to be misleading as well. It does not make logical sense for net position 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.

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

Net Investment in Capital Assets Calculation		
The Parking Authority	As reported GASB Required Calculation	City Preferred Method Recognizing Advances from Other Funds is Related Debt
As of June 30, 2013:		
Total capital assets, net	\$ 112,358,869	112,358,869
Less:		
Current portion of bond payable:	-	-
Long term liabilities:	-	-
Advances from other funds:	-	(52,568,855)
Subtotal:	-	(52,568,855)
Net Position:		
Total net investment in capital assets	112,358,869	59,790,014
Restricted for:		
Debt service	-	-
Cash held by fiscal agent attributable to timing difference between construction and drawdown of bond funds	-	-
Unrestricted	(48,213,670)	4,355,185
Total Net Position:	\$ 64,145,199	64,145,199

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(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 431 of the Council adopted City Operating Budget for Fiscal Year 2013-2014 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. 13-R-12941. 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. 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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2013

(15) FUND BALANCE, CONTINUED

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 non-spendable fund balance, as well as the purposes for restricted, committed, and assigned fund balance. The unassigned fund balance is also shown.

	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid expenses	\$ 757,967	-	-	757,967
Long-term accounts receivables	7,354,743	-	-	7,354,743
Long-term advance to other funds	14,943,045	-	-	14,943,045
Permanent fund principal	-	-	81,381	81,381
Total Nonspendable:	23,055,755	-	81,381	23,137,136
Restricted for:				
Debt covenants	-	18,595,979	-	18,595,979
Streets and highways	-	-	2,387,997	2,387,997
Other purposes	-	-	11,044,348	11,044,348
Total Restricted for:	-	18,595,979	13,432,345	32,028,324
Committed to:				
Non-routine emergency events reserve	9,187,500	-	-	9,187,500
Police services	32,770	-	-	32,770
Fire control	1,128,492	-	-	1,128,492
Community Services	416,331	-	-	416,331
Community Development	186,194	-	-	186,194
Parking	-	-	3,235,381	3,235,381
Recreation and parks	-	-	17,038,283	17,038,283
Tourism and Marketing	578,996	-	-	578,996
Fine Arts	-	-	757,527	757,527
Library	93,000	-	-	93,000
Education	-	-	20,417	20,417
Non Departmental	544,000	-	-	544,000
Total Committed to:	12,167,283	-	21,051,608	33,218,891
Assigned to:				
Debt service	-	-	2,293,685	2,293,685
Non-departmental	2,000,000	-	-	2,000,000
Total Assigned to:	2,000,000	-	2,293,685	4,293,685
Unassigned:	80,691,045	-	(86,023)	80,605,022
Total fund balances \$	117,914,083	18,595,979	36,772,996	173,283,058

CITY OF BEVERLY HILLS, CALIFORNIA

Required Supplementary Information – Schedule of Funding Progress

For the year ended June 30, 2013

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
2012	\$ 370,274,330	292,572,982	77,701,348	79.015%	\$ 26,434,840	293.935%
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

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
2012	\$ 278,096,896	229,758,293	48,338,603	82.618%	\$ 40,195,697	120.258%
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

CITY OF BEVERLY HILLS, CALIFORNIA

Required Supplementary Information – Schedule of Funding Progress

For the year ended June 30, 2013

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
2013	\$ 48,999,000	—	48,999,000	—	\$ 77,686,000	63.073 %
2011	52,688,000	—	52,688,000	—	71,261,000	73.937
2009	57,787,000	—	57,787,000	—	61,551,189	93.884

CITY OF BEVERLY HILLS, CALIFORNIA
Supplementary Information
City of Beverly Hills Community Charitable Foundation
Statement of Changes in Assets and Liabilities of Fiduciary Funds
For the Year Ended June 30, 2013

	Balance			Balance
	7/1/2012	Additions	Deductions	6/30/2013
Assets				
Cash and cash equivalents	\$ —	421,434	(1,700)	419,734
Total assets	<u>—</u>	<u>421,434</u>	<u>(1,700)</u>	<u>419,734</u>
Liabilities				
Accounts payable	—	1,992	(1,700)	3,692
Deposit payable	—	418,034	(1,992)	416,042
Total liabilities	<u>—</u>	<u>420,026</u>	<u>(3,692)</u>	<u>419,734</u>

The notes to financial statements are an integral part of this statement





CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet

Other Governmental Funds

June 30, 2013

	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	\$ 2,412,059	221,278	7,992	3,231,555	9,918,242	1,217,077	1,746,948	2,830,844
Interest receivable	6,817	—	—	10,078	29,021	3,424	5,713	8,157
Intergovernmental receivables	—	—	177,975	—	—	—	—	—
Advance to other funds	—	—	—	—	7,235,981	—	—	—
Total assets	<u>\$ 2,418,876</u>	<u>221,278</u>	<u>185,967</u>	<u>3,241,633</u>	<u>17,183,244</u>	<u>1,220,501</u>	<u>1,752,661</u>	<u>2,839,001</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 26,650	2,350	30,596	—	112,790	—	97,992	—
Contracts payable	—	—	—	—	14,169	—	—	—
Accrued payroll	—	—	—	—	—	—	1,343	6,149
Interfund payables	—	—	23,700	—	—	—	—	—
Intergovernmental payables	—	5,158	—	—	—	—	—	—
Deferred revenue	4,229	—	217,694	6,252	18,002	2,124	3,544	5,060
Total liabilities	<u>30,879</u>	<u>7,508</u>	<u>271,990</u>	<u>6,252</u>	<u>144,961</u>	<u>2,124</u>	<u>102,879</u>	<u>11,209</u>
Fund balances (deficit):								
Restricted	2,387,997	213,770	—	—	—	1,218,377	1,649,782	2,827,792
Committed	—	—	—	3,235,381	17,038,283	—	—	—
Unassigned	—	—	(86,023)	—	—	—	—	—
Total fund balances	<u>2,387,997</u>	<u>213,770</u>	<u>(86,023)</u>	<u>3,235,381</u>	<u>17,038,283</u>	<u>1,218,377</u>	<u>1,649,782</u>	<u>2,827,792</u>
Total liabilities and fund balances	<u>\$ 2,418,876</u>	<u>221,278</u>	<u>185,967</u>	<u>3,241,633</u>	<u>17,183,244</u>	<u>1,220,501</u>	<u>1,752,661</u>	<u>2,839,001</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet, Continued

Other Governmental Funds

June 30, 2013

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	\$ 2,386,969	4,571,187	408,891	—	—	62,547	22,959	29,038,548
Interest receivable	7,640	12,131	1,370	—	—	449	79	84,879
Intergovernmental receivables	—	—	—	—	—	74,632	—	252,607
Advance to other funds	—	—	—	—	—	—	—	7,235,981
Total assets	<u>\$ 2,394,609</u>	<u>4,583,318</u>	<u>410,261</u>	<u>—</u>	<u>—</u>	<u>137,628</u>	<u>23,038</u>	<u>36,612,015</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ —	80,185	—	—	—	2,686	681	353,930
Contracts payable	—	—	—	—	—	—	—	14,169
Accrued payroll	—	21,147	—	—	—	4,478	—	33,117
Interfund payables	—	—	—	—	—	—	—	23,700
Intergovernmental payables	—	—	—	—	—	—	—	5,158
Customer deposits	1,632,343	—	—	—	—	—	—	1,632,343
Deferred revenue	4,739	7,525	850	—	—	74,910	49	344,978
Total liabilities	<u>1,637,082</u>	<u>108,857</u>	<u>850</u>	<u>—</u>	<u>—</u>	<u>82,074</u>	<u>730</u>	<u>2,407,395</u>
Fund balances (deficit):								
Restricted	—	4,474,461	409,411	—	—	55,554	22,308	13,259,452
Committed	757,527	—	—	—	—	—	—	21,031,191
Unassigned	—	—	—	—	—	—	—	(86,023)
Total fund balances	<u>757,527</u>	<u>4,474,461</u>	<u>409,411</u>	<u>—</u>	<u>—</u>	<u>55,554</u>	<u>22,308</u>	<u>34,204,620</u>
Total liabilities and fund balances	<u>\$ 2,394,609</u>	<u>4,583,318</u>	<u>410,261</u>	<u>—</u>	<u>—</u>	<u>137,628</u>	<u>23,038</u>	<u>36,612,015</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet, Continued

Other Governmental Funds

June 30, 2013

	<u>Debt Service</u>	<u>Permanent Funds</u>			Total Other Governmental Funds
	Infra- structure	Buck	Burton Green	Total	
Assets					
Cash and investments	\$ 2,287,090	—	—	—	31,325,638
Interest receivable	7,487	—	—	—	92,366
Intergovernmental receivables	—	—	—	—	252,607
Advance to other funds	—	—	—	—	7,235,981
Restricted assets:					
Cash and investments	—	206,883	66,944	273,827	273,827
Interest receivable	—	651	213	864	864
Total assets	\$ <u>2,294,577</u>	<u>207,534</u>	<u>67,157</u>	<u>274,691</u>	<u>39,181,283</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 892	—	—	—	354,822
Contracts payable	—	—	—	—	14,169
Accrued payroll	—	—	—	—	33,117
Interfund payables	—	—	—	—	23,700
Intergovernmental payables	—	—	—	—	5,158
Customer deposits	—	—	—	—	1,632,343
Deferred revenue	—	—	—	—	344,978
Total liabilities	<u>892</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,408,287</u>
Fund balances (deficit):					
Nonspendable	—	34,641	46,740	81,381	81,381
Restricted	—	172,893	—	172,893	13,432,345
Committed	—	—	20,417	20,417	21,051,608
Assigned	2,293,685	—	—	—	2,293,685
Unassigned	—	—	—	—	(86,023)
Total fund balances	<u>2,293,685</u>	<u>207,534</u>	<u>67,157</u>	<u>274,691</u>	<u>36,772,996</u>
Total liabilities and fund balances	\$ <u>2,294,577</u>	<u>207,534</u>	<u>67,157</u>	<u>274,691</u>	<u>39,181,283</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, 2013

	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	\$ —	—	—	665,240	2,360,981	—	—	—
Intergovernmental	651,203	—	115,248	—	—	379,828	701,371	465,085
Charges for services	—	92,782	—	—	—	—	56,211	—
Use of money and property	28,500	—	—	39,425	410,139	12,946	29,056	30,819
Net change in fair value of investments	(39,507)	—	—	(52,781)	(166,552)	(17,876)	(35,878)	(43,828)
Miscellaneous	—	—	—	—	5,000	—	—	—
Total revenues	<u>640,196</u>	<u>92,782</u>	<u>115,248</u>	<u>651,884</u>	<u>2,609,568</u>	<u>374,898</u>	<u>750,760</u>	<u>452,076</u>
Expenditures:								
Current:								
Public service	—	30,203	160,461	—	—	—	993,774	22,191
Capital outlay	<u>422,756</u>	—	—	—	<u>1,148,086</u>	—	—	<u>81,452</u>
Total expenditures	<u>422,756</u>	<u>30,203</u>	<u>160,461</u>	—	<u>1,148,086</u>	—	<u>993,774</u>	<u>103,643</u>
Excess (deficiency) of rev- enues over expenditures	<u>217,440</u>	<u>62,579</u>	<u>(45,213)</u>	<u>651,884</u>	<u>1,461,482</u>	<u>374,898</u>	<u>(243,014)</u>	<u>348,433</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	453,289
Transfers out	<u>(6,000)</u>	—	—	—	<u>(400,000)</u>	—	<u>(453,289)</u>	—
Total other financing sources (uses)	<u>(6,000)</u>	—	—	—	<u>(400,000)</u>	—	<u>(453,289)</u>	<u>453,289</u>
Net change in fund balances	<u>211,440</u>	<u>62,579</u>	<u>(45,213)</u>	<u>651,884</u>	<u>1,061,482</u>	<u>374,898</u>	<u>(696,303)</u>	<u>801,722</u>
Fund balances (deficit), July 1	<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>
Fund balances (deficit), June 30	\$ <u>2,387,997</u>	<u>213,770</u>	<u>(86,023)</u>	<u>3,235,381</u>	<u>17,038,283</u>	<u>1,218,377</u>	<u>1,649,782</u>	<u>2,827,792</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, 2013

	Special Revenue Funds							Total
	Fine Art	Seized and Forfeited Property	Air Quality Improvement	State Park Bond	Roberti-Z'berg Urban Block Grant	Law Enforcement Grants	Inmate Welfare	
Revenues:								
Taxes other than property	\$ 419,155	—	—	—	—	—	—	3,445,376
Intergovernmental	—	1,954,228	41,128	—	—	244,936	—	4,553,027
Charges for services	—	—	—	—	—	—	—	148,993
Use of money and property	33,668	48,432	5,751	—	—	(1,073)	5,694	643,357
Net change in fair value of investments	(41,325)	(64,311)	(7,521)	—	—	(1,934)	(397)	(471,910)
Miscellaneous	—	—	—	—	—	—	—	5,000
Total revenues	411,498	1,938,349	39,358	—	—	241,929	5,297	8,323,843
Expenditures:								
Current:								
Public safety	—	857,748	—	—	—	191,631	8,606	1,057,985
Public service	—	—	41,916	—	—	—	—	1,248,545
Culture and recreation	65,112	—	—	—	—	—	—	65,112
Capital outlay	598,440	241,135	—	—	—	55,404	—	2,547,273
Total expenditures	663,552	1,098,883	41,916	—	—	247,035	8,606	4,918,915
Excess (deficiency) of revenues over expenditures	(252,054)	839,466	(2,558)	—	—	(5,106)	(3,309)	3,404,928
Other financing sources (uses):								
Transfers in	—	—	—	—	—	10,500	—	463,789
Transfers (out)	—	—	—	—	—	—	—	(859,289)
Total other financing sources (uses)	—	—	—	—	—	10,500	—	(395,500)
Net change in fund balances	(252,054)	839,466	(2,558)	—	—	5,394	(3,309)	3,009,428
Fund balances (deficit), July 1	1,009,581	3,634,995	411,969	—	—	50,160	25,617	31,195,192
Fund balances (deficit), June 30	\$ 757,527	4,474,461	409,411	—	—	55,554	22,308	34,204,620

(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, 2013

	<u>Debt Service</u>	<u>Permanent Funds</u>			Total Other Governmental Funds
	Infra- structure	Buck	Burton Green	Total	
Revenues:					
Taxes other than property	\$ —	—	—	—	3,445,376
Intergovernmental	—	—	—	—	4,553,027
Charges for services	—	—	—	—	148,993
Use of money and property	33,594	2,844	933	3,777	680,728
Net change in fair value of investments	(40,484)	(3,685)	(1,210)	(4,895)	(517,289)
Miscellaneous	—	—	—	—	5,000
Total revenues	<u>(6,890)</u>	<u>(841)</u>	<u>(277)</u>	<u>(1,118)</u>	<u>8,315,835</u>
Expenditures:					
Current:					
Public safety	—	—	—	—	1,057,985
Public service	892	—	972	972	1,250,409
Culture and recreation	—	—	—	—	65,112
Debt service:					
Interest	1,307,007	—	—	—	1,307,007
Capital outlay	—	—	—	—	2,547,273
Total expenditures	<u>1,307,899</u>	<u>—</u>	<u>972</u>	<u>972</u>	<u>6,227,786</u>
Excess (deficiency) of rev- enues over expenditures	<u>(1,314,789)</u>	<u>(841)</u>	<u>(1,249)</u>	<u>(2,090)</u>	<u>2,088,049</u>
Other financing sources (uses):					
Transfers in	1,167,000	—	—	—	1,630,789
Transfers out	—	—	—	—	(859,289)
Payment to bond escrow agent	(12,924)	—	—	—	(12,924)
Total other financing sources (uses)	<u>1,154,076</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>758,576</u>
Net change in fund balances	(160,713)	(841)	(1,249)	(2,090)	2,846,625
Fund balances (deficit), July 1	<u>2,454,398</u>	<u>208,375</u>	<u>68,406</u>	<u>276,781</u>	<u>33,926,371</u>
Fund balances (deficit), June 30	<u>\$ 2,293,685</u>	<u>207,534</u>	<u>67,157</u>	<u>274,691</u>	<u>36,772,996</u>

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, 2013

	Special Revenue Funds							
	Streets and Highways State Gas Tax				California State Senate Bill 1473			
	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	\$ 947,466	947,466	651,203	(296,263)	—	—	—	—
Charges for services	—	—	—	—	106,531	106,531	92,782	(13,749)
Use of money and property	59,294	59,294	28,500	(30,794)	—	—	—	—
Net change in fair value of investments	—	—	(39,507)	(39,507)	—	—	—	—
Total revenues	<u>1,006,760</u>	<u>1,006,760</u>	<u>640,196</u>	<u>(366,564)</u>	<u>106,531</u>	<u>106,531</u>	<u>92,782</u>	<u>(13,749)</u>
Expenditures:								
Current:								
Public service	—	—	—	—	34,000	34,000	30,203	(3,797)
Capital outlay	<u>841,093</u>	<u>2,463,758</u>	<u>422,756</u>	<u>(2,041,002)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>841,093</u>	<u>2,463,758</u>	<u>422,756</u>	<u>(2,041,002)</u>	<u>34,000</u>	<u>34,000</u>	<u>30,203</u>	<u>(3,797)</u>
Excess (deficiency) of revenues over expenditures	<u>165,667</u>	<u>(1,456,998)</u>	<u>217,440</u>	<u>1,674,438</u>	<u>72,531</u>	<u>72,531</u>	<u>62,579</u>	<u>(9,952)</u>
Other financing sources (uses):								
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>159,667</u>	<u>(1,462,998)</u>	<u>211,440</u>	<u>1,674,438</u>	<u>72,531</u>	<u>72,531</u>	<u>62,579</u>	<u>(9,952)</u>
Fund balances, July 1	<u>2,176,557</u>	<u>2,176,557</u>	<u>2,176,557</u>	<u>—</u>	<u>151,191</u>	<u>151,191</u>	<u>151,191</u>	<u>—</u>
Fund balances, June 30	<u>\$ 2,336,224</u>	<u>713,559</u>	<u>2,387,997</u>	<u>1,674,438</u>	<u>223,722</u>	<u>223,722</u>	<u>213,770</u>	<u>(9,952)</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, 2013

	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	\$ —	—	—	—	41,999	41,999	665,240	623,241
Intergovernmental	253,516	253,516	115,248	(138,268)	—	—	—	—
Use of money and property	—	—	—	—	100,040	100,040	39,425	(60,615)
Net change in fair value of investments	—	—	—	—	—	—	(52,781)	(52,781)
Total revenues	<u>253,516</u>	<u>253,516</u>	<u>115,248</u>	<u>(138,268)</u>	<u>142,039</u>	<u>142,039</u>	<u>651,884</u>	<u>509,845</u>
Expenditures:								
Current:								
Public service	<u>253,516</u>	<u>253,516</u>	<u>160,461</u>	<u>(93,055)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>253,516</u>	<u>253,516</u>	<u>160,461</u>	<u>(93,055)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>—</u>	<u>(45,213)</u>	<u>(45,213)</u>	<u>142,039</u>	<u>142,039</u>	<u>651,884</u>	<u>509,845</u>
Net change in fund balances	<u>—</u>	<u>—</u>	<u>(45,213)</u>	<u>(45,213)</u>	<u>142,039</u>	<u>142,039</u>	<u>651,884</u>	<u>509,845</u>
Fund balances (deficit), July 1	<u>(40,810)</u>	<u>(40,810)</u>	<u>(40,810)</u>	<u>—</u>	<u>2,583,497</u>	<u>2,583,497</u>	<u>2,583,497</u>	<u>—</u>
Fund balances (deficit), June 30	<u>\$ (40,810)</u>	<u>(40,810)</u>	<u>(86,023)</u>	<u>(45,213)</u>	<u>2,725,536</u>	<u>2,725,536</u>	<u>3,235,381</u>	<u>509,845</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, 2013

	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	2,360,981	186,157	—	—	—	—
Intergovernmental	—	—	—	—	305,626	305,626	379,828	74,202
Use of money and property	683,142	683,142	410,139	(273,003)	6,000	6,000	12,946	6,946
Net change in fair value of investments	—	—	(166,552)	(166,552)	—	—	(17,876)	(17,876)
Miscellaneous	—	—	5,000	5,000	—	—	—	—
Total revenues	<u>2,857,966</u>	<u>2,857,966</u>	<u>2,609,568</u>	<u>(248,398)</u>	<u>311,626</u>	<u>311,626</u>	<u>374,898</u>	<u>63,272</u>
Expenditures:								
Capital outlay	<u>1,988,192</u>	<u>10,882,081</u>	<u>1,148,086</u>	<u>(9,733,995)</u>	<u>800,000</u>	<u>800,000</u>	<u>—</u>	<u>(800,000)</u>
Total expenditures	<u>1,988,192</u>	<u>10,882,081</u>	<u>1,148,086</u>	<u>(9,733,995)</u>	<u>800,000</u>	<u>800,000</u>	<u>—</u>	<u>(800,000)</u>
Excess (deficiency) of revenues over expenditures	<u>869,774</u>	<u>(8,024,115)</u>	<u>1,461,482</u>	<u>9,485,597</u>	<u>(488,374)</u>	<u>(488,374)</u>	<u>374,898</u>	<u>863,272</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>469,774</u>	<u>(8,424,115)</u>	<u>1,061,482</u>	<u>9,485,597</u>	<u>(488,374)</u>	<u>(488,374)</u>	<u>374,898</u>	<u>863,272</u>
Fund balances, July 1	<u>15,976,801</u>	<u>15,976,801</u>	<u>15,976,801</u>	<u>—</u>	<u>843,479</u>	<u>843,479</u>	<u>843,479</u>	<u>—</u>
Fund balances, June 30	<u>\$ 16,446,575</u>	<u>7,552,686</u>	<u>17,038,283</u>	<u>9,485,597</u>	<u>355,105</u>	<u>355,105</u>	<u>1,218,377</u>	<u>863,272</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, 2013

	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	\$ 621,365	621,365	701,371	80,006	407,535	407,535	465,085	57,550
Charges for services	45,000	45,000	56,211	11,211	10,000	10,000	—	(10,000)
Use of money and property	50,000	50,000	29,056	(20,944)	33,532	33,532	30,819	(2,713)
Net change in fair value of investments	—	—	(35,878)	(35,878)	—	—	(43,828)	(43,828)
Total revenues	<u>716,365</u>	<u>716,365</u>	<u>750,760</u>	<u>34,395</u>	<u>451,067</u>	<u>451,067</u>	<u>452,076</u>	<u>1,009</u>
Expenditures:								
Current:								
Public service	772,129	778,311	993,774	215,463	574,003	574,003	22,191	(551,812)
Capital outlay	—	—	—	—	—	1,606,784	81,452	(1,525,332)
Total expenditures	<u>772,129</u>	<u>778,311</u>	<u>993,774</u>	<u>215,463</u>	<u>574,003</u>	<u>2,180,787</u>	<u>103,643</u>	<u>(2,077,144)</u>
Excess (deficiency) of revenues over expenditures	<u>(55,764)</u>	<u>(61,946)</u>	<u>(243,014)</u>	<u>(181,068)</u>	<u>(122,936)</u>	<u>(1,729,720)</u>	<u>348,433</u>	<u>2,078,153</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	453,289	453,289
Transfers out	—	—	(453,289)	453,289	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(453,289)</u>	<u>(453,289)</u>	<u>—</u>	<u>—</u>	<u>453,289</u>	<u>453,289</u>
Net change in fund balances	<u>(55,764)</u>	<u>(61,946)</u>	<u>(696,303)</u>	<u>(634,357)</u>	<u>(122,936)</u>	<u>(1,729,720)</u>	<u>801,722</u>	<u>2,531,442</u>
Fund balances, July 1	<u>2,346,085</u>	<u>2,346,085</u>	<u>2,346,085</u>	<u>—</u>	<u>2,026,070</u>	<u>2,026,070</u>	<u>2,026,070</u>	<u>—</u>
Fund balances, June 30	<u>\$ 2,290,321</u>	<u>2,284,139</u>	<u>1,649,782</u>	<u>(634,357)</u>	<u>1,903,134</u>	<u>296,350</u>	<u>2,827,792</u>	<u>2,531,442</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, 2013

	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	64,874	419,155	354,281	—	—	—	—
Intergovernmental	—	—	—	—	—	—	1,954,228	1,954,228
Use of money and property	8,600	8,600	33,668	25,068	—	—	48,432	48,432
Net change in fair value of investments	—	—	(41,325)	(41,325)	—	—	(64,311)	(64,311)
Total revenues	15,600	73,474	411,498	338,024	—	—	1,938,349	1,938,349
Expenditures:								
Current:								
Public safety	—	—	—	—	—	1,045,016	857,748	(187,268)
Culture and recreation	52,500	110,374	65,112	(45,262)	—	—	—	—
Capital outlay	—	454,116	598,440	144,324	1,479,212	1,849,002	241,135	(1,607,867)
Total expenditures	52,500	564,490	663,552	99,062	1,479,212	2,894,018	1,098,883	(1,795,135)
Excess (deficiency) of revenues over expenditures	(36,900)	(491,016)	(252,054)	238,962	(1,479,212)	(2,894,018)	839,466	3,733,484
Net change in fund balances	(36,900)	(491,016)	(252,054)	238,962	(1,479,212)	(2,894,018)	839,466	3,733,484
Fund balances, July 1	1,009,581	1,009,581	1,009,581	—	3,634,995	3,634,995	3,634,995	—
Fund balances, June 30	\$ 972,681	518,565	757,527	238,962	2,155,783	740,977	4,474,461	3,733,484

(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, 2013

	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	\$ 30,000	30,000	41,128	11,128	—	—	—	—
Use of money and property	6,500	6,500	5,751	(749)	—	—	—	—
Net change in fair value of investments	—	—	(7,521)	(7,521)	—	—	—	—
Total revenues	<u>36,500</u>	<u>36,500</u>	<u>39,358</u>	<u>2,858</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures:								
Current:								
Public service	65,000	265,000	41,916	(223,084)	—	—	—	—
Capital outlay	—	—	—	—	—	—	—	—
Total expenditures	<u>65,000</u>	<u>265,000</u>	<u>41,916</u>	<u>(223,084)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(28,500)</u>	<u>(228,500)</u>	<u>(2,558)</u>	<u>225,942</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources (uses):								
Transfers out	—	—	—	—	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>(28,500)</u>	<u>(228,500)</u>	<u>(2,558)</u>	<u>225,942</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, July 1	<u>411,969</u>	<u>411,969</u>	<u>411,969</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, June 30	\$ <u>383,469</u>	<u>183,469</u>	<u>409,411</u>	<u>225,942</u>	<u>—</u>	<u>—</u>	<u>—</u>	<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, 2013

	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	269,670	244,936	(24,734)
Use of money and property	—	—	—	—	—	—	(1,073)	(1,073)
Net change in fair value of investments	—	—	—	—	—	—	(1,934)	(1,934)
Total revenues	—	—	—	—	100,000	269,670	241,929	(27,741)
Expenditures:								
Current:								
Public safety	—	—	—	—	119,949	293,573	191,631	(101,942)
Capital outlay	—	—	—	—	—	159,025	55,404	(103,621)
Total expenditures	—	—	—	—	119,949	452,598	247,035	(205,563)
Excess (deficiency) of revenues over expenditures	—	—	—	—	(19,949)	(182,928)	(5,106)	177,822
Other financing sources (uses):								
Transfers in	—	—	—	—	—	10,500	10,500	—
Total other financing sources (uses)	—	—	—	—	—	10,500	10,500	—
Net change in fund balances	—	—	—	—	(19,949)	(172,428)	5,394	177,822
Fund balances, July 1	—	—	—	—	50,160	50,160	50,160	—
Fund balances (deficit), June 30	\$ —	—	—	—	30,211	(122,268)	55,554	177,822

(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, 2013

	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	\$ —	—	—	—	2,223,823	2,281,697	3,445,376	1,163,679
Intergovernmental	—	—	—	—	2,665,508	2,835,178	4,553,027	1,717,849
Charges for services	—	—	—	—	161,531	161,531	148,993	(12,538)
Use of money and property	3,000	3,000	5,694	2,694	950,108	950,108	643,357	(306,751)
Net change in fair value of investments	—	—	(397)	(397)	—	—	(471,910)	(471,910)
Miscellaneous	—	—	—	—	—	—	5,000	5,000
Total revenues	3,000	3,000	5,297	2,297	6,000,970	6,228,514	8,323,843	2,095,329
Expenditures:								
Current:								
Public safety	23,000	23,000	8,606	(14,394)	142,949	1,361,589	1,057,985	(303,604)
Public service	—	—	—	—	1,698,648	1,904,830	1,248,545	(656,285)
Culture and recreation	—	—	—	—	52,500	110,374	65,112	(45,262)
Capital outlay	—	—	—	—	5,108,497	18,214,766	2,547,273	(15,667,493)
Total expenditures	23,000	23,000	8,606	(14,394)	7,002,594	21,591,559	4,918,915	(16,672,644)
Excess (deficiency) of revenues over expenditures	(20,000)	(20,000)	(3,309)	16,691	(1,001,624)	(15,363,045)	3,404,928	18,767,973
Other financing sources (uses):								
Transfers in	—	—	—	—	—	10,500	463,789	453,289
Transfers out	—	—	—	—	(406,000)	(406,000)	(859,289)	(453,289)
Total other financing sources (uses)	—	—	—	—	(406,000)	(395,500)	(395,500)	—
Net change in fund balances	(20,000)	(20,000)	(3,309)	16,691	(1,407,624)	(15,758,545)	3,009,428	18,767,973
Fund balances, July 1	25,617	25,617	25,617	—	31,195,192	31,195,192	31,195,192	—
Fund balances, June 30	\$ 5,617	5,617	22,308	16,691	29,787,568	15,436,647	34,204,620	18,767,973

(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, 2013

	Debt Service Fund				Permanent Funds			
	Infrastructure			Variance with Final Budget – Over (Under)	Buck			Variance with Final Budget – Over (Under)
	Budgeted Amounts		Actual		Budgeted Amounts		Actual	
Original	Final	Amounts	Original	Final	Amounts	Original	Final	
Revenues:								
Use of money and property	\$ —	—	33,594	33,594	—	—	2,844	2,844
Net change in fair value of investments	—	—	(40,484)	(40,484)	—	—	(3,685)	(3,685)
Total revenues	—	—	(6,890)	(6,890)	—	—	(841)	(841)
Expenditures:								
Current:								
Public service	1,207	1,207	892	(315)	—	—	—	—
Debt service:								
Interest	1,492,285	1,492,285	1,307,007	(185,278)	—	—	—	—
Principal Payment	374,698	374,698	—	(374,698)	—	—	—	—
Total expenditures	1,868,190	1,868,190	1,307,899	(560,291)	—	—	—	—
Excess (deficiency) of revenues over expenditures	(1,868,190)	(1,868,190)	(1,314,789)	553,401	—	—	(841)	(841)
Other financing sources (uses):								
Transfers in	1,867,000	1,867,000	1,167,000	(700,000)	—	—	—	—
Payment to bond escrow agent	—	—	(12,924)	(12,924)	—	—	—	—
Total other financing sources (uses)	1,867,000	1,867,000	1,154,076	(712,924)	—	—	—	—
Net change in fund balances	(1,190)	(1,190)	(160,713)	(159,523)	—	—	(841)	(841)
Fund balances, July 1	2,454,398	2,454,398	2,454,398	—	208,375	208,375	208,375	—
Fund balances, June 30	\$ 2,453,208	2,453,208	2,293,685	(159,523)	208,375	208,375	207,534	(841)

(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, 2013

	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	\$ —	—	933	933	—	—	3,777	3,777
Net change in fair value of investments	—	—	(1,210)	(1,210)	—	—	(4,895)	(4,895)
Total revenues	—	—	(277)	(277)	—	—	(1,118)	(1,118)
Expenditures:								
Current:								
Public service	—	—	972	972	—	—	972	972
Total expenditures	—	—	972	972	—	—	972	972
Excess (deficiency) of revenues over expenditures	—	—	(1,249)	(1,249)	—	—	(2,090)	(2,090)
Net change in fund balances	—	—	(1,249)	(1,249)	—	—	(2,090)	(2,090)
Fund balances, July 1	68,406	68,406	68,406	—	276,781	276,781	276,781	—
Fund balances, June 30	\$ 68,406	68,406	67,157	(1,249)	276,781	276,781	274,691	(2,090)

(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, 2013

	Total Other Governmental Funds			Variance with Final Budget – Over (Under)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Taxes other than property	\$ 2,223,823	2,281,697	3,445,376	1,163,679
Intergovernmental	2,665,508	2,835,178	4,553,027	1,717,849
Charges for services	161,531	161,531	148,993	(12,538)
Use of money and property	950,108	950,108	680,728	(269,380)
Net change in fair value of investments	—	—	(517,289)	(517,289)
Miscellaneous	—	—	5,000	5,000
Total revenues	<u>6,000,970</u>	<u>6,228,514</u>	<u>8,315,835</u>	<u>2,087,321</u>
Expenditures:				
Current:				
Public safety	142,949	1,361,589	1,057,985	(303,604)
Public service	1,699,855	1,906,037	1,250,409	(655,628)
Culture and recreation	52,500	110,374	65,112	(45,262)
Debt service:				
Interest	1,492,285	1,492,285	1,307,007	(185,278)
Principal	374,698	374,698	—	(374,698)
Capital outlay	<u>5,108,497</u>	<u>18,214,766</u>	<u>2,547,273</u>	<u>(15,667,493)</u>
Total expenditures	<u>8,870,784</u>	<u>23,459,749</u>	<u>6,227,786</u>	<u>(17,231,963)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,869,814)</u>	<u>(17,231,235)</u>	<u>2,088,049</u>	<u>19,319,284</u>
Other financing sources (uses):				
Transfers in	1,867,000	1,877,500	1,630,789	(246,711)
Transfers out	(406,000)	(406,000)	(859,289)	453,289
Payment to bond escrow agent	—	—	(12,924)	12,924
Total other financing sources (uses)	<u>1,461,000</u>	<u>1,471,500</u>	<u>758,576</u>	<u>219,502</u>
Net change in fund balances	<u>(1,408,814)</u>	<u>(15,759,735)</u>	<u>2,846,625</u>	<u>19,538,786</u>
Fund balances, July 1	<u>33,926,371</u>	<u>33,926,371</u>	<u>33,926,371</u>	<u>—</u>
Fund balances, June 30	<u>\$ 32,517,557</u>	<u>18,166,636</u>	<u>36,772,996</u>	<u>19,538,786</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget – Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ —	—	630,086	630,086
Use of money and property	188,966	188,966	223,472	34,506
Net change in fair value of investments	—	—	(320,774)	(320,774)
Contribution in aid of construction	—	131,255	131,255	—
Miscellaneous	—	—	—	—
Total revenues	<u>188,966</u>	<u>320,221</u>	<u>664,039</u>	<u>343,818</u>
Expenditures:				
Capital outlay	<u>8,347,920</u>	<u>21,950,293</u>	<u>1,842,399</u>	<u>(20,107,894)</u>
Total expenditures	<u>8,347,920</u>	<u>21,950,293</u>	<u>1,842,399</u>	<u>(20,107,894)</u>
Deficiency of revenues over expenditures	(8,158,954)	(21,630,072)	(1,178,360)	20,451,712
Other financing sources:				
Transfers in	<u>3,700,000</u>	<u>4,450,000</u>	<u>4,450,000</u>	<u>—</u>
Total other financing sources (uses)	<u>3,700,000</u>	<u>4,450,000</u>	<u>4,450,000</u>	<u>—</u>
Deficiency of revenues and other sources over expenditures	(4,458,954)	(17,180,072)	3,271,640	20,451,712
Fund balance, July 1	<u>15,324,339</u>	<u>15,324,339</u>	<u>15,324,339</u>	<u>—</u>
Fund balance, June 30	<u>\$ 10,865,385</u>	<u>(1,855,733)</u>	<u>18,595,979</u>	<u>20,451,712</u>



CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Net Position

Internal Service Funds

June 30, 2013

	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	\$ 15,644,987	24,399,287	12,141,915	9,155,949	1,973,259	4,328,568	11,741,613	15,570,656	191,193	42,657,343	9,857,642	—	147,662,412
Accounts receivable	74,563	533	—	—	—	—	—	—	—	—	14,500	—	89,596
Interest receivable	53,695	92,966	33,225	27,254	5,078	14,173	35,359	52,071	581	134,008	27,527	—	475,937
Inventories	—	—	335,512	—	—	—	—	—	—	—	18,156	—	353,668
Prepaid expenses	—	—	—	—	18,375	—	582,504	—	—	—	—	—	600,879
Total current assets	15,773,245	24,492,786	12,510,652	9,183,203	1,996,712	4,342,741	12,359,476	15,622,727	191,774	42,791,351	9,917,825	—	149,182,492
Noncurrent assets:													
Restricted assets:													
Cash and investments	—	2,130,381	—	—	—	—	—	—	—	184,281	—	—	2,314,662
Total restricted assets	—	2,130,381	—	—	—	—	—	—	—	184,281	—	—	2,314,662
Bond issuance costs, net	—	1,086,784	—	—	—	—	—	—	—	212,379	—	—	1,299,163
Advances to (from) other funds	—	17,611,343	11,332,582	—	—	—	—	—	—	—	—	—	28,943,925
Net pension assets	146,425	125,457	104,114	—	33,442	25,341	—	—	—	—	839,657	—	1,274,436
Other post employment benefit asset	—	—	—	—	—	—	—	—	—	3,407,956	—	—	3,407,956
Total other noncurrent assets	146,425	18,823,584	11,436,696	—	33,442	25,341	—	—	—	3,620,335	839,657	—	34,925,480
Capital assets:													
Land	—	32,273,138	—	—	—	—	—	—	—	—	—	—	32,273,138
Buildings	3,723,031	231,977,325	—	—	—	—	—	—	—	—	—	—	235,700,356
Improvements other than buildings	—	30,200,478	—	—	—	—	—	—	—	—	—	—	30,200,478
Machinery and equipment	28,441,770	7,506,816	20,269,226	1,085,832	69,335	3,326,154	—	—	—	—	—	—	60,699,133
Infrastructure	238,064	—	—	—	—	—	421,381	—	—	—	—	—	659,445
	32,402,865	301,957,757	20,269,226	1,085,832	69,335	3,326,154	421,381	—	—	—	—	—	359,532,550
Less accumulated depreciation	(17,068,173)	(104,963,132)	(13,968,696)	(281,501)	(69,335)	(1,252,112)	(18,434)	—	—	—	—	—	(137,621,383)
Construction in progress	433,145	13,989,871	—	—	—	410,986	—	—	—	—	—	—	14,834,002
Total capital assets, net	15,767,837	210,984,496	6,300,530	804,331	—	2,485,028	402,947	—	—	—	—	—	236,745,169
Total noncurrent assets	15,914,262	231,938,461	17,737,226	804,331	33,442	2,510,369	402,947	—	—	3,804,616	839,657	—	273,985,311
Total assets	31,687,507	256,431,247	30,247,878	9,987,534	2,030,154	6,853,110	12,762,423	15,622,727	191,774	46,595,967	10,757,482	—	423,167,803

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Net Position, Continued

Internal Service Funds

June 30, 2013

	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	\$ 984,819	2,352,370	549,792	58,273	21,669	3,852	439,439	443	—	—	887,113	—	5,297,770
Contracts payable	—	316,659	—	—	—	—	—	—	—	—	—	—	316,659
Accrued payroll	437	139,785	73,036	—	50,220	22,611	5,681	5,682	—	—	752,340	—	1,049,792
Interest payable	—	285,403	—	—	—	—	—	—	—	61,182	—	—	346,585
Current portion of:													
Compensated absences	—	—	—	—	—	—	—	—	—	826,335	—	—	826,335
Outstanding claims	—	—	—	—	—	—	1,367,962	1,760,324	15,954	—	—	—	3,144,240
Revenue bonds	—	6,503,134	—	—	—	—	—	—	—	1,589,474	—	—	8,092,608
Capital lease	—	65,275	—	—	—	—	—	—	—	—	—	—	65,275
Note payables	—	1,573,429	—	—	—	—	—	—	—	—	—	—	1,573,429
Unearned revenue	—	3,316,376	—	—	—	—	—	—	—	—	—	—	3,316,376
Total current liabilities	985,256	14,552,431	622,828	58,273	71,889	26,463	1,813,082	1,766,449	15,954	2,476,991	1,639,453	—	24,029,069
Long-term liabilities (net of current portion):													
Compensated absences	—	—	—	—	—	—	—	—	—	12,500,891	—	—	12,500,891
Outstanding claims	—	—	—	—	—	—	1,657,037	5,609,983	—	—	—	—	7,267,020
Revenue bonds	—	74,016,927	—	—	—	—	—	—	—	15,171,930	—	—	89,188,857
Original issue premium, net	—	8,165,555	—	—	—	—	—	—	—	—	—	—	8,165,555
Amount on refunding, net	—	(3,107,473)	—	—	—	—	—	—	—	—	—	—	(3,107,473)
Capital lease	—	161,568	—	—	—	—	—	—	—	—	—	—	161,568
Leased property deposit	—	316,996	—	—	—	—	—	—	—	—	—	—	316,996
Note payables	—	26,881,191	—	—	—	—	—	—	—	—	—	—	26,881,191
Total long-term liabilities	—	106,434,764	—	—	—	—	1,657,037	5,609,983	—	27,672,821	—	—	141,374,605
Total liabilities	985,256	120,987,195	622,828	58,273	71,889	26,463	3,470,119	7,376,432	15,954	30,149,812	1,639,453	—	165,403,674
NET POSITION													
Net investment in capital assets	15,767,837	97,995,185	6,300,531	804,331	—	2,485,028	402,948	—	—	—	—	—	123,755,860
Restricted for:													
Debt service	—	2,116,519	—	—	—	—	—	—	—	—	—	—	2,116,519
Unrestricted	14,934,414	35,332,348	23,324,519	9,124,930	1,958,265	4,341,619	8,889,356	8,246,295	175,820	16,446,155	9,118,029	—	131,891,750
Total net position	\$ 30,702,251	135,444,052	29,625,050	9,929,261	1,958,265	6,826,647	9,292,304	8,246,295	175,820	16,446,155	9,118,029	—	257,764,129

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the year ended June 30, 2013

	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
Operating revenues:													
Sales, service charges and fees	\$ 6,102,957	26,857,147	7,034,627	1,853,157	2,536,238	1,595,207	6,246,797	2,867,573	63,817	7,842,238	37,090,826	(20,798,468)	79,292,116
Operating expenses:													
Salaries and employee benefits	6,126	2,037,768	1,464,355	—	959,913	605,930	156,066	156,065	55,275	5,761,877	15,476,664	(2,931,390)	23,748,649
Maintenance and operation	1,515,806	6,264,433	3,415,727	253,293	1,446,570	655,062	4,532,734	492,975	—	—	20,899,588	(17,867,078)	21,609,110
Insurance premiums, settlements and provisions	—	—	—	—	—	—	1,376,711	2,855,881	—	—	—	—	4,232,592
Depreciation	5,421,267	6,323,629	1,869,489	111,471	—	175,828	10,535	—	—	—	—	—	13,912,219
Amortization of issuance costs	—	424,706	—	—	—	—	—	—	—	17,698	—	—	442,404
Total operating expenses	6,943,199	15,050,536	6,749,571	364,764	2,406,483	1,436,820	6,076,046	3,504,921	55,275	5,779,575	36,376,252	(20,798,468)	63,944,974
Operating income (loss)	(840,242)	11,806,611	285,056	1,488,393	129,755	158,387	170,751	(637,348)	8,542	2,062,663	714,574	—	15,347,142
Nonoperating revenues (expenses):													
Investment revenue	247,242	3,557,848	594,363	114,777	23,057	62,181	146,261	225,817	2,545	563,148	116,235	(68,305)	5,585,169
Net change in fair value of investments	(298,050)	(472,334)	(173,418)	(146,830)	(32,658)	(77,716)	(197,663)	(287,485)	(3,315)	(701,396)	(144,912)	—	(2,535,777)
Interest expense	(68,305)	(5,824,850)	—	—	—	—	—	—	—	(754,345)	—	68,305	(6,579,195)
Intergovernmental revenue	232,250	—	—	—	—	—	—	—	—	11,178	—	—	243,428
Gain (loss) on sale of capital assets	—	—	(54,553)	—	—	—	—	—	—	—	—	—	(54,553)
Other revenue	—	95,459	—	—	42	—	—	—	—	—	94,304	—	189,805
Total nonoperating revenues (expenses)	113,137	(2,643,877)	366,392	(32,053)	(9,559)	(15,535)	(51,402)	(61,668)	(770)	(881,415)	65,627	—	(3,151,123)
Income (loss) before contributions and operating transfers	(727,105)	9,162,734	651,448	1,456,340	120,196	142,852	119,349	(699,016)	7,772	1,181,248	780,201	—	12,196,019
Transfers in	200,000	1,425,000	590,000	200,000	—	—	250,000	—	—	1,150,000	173,744	—	3,988,744
Transfers out	—	(6,300,000)	—	—	—	—	(200,000)	—	—	—	(100,000)	—	(6,600,000)
Change in net position	(527,105)	4,287,734	1,241,448	1,656,340	120,196	142,852	169,349	(699,016)	7,772	2,331,248	853,945	—	9,584,763
Net position, July 1	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
Net position, June 30	\$ 30,702,251	135,444,052	29,625,050	9,929,261	1,958,265	6,826,647	9,292,304	8,246,295	175,820	16,446,155	9,118,029	—	257,764,129

(Continued)



CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

For the year ended June 30, 2013

	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	Total
Cash flows from operating activities:												
Cash received from customers	\$ 6,102,394	26,911,007	7,034,627	1,853,157	2,536,238	1,595,207	6,246,797	2,867,573	63,817	7,842,238	37,090,826	100,143,881
Cash payments to employees for services	(6,558)	(1,968,612)	(1,445,714)	—	(944,551)	(605,630)	(155,819)	(155,817)	(55,275)	(4,567,915)	(15,269,935)	(25,175,826)
Cash payments for goods and services	(1,676,341)	(5,725,489)	(3,028,504)	(241,003)	(1,485,235)	(657,292)	—	(3,129,392)	(8,542)	—	(21,003,029)	(36,954,827)
Cash payments for insurance premiums, settle- ments and claims	—	—	—	—	—	—	(5,722,483)	—	—	—	—	(5,722,483)
Net cash (used in) provided by operating activities	4,419,495	19,216,906	2,560,409	1,612,154	106,452	332,285	368,495	(417,636)	—	3,274,323	817,862	32,290,745
Cash flows from noncapital financing activities:												
Other revenue	—	95,460	—	—	42	—	—	—	—	11,178	94,304	200,984
Intergovernmental revenue	232,250	—	—	—	—	—	—	—	—	—	—	232,250
Payment for unfunded liabilities	5,171	4,431	3,677	—	1,181	895	—	—	—	—	29,655	45,010
Cash received from other funds	200,000	—	590,000	200,000	—	—	250,000	—	—	1,150,000	173,744	2,563,744
Cash paid to other funds	—	(4,875,000)	—	—	—	—	(200,000)	—	—	—	(100,000)	(5,175,000)
Net cash (used in) provided by noncapital financing activities	437,421	(4,775,109)	593,677	200,000	1,223	895	50,000	—	—	1,161,178	197,703	(2,133,012)
Cash flows from capital financing activities:												
Proceeds from sale of property	—	—	76,439	—	—	—	—	—	—	—	—	76,439
Acquisition and construction of capital assets	(3,358,836)	(12,918,226)	(1,748,628)	(432,858)	—	(427,920)	—	—	—	—	—	(18,886,468)
Proceeds from issuance of bonds	—	12,704,604	—	—	—	—	—	—	—	—	—	12,704,604
Payments to defeased bonds escrow trustee	—	(12,543,665)	—	—	—	—	—	—	—	—	—	(12,543,665)
Payment of bond issuance cost	—	(116,038)	—	—	—	—	—	—	—	—	—	(116,038)
Interest received (paid) on note receivable	—	708,314	—	—	—	—	—	—	—	—	—	708,314
Principal received (paid) on interfund advance	(1,366,100)	2,152,515	506,044	—	—	—	—	—	—	—	—	1,292,459
Interest received (paid) on interfund advance	(68,305)	68,305	455,787	—	—	—	—	—	—	—	—	455,787
Principal payments on debt	—	(8,781,483)	—	—	—	—	—	—	—	(1,164,912)	—	(9,946,395)
Interest payments on debt	—	(5,883,712)	—	—	—	—	—	—	—	(756,178)	—	(6,639,890)
Net cash (used in) provided by capital financing activities	(4,793,241)	(24,609,386)	(710,358)	(432,858)	—	(427,920)	—	—	—	(1,921,090)	—	(32,894,853)
Cash flows from investing activities:												
Earnings (loss) on investments	(51,913)	2,356,563	(41,961)	(36,148)	(9,096)	(15,893)	(53,289)	(61,614)	(511)	(159,013)	(34,490)	1,892,635
Net increase (decrease) in cash and cash equivalents	11,762	(7,811,026)	2,401,767	1,343,148	98,579	(110,633)	365,206	(479,250)	(511)	2,355,398	981,075	(844,485)
Cash and cash equivalents, July 1	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
Cash and cash equivalents, June 30	\$ 15,644,987	26,529,668	12,141,915	9,155,949	1,973,259	4,328,568	11,741,613	15,570,656	191,193	42,841,624	9,857,642	149,977,074

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Cash Flows, Continued

Internal Service Funds

For the year ended June 30, 2013

	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	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:												
Operating income (loss)	\$ (840,242)	11,806,611	285,056	1,488,393	129,755	158,387	170,751	(637,348)	8,542	2,062,663	714,574	15,347,142
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:												
Depreciation	5,421,267	6,323,629	1,869,489	111,471	—	175,828	10,535	—	—	-	—	13,912,219
Amortization of and other changes in issuance costs	—	424,706	—	—	—	—	—	—	—	17,698	—	442,404
Changes in assets and liabilities:												
(Increase) decrease in receivables	(562)	60,000	—	—	—	—	—	—	—	—	—	59,438
(Increase) decrease in inventories	—	—	(3,597)	—	—	—	—	—	—	—	6,083	2,486
(Increase) decrease in prepaid expenses	—	—	—	—	(3,522)	—	(101,856)	—	—	—	345	(105,033)
Increase (decrease) in accounts payable	(160,536)	481,408	390,820	12,290	(35,143)	(2,230)	187,130	(17,839)	—	(24,826)	(109,869)	721,205
Increase (decrease) in other post-employment benefit obligations	—	—	—	—	—	—	—	—	—	1,859,376	—	1,859,376
Increase (decrease) in interfund payable	—	(2,464)	—	—	—	—	—	—	—	—	—	(2,464)
Increase (decrease) in accrued payroll	(432)	69,156	18,641	—	15,362	300	247	248	—	—	206,729	310,251
Increase (decrease) in accrued compensated absences	—	—	—	—	—	—	—	—	—	(640,588)	—	(640,588)
Increase (decrease) in unearned revenue	—	53,860	—	—	—	—	—	—	—	—	—	53,860
Increase (decrease) in outstanding claims	—	—	—	—	—	—	101,688	237,303	(8,542)	—	—	330,449
Total adjustments	5,259,737	7,410,295	2,275,353	123,761	(23,303)	173,898	197,744	219,712	(8,542)	1,211,660	103,288	16,943,603
Net cash (used in) provided by operating activities	4,419,495	19,216,906	2,560,409	1,612,154	106,452	332,285	368,495	(417,636)	—	3,274,323	817,862	32,290,745
Cash and investments	15,644,987	24,399,287	12,141,915	9,155,949	1,973,259	4,328,568	11,741,613	15,570,656	191,193	42,657,343	9,857,642	147,662,412
Restricted cash and investments	—	2,130,381	—	—	—	—	—	—	—	184,281	—	2,314,662
Total cash and cash equivalents	15,644,987	26,529,668	12,141,915	9,155,949	1,973,259	4,328,568	11,741,613	15,570,656	191,193	42,841,624	9,857,642	149,977,074
Significant noncash investing and financing activity:												
Amortization of bond issuance costs, premiums, discounts and deferred amounts on refunding (note 9)	—	424,706	—	—	—	—	—	—	—	17,698	—	442,404
Value of capital asset under lease (note 9)	—	226,843	—	—	—	—	—	—	—	—	—	226,843
Change in fair value of nonpooled investments	\$ (298,050)	(472,334)	(173,418)	(146,830)	(32,658)	(77,716)	(197,663)	(287,485)	(3,315)	(701,396)	(144,912)	(2,535,777)





CITY OF BEVERLY HILLS, CALIFORNIA

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

June 30, 2013 with comparative amounts for June 30, 2012

	<u>2013</u>	<u>2012</u>
Governmental funds capital assets by type, function and activity:		
Land	\$ 19,559,986	19,559,986
Construction in progress	<u>6,347,385</u>	<u>6,482,113</u>
Infrastructure	134,817,487	133,515,248
Building	7,063,777	7,063,777
Improvements other than buildings	4,218,131	3,273,610
Machinery and Equipment	3,620,957	3,243,861
Less accumulated depreciation	<u>(55,978,734)</u>	<u>(51,761,441)</u>
Net infrastructure assets – public works – streets and subdrains	93,741,618	95,335,055
Fine Art Collection – general government – art and culture	<u>2,169,851</u>	<u>1,746,411</u>
Total governmental funds capital assets	<u>\$ 121,818,840</u>	<u>123,123,565</u>
Investments in governmental capital assets by source:		
2012 Lease Revenue Bonds	\$ 28,935,022	30,524,098
Capital projects general revenues	45,412,399	43,868,652
General Fund revenues	22,433,750	23,444,747
Special revenue funds revenues	<u>25,037,668</u>	<u>25,286,067</u>
Total investment in governmental capital assets by source	<u>\$ 121,818,840</u>	<u>123,123,565</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, 2013

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	6,347,385	—	—	—	—	—	—	6,347,385
General government – art and culture	—	—	2,169,851	—	—	—	—	2,169,851
General government – Improvements other than buildings	—	—	—	—	—	4,218,131	—	4,218,131
Public works – streets and subdrains	—	134,817,487	—	—	7,063,777	—	3,620,957	145,502,221
Total	\$ 6,347,385	134,817,487	2,169,851	19,559,986	7,063,777	4,218,131	3,620,957	177,797,574

CITY OF BEVERLY HILLS, CALIFORNIA

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

June 30, 2013

<u>Function and Activity</u>	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance June 30, 2013</u>
Land	\$ 19,559,986	—	—	—	19,559,986
Construction in progress	6,482,113	3,062,394	—	(3,197,122)	6,347,385
Total capital assets not being depreciated	<u>26,042,099</u>	<u>3,062,394</u>	<u>—</u>	<u>(3,197,122)</u>	<u>25,907,371</u>
General government :					
Art and culture – fine art collection	<u>1,746,411</u>	<u>—</u>	<u>—</u>	<u>423,440</u>	<u>2,169,851</u>
Public works:					
Buildings	7,063,777	—	—	—	7,063,777
Infrastructure	133,515,248	—	(149,826)	1,452,065	134,817,487
Improvements other than buildings	3,273,610	—	—	944,521	4,218,131
Machinery and equipment	3,243,861	—	—	377,096	3,620,957
Less accumulated depreciation	<u>(51,761,441)</u>	<u>(4,367,119)</u>	<u>149,826</u>	<u>—</u>	<u>(55,978,734)</u>
Total public works	<u>95,335,055</u>	<u>(4,367,119)</u>	<u>—</u>	<u>2,773,682</u>	<u>93,741,618</u>
Total	<u>\$ 123,123,565</u>	<u>(1,304,725)</u>	<u>—</u>	<u>—</u>	<u>121,818,840</u>



CITY OF BEVERLY HILLS CALIFORNIA

Statistical Section

June 30, 2013

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 Position and Changes in Net Position- the schedules provided depict the financial trend of the City's net position and will assist the user in the assessment of the City's financial position. In addition, the schedules for the changes in net position 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 Position by Component

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

	<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>	<u>2013</u>
Governmental Activities										
Net investment in capital assets	\$ 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	199,111,492
Restricted	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	34,012,454
Unrestricted	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	303,170,510
Total governmental activities net position	<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>	<u>536,294,456</u>
Business-type Activities										
Net investment in capital assets	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	162,095,506
Restricted	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	6,545,159
Unrestricted	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	53,331,275
Total business-type activities net position	<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>	<u>221,971,940</u>
Primary Government										
Net investment in capital assets	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	361,206,998
Restricted	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	40,557,613
Unrestricted	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	356,501,785
Total primary government net position	<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>	<u>758,266,396</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Position

Last Ten Fiscal Years

(Accrual basis of accounting)

(Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Expenses										
Governmental Activities:										
General Government	\$ 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	10,558,448
Public Safety	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	96,008,043
Public Service	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	26,938,269
Culture and Recreation	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	42,982,186
Interest on long-term debt	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	7,886,202
Total governmental activities expenses	<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>	<u>184,373,148</u>
Business-type Activities:										
Water	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	29,457,542
Parking	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	17,527,741
Solid-waste	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	13,925,218
Wastewater	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	10,847,548
Stormwater	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	2,806,633
Parking Authority	-	-	-	-	-	-	-	-	23,486,489	29,942,501
Total business-type activities expenses	<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>	<u>104,507,183</u>
Total primary government expenses	<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>	<u>288,880,331</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Position, Continued

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 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	1,242,289
Public Safety	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	29,207,003
Public Service	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	19,721,555
Culture and Recreation	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	8,807,283
Operating grants and contributions	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	4,337,875
Capital grants and contributions	11,127,637	3,255,196	27,642,764	42,373	435,366	646,089	1,506,992	1,385,363	4,521,907	1,904,545
Total governmental activities program revenues	<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>	<u>65,220,549</u>
Business-type Activities:										
Charges for services:										
Water	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	34,945,035
Parking	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	22,929,670
Solid Waste	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	15,427,363
Wastewater	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	13,210,209
Stormwater	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	1,820,854
Parking Authority	-	-	-	-	-	-	-	-	17,957,515	24,644,203
Operating grants and contributions	-	-	-	-	-	35,823	2,928	17,421	-	9,469
Capital grants and contributions	-	-	-	-	-	-	-	373,040	387,198	200,951
Total business-type activities program revenues	<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>	<u>113,187,754</u>
Total Primary Government Program Revenues	<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>	<u>178,408,303</u>
Net (expense) revenue:										
Governmental Activities	(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)	(119,152,599)
Business-type Activities	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	8,680,571
Total Primary government net expense	<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>	<u>(110,472,028)</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Position, Continued

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Taxes:										
Business	\$ 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	37,773,711
Property	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	45,893,196
Sales	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	26,820,826
Transient Occupancy	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	31,085,808
Other	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	4,743,455
Grants and Contributions not restricted to specific programs	2,500,228	1,345,997	1,943,643	2,727,966	3,167,742	2,927,277	419,910	575,314	409,274	667,516
Unrestricted investment earnings	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	12,297,202
Net change in fair value of investments	(2,983,022)	(1,000,699)	(1,056,975)	753,662	139,064	481,383	1,479,844	(33,470)	(563,322)	(4,575,516)
Pers credit	2,154,131	-	-	-	-	-	-	-	-	-
All street meters	2,257,223	-	-	-	-	-	-	-	-	-
Gain on sale of capital assets	20,005	1,958,607	86,031	2,138,495	64,215	(115,136)	-	-	-	-
Miscellaneous	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	1,233,050
Restatements	3,328,491	-	-	-	-	-	-	-	-	-
Transfers	-	-	8,794	-	-	(6,712,474)	682,194	1,010,669	444,249	(7,925,000)
Contributions to Parking Authority	-	-	-	-	-	-	-	-	(5,000,000)	(4,123,100)
Total Governmental Activities:	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	143,891,148
Business-type Activities:										
Unrestricted investment earnings	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	1,371,810
Net change in fair value of investments	(1,245,713)	(451,046)	(411,843)	223,093	100,938	192,936	505,896	(132,624)	(192,556)	(1,283,053)
Gain on sale of capital assets	-	-	-	-	-	-	-	-	931	-
Miscellaneous	268,528	66,715	44,122	40,138	97,197	34,365	34,461	34,365	4,552,486	3,278,017
Restatements	3,398,427	-	-	-	-	-	-	-	-	-
Transfers	-	-	(8,794)	-	-	6,712,474	(682,194)	(1,010,669)	(444,249)	7,925,000
Contributions to Parking Authority	-	-	-	-	-	-	-	-	5,000,000	4,123,100
Total Business-type Activities:	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	15,414,874
Total Primary Government:	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	159,306,022
Change in Net Position										
Governmental Activities	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	24,738,549
Business-type Activities	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	24,095,445
Total Primary Government:	\$ 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	48,833,994

CITY OF BEVERLY HILLS, CALIFORNIA

Fund Balances of Governmental Funds

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

	<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>	<u>2013</u>
General Fund										
Reserved	\$ 16,824,428	19,613,934	18,677,717	18,404,138	18,670,005	-	-	-	-	-
Unreserved	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	22,339,918
Restricted	-	-	-	-	-	32,000,000	32,000,000	-	-	-
Committed	-	-	-	-	-	16,364,502	16,109,814	8,480,041	10,363,227	21,354,782
Assigned	-	-	-	-	-	957,235	3,284,204	1,447,295	3,300,000	2,000,000
Unassigned	-	-	-	-	-	19,198,909	21,801,773	63,862,068	69,963,868	72,219,383
Total General Fund	<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>93,441,057</u>	<u>97,564,979</u>	<u>97,984,156</u>	<u>107,208,994</u>	<u>117,914,083</u>
Capital Projects Fund										
Reserved	15,505,809	8,141,312	2,516,874	1,733,178	12,160,704	-	-	-	-	-
Unreserved	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	18,595,979
Total Capital Projects Fund	<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>	<u>18,595,979</u>
All other governmental funds										
Reserved	6,181,146	4,375,776	4,908,272	14,173,244	15,687,641	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	13,269,678	16,678,355	19,168,742	15,006,948	14,547,746	-	-	-	-	-
Permanent funds	155,007	156,214	158,782	169,963	176,338	-	-	-	-	-
Nonspendable	-	-	-	-	-	8,191,852	7,951,613	81,381	81,381	81,381
Restricted	-	-	-	-	-	10,622,748	11,415,127	13,256,219	11,868,339	13,432,345
Committed	-	-	-	-	-	13,165,078	3,803,123	12,008,977	19,591,545	21,051,608
Assigned	-	-	-	-	-	1,588,368	4,020,109	8,780,214	2,425,916	2,293,685
Unassigned	-	-	-	-	-	(192,753)	5,887,748	(91,578)	(40,810)	(86,023)
Total all other governmental funds	<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>	<u>36,772,996</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Fund Balances of Governmental Funds

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

	<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>	<u>2013</u>
Revenues										
Taxes	\$ 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	146,805,031
Licenses and Permits	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	15,218,056
Intergovernmental	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	6,339,981
Charges for Services	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	10,818,820
Fines, forfeitures and penalties	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	7,508,395
Use of money and property	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	6,587,605
Net change in fair value of investments	(1,399,763)	(406,404)	(448,507)	350,958	75,545	249,796	661,198	143,625	(269,846)	(2,039,739)
All street meters	2,257,223	-	-	-	-	-	-	-	-	-
Contribution in aid of construction	8,686,829	3,086,159	4,300,000	-	-	-	-	-	-	131,255
Miscellaneous	2,680,718	1,118,830	946,446	1,409,582	1,753,751	1,175,999	973,399	863,170	1,404,027	961,257
Total Revenues	<u>137,651,373</u>	<u>138,261,860</u>	<u>152,944,220</u>	<u>169,715,038</u>	<u>176,804,869</u>	<u>171,539,111</u>	<u>167,145,810</u>	<u>175,405,113</u>	<u>183,970,715</u>	<u>192,330,661</u>
Expenditures										
Current										
General government	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	7,988,423
Public Safety	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	88,275,098
Public Service	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	24,961,697
Culture and Recreation	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	39,009,248
Debt Service										
Interest	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	1,307,007
Principal and Finance Charges	3,875	4,125	4,825	433,351	-	-	333,697	344,461	719,104	-
Capital outlay	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	4,521,352
Total Expenditures	<u>132,292,624</u>	<u>137,506,749</u>	<u>133,153,902</u>	<u>151,426,920</u>	<u>155,580,264</u>	<u>166,473,242</u>	<u>157,668,419</u>	<u>165,446,753</u>	<u>168,405,846</u>	<u>166,062,825</u>
Excess of revenues over expenditures	<u>5,358,749</u>	<u>755,111</u>	<u>19,790,318</u>	<u>18,288,118</u>	<u>21,224,605</u>	<u>5,065,869</u>	<u>9,477,391</u>	<u>9,958,360</u>	<u>15,564,869</u>	<u>26,267,836</u>
Other financing sources (uses)										
Transfers in	99,027	429,230	230,344	2,180,509	9,436,798	4,387,555	2,068,840	1,500,000	2,094,366	300,000
Proceeds of bonds	-	-	-	35,135,045	-	-	-	-	32,665,980	-
Insurance Recoveries	-	-	-	-	60,000	39,281	10,055	45,388	3,052	5,286
Transfers out	(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)	(5,613,744)
Payment to bond escrow agent	-	-	-	(35,131,339)	-	-	-	-	(34,730,565)	(12,924)
Contributions to Parking Authority	-	-	-	-	-	-	-	-	(5,000,000)	(4,123,100)
Total other financing sources (uses)	<u>(59,008)</u>	<u>364,507</u>	<u>(2,759,571)</u>	<u>(7,632,379)</u>	<u>2,565,330</u>	<u>(3,129,032)</u>	<u>(3,539,654)</u>	<u>(13,589,342)</u>	<u>(7,091,804)</u>	<u>(9,444,482)</u>
Special Item, pension contribution	-	(13,420,437)	-	-	-	-	-	-	-	-
Restatement	2,621,362	-	-	-	-	-	-	-	-	-
Net change in fund balances	<u>\$ 7,921,103</u>	<u>(12,300,819)</u>	<u>17,030,747</u>	<u>10,655,739</u>	<u>23,789,935</u>	<u>1,936,837</u>	<u>5,937,737</u>	<u>(3,630,982)</u>	<u>8,473,065</u>	<u>16,823,354</u>
Debt service as a percentage of noncapital expenditures	1.49%	1.42%	1.35%	1.31%	1.01%	0.95%	1.23%	1.23%	1.49%	0.81%

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
2013	\$ 1,307,490	1,422,638	108.81%	245.92	0.05136
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

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
2013	\$ 4,393,217	4,518,387	102.85%	75.00	0.00125
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

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
2013	\$ 4,090,087	4,507,260	110.20%	1,362.59	0.65514	605,497	662,471	0.13161
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

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
2013	\$ 137,869	92,639	67.19%	255.00	0.0030
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

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
2013	\$ 5,050,417	5,095,575	100.89%	0.0120	15,414,117	15,436,711	100.15%	0.02350
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

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
2013	\$ 5,335,527	5,961,227	111.73%	0.00350	142,558	155,039	108.76%	0.00100
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

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
2013	\$ 68,687	68,678	99.99%	2,005.13	0.15
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

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
2013	\$ 116,294	116,294	100.00%	4,024.99	0.37
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

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, 2013

(Unaudited)

Rank	2013 Taxpayer¹	2006 Taxpayer¹
1	WILLIAM MORRIS ENDEAVOR ENT,LLC	B. W. HOTEL LLC
2	B. W. HOTEL LLC	CREATIVE ARTISTS AGENCY, LLC
3	OASIS WEST REALTY LLC	SAJAHTERA,INC. DBA THE B.H HOT
4	SAJAHTERA,INC. DBA THE B.H HOT	CANYON CAPITAL ADVISORS, LLC
5	PENINSULA BEVERLY HILLS	OASIS WEST REALTY LLC
6	PLATINUM EQUITY ADVISORS LLC	PENINSULA BEVERLY HILLS
7	UNITED TALENT AGENCY INC.	WILSHIRE RODEO FEE LLC
8	TWO RODEO DR	UNITED TALENT AGENCY INC
9	BEVERLY HILLS LUXURY HOTEL, LLC	INTERNATIONAL CREATIVE MANAGEMENT
10	DE2000, LLC-9601 WILSHIRE	NRT INC

1. Before 2006 the amounts of business tax have not been disclosed due to the City's practice of confidentiality. 2004 - 2005 information is not available.

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			
2013	\$ 40,760,153	39,395,063	96.65%	1,365,090	3.35%	1,524,197	1,606,340	105.39%	(82,143)	-5.39%	42,284,350	41,001,403	96.97%
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%

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
2013	\$ 22,192,984,986	513,407,389	33,534,200	22,672,858,175	22,706,392,375	99.85%	1.017509
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

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		Total
	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		
2013	1.0000	0.0175	1.0175	0.0520	0.1756	0.0488	—	—	—	—	0.0035	—	1.2974
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

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		
2013	\$ 45,742,365	1,709,531,666	433,911,405	2,567,417,547	98,698,779	395,119	2,285,396,728	46,828,854	883,007
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

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>2013¹</u>				<u>2004¹</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	\$ 416,112,218	1.84%	Arden Realty LTD Ptnshp	Office buildings	\$ 194,208,838	1.48%
Beverly Hills Luxury Hotel LLC	Hotel	295,932,480	1.31	Sajahtera Inc.	Residential property	165,461,995	1.26
Sloane Two Rodeo LLC	Shopping center	266,677,821	1.18	B W Hotel LLC	Hotel	153,400,276	1.17
Sajahtera Inc.	Residential property	241,052,339	1.06	Rodeo Owner Corp	Shopping center	142,855,120	1.09
B W Hotel LLC	Hotel	182,966,217	0.81	Grifftel	Hotel	116,591,413	0.89
TREA Wilshire Rodeo LLC	Office buildings	169,200,000	0.75	Douglas Emmett LLC	Office buildings	92,453,262	0.70
Beverly Wilshire Owner LP	Real Estate	162,539,934	0.72	Wilroad Assoc LTD Ptnshp	Office/store/residential/parking	90,763,348	0.69
BH Wilshire Intl LLC	Residential condominium developer	151,266,000	0.67	Burton Way Hotel Inc	Hotel	69,854,080	0.53
Maple Plaza LP	Office buildings	143,253,093	0.63	Maple Plaza LP	Office buildings	64,303,407	0.49
Oasis West Realty LLC	Office buildings	139,793,652	0.62	Belvedere Hotel Partnership	Hotel	61,364,890	0.47
Total of principal property taxpayers		2,168,793,754	9.57	Total of principal property taxpayers		1,151,256,629	8.75
All other property taxpayers		20,503,791,457	90.43	All other property taxpayers		12,009,212,449	91.25
Total		\$ 22,672,585,211	100.00%	Total		\$ 13,160,469,078	100.00%

1. Source – Los Angeles County Assessor Data, Muniservice, LLC 2012-2013

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				
2013 ¹	\$ 132,607,906	161,568	26,881,191	139,971,841	—	272,579,746	11.2946%	69,964	3,896
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

1. Source- 2006-07, 2007-08, 2008-09, 2009-10, 2011-12 and 2012-13 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, 2013
(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 ⁴
			Direct	Overlapping		
City of Beverly Hills ¹	\$ 132,607,903	22,672,858,175	132,607,903	1,326,079	133,933,982	100.000%
Beverly Hills Unified School District	173,083,674	22,616,461,558	—	172,725,391	172,725,391	99.793
Los Angeles Unified School District	10,945,695,000	476,992,930,395	—	2,408,053	2,408,053	0.022
Los Angeles Community College District	3,712,555,000	592,361,598,439	—	141,411,220	141,411,220	3.809
County of Los Angeles	1,729,437,327	1,093,886,934,773	—	36,076,063	36,076,063	2.086
Los Angeles County Flood Control District	19,770,000	1,052,429,050,951	—	414,775	414,775	2.098
County Sanitation District No. 4 Authority	2,755,221	Direct Assessment	—	66,098	66,098	2.399
Mountains Recreation/Conservation Authority	11,610,000	Direct Assessment	—	232	232	0.002
	<u>\$ 16,727,514,125</u>		<u>132,607,903</u>	<u>354,427,911</u>	<u>487,035,814</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.
4. The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

CITY OF BEVERLY HILLS, CALIFORNIA

Legal Debt Margin Information

Last Ten Fiscal Years
(Unaudited)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 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	851,489,714
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	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	851,489,714
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed valuations:

Net assessed value	\$ 22,672,858,175 ¹
Add back exempt real property	<u>33,534,200 ²</u>
Total assessed value	<u><u>22,706,392,375</u></u>

Legal debt margin:

Debt limitation (3.75% of total assessed value)	851,489,714
Debt applicable to limitation:	
Total long-term liabilities	327,446,733
Amounts to be paid from:	
Water revenue	64,013,887
Parking revenue	64,624,606
Wastewater revenue	11,333,346
Unearned Revenue	475,898
Leased Property Deposits	1,008,976
Deferred Credit from sale-leaseback transactions	962,167
Other lease revenue bonds	132,607,904
Compensated absences	13,327,226
Outstanding claims	10,411,260
Capital lease	226,843
Notes payable	<u>28,454,620</u>
Total long-term liabilities excluded from computation	<u>327,446,733</u>
Total debt applicable to limit	<u>-</u>
Legal debt margin	\$ <u><u>851,489,714</u></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					
2013	\$ —	1,307,007	1,307,007	8,773,317	6,579,195	16,659,519	167,155,217	184,373,148	0.78%	8.63%
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

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 debt in governmental activities at the government-wide level to total governmental activities expenses plus bonded debt principal. While these measures should be roughly equivalent in the type of information provided, the second measure reflects the full accrual accounting method.

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		
2013	\$ 1,187,051	2,518,295	-	-	3,705,346	107
2012	9,252,375	5,678,418	10,132,625	6,775,654	31,839,072	928
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

1. The totals for Fiscal Years 2004 - 2005 have been updated based on the restated population data from Muniservices, LLC 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 Revenue Available for Debt Service	Principal ⁵	Interest Expense ^{4,5}	Total	
		Net of Depreciation and Interest ²					
2013	34,820,504	22,903,472	11,917,032	152,949	318,392	471,342	25.28
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

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		Wastewater Enterprise Long-Term Debt Service Requirements ³			
		Net of Depreciation and Interest ²	Net Revenue Available for Debt Service	Principal	Interest	Total	
2013	13,114,555	8,778,319	4,336,236	—	—	—	#DIV/0!
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

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
2013	34,494	\$ 83,217	\$ 2,413,354,083	\$ 69,964	7.6%
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%

1. Source: MuniServices, LLC, California Department of Finance Projections.

2. Median household income information is not available for years 2006-2004.

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, 2013
(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	82.42%
Asian	3,032	8.89%
African American	746	2.19%
Native American	48	0.14%
Two or more races	1,674	4.91%
Other	497	1.46%
	<u>34,109</u>	<u>100.00%</u>

Average income levels (Estimated 2007-2011) ³:

	Non-Family	Families	Total Households
Median	\$ 55,143	114,764	85,560

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 2007-2011) ³:

	Total	Percent
Single	5,795	36.87%
Multiple	9,864	62.75%
Mobile	17	0.11%
Boat,RV,van	43	0.27%
3. The inform	<u>15,719</u>	<u>100.00%</u>

Median value of owner-occupied units (Estimated 2007-2011) ³:

\$1,000,000+

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 5-year Estimates

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Employers

Current Year and Ten Years Ago
(Unaudited)

Rank	Employer	2013 ¹		Employer	2004 ²	
		Employees	Percentage of Total City Employment		Employees	Percentage of Total City Employment
1	City of Beverly Hills	999	2.0%	City of Beverly Hills	1,042	2.2%
2	Beverly Wilshire Hotel	856	1.8%	Beverly Hills Unified School District	642	1.4%
3	Beverly Hilton Hotel	692	1.4%	Regent Beverly Wilshire Hotel	620	1.3%
4	Beverly Hills Hotel	677	1.4%	Beverly Hilton Hotel	599	1.3%
5	William Morris Agency, Inc	650	1.3%	Beverly Hills Hotel	500	1.1%
6	Beverly Hills Unified School District	600	1.2%	William Morris Agency, Inc.	500	1.1%
7	Peninsula Beverly Hills Hotel	467	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	249	0.5%	Creative Artists Agency	425	0.9%
10	Live Nation Entertainment Inc	195	0.4%	Peninsula Beverly Hills Hotel	400	0.9%
	Total	5,815	11.9%	Total	5,638	12.1%
	All others:	42,965	88.1%	All others:	40,081	87.80%
	Total	48,780	100%	Total	45,719	100%

1. Source -MuniServices, LLC 2012-2013

2. Source - Dun & Bradstreet, Info USA, Burr Consulting

CITY OF BEVERLY HILLS, CALIFORNIA

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years
(Unaudited)

	<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>	<u>2013</u>
Function										
General Government	90.15	89.02	97.63	100.51	108.21	114.47	100.73	101.91	104.05	104.11
Public Safety	426.16	422.27	393.72	394.30	403.90	326.87	301.27	279.87	298.00	286.77
Public Service	254.88	246.93	263.51	235.10	283.47	319.32	304.64	311.57	306.60	315.40
Culture and Recreation	207.46	194.80	163.94	137.07	178.59	206.53	208.26	168.67	168.00	171.37
Total	<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>	<u>877.65</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Operating Indicators

Last Ten Fiscal Years⁷
(Unaudited)

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Business licenses issued ¹	11,488	11,620	11,620	12,300	14,000	10,500	10,250	11,204	10,377	10,932
Public Safety										
Police										
Physical arrests ²	221	1,272	0	1,180	1,040	1,057	1,047	1,074	1,061	1,192
Traffic violations:										
Signed Citations ²	14,598	9,737	0	14,690	14,693	14,105	16,289	17,422	9,495	6,287
Non-Moving Citations ²	—	7,311	0	6,700	5,905	5,115	6,616	7,168	4,589	2,708
Parking Citations ³	120,852	109,189	132,578	139,134	146,059	168,273	168,000	8,276	4,418	3,749
Calls For Service by Patrol ²	51,856	48,111	0	47,512	48,855	47,453	42,667	42,824	35,248	42,583
Fire ⁴										
Number of calls answered	—	—	5,187	5,645	6,065	6,073	5,942	6,230	6,306	6,459
Building and Safety										
Inspections	17,979	15,146	10,642	4,733	10,544	10,358	8,741	8,165	11,254	11,963
Building permits issued	2,447	2,743	-	2,298	2,396	1,922	1,130	2,440	3,003	2,592
Public Service										
Street resurfacing (miles)	—	—	1	3	3	12	14	13	1	5.4
Potholes repaired ⁵	—	—	678	832	750	596	650	990	1,659	838
New water connections	7	23	31	26	44	39	40	42	32	52
Water main breaks	25	20	29	32	35	18	22	15	13	14
Gallons of water (average daily consumption in millions)	10.30	10.30	10.30	11.20	12.01	11.40	11.20	10.00	9.70	10.64
Culture and Recreation										
Number of children participating in library programs ⁶	16,889	13,667	17,305	25,152	7,466	9,546	10,293	10,184	9,358	15,962
Total enrollment in City offered classes	8,787	11,094	13,041	16,990	14,270	18,272	16,067	11,451	13,349	13,425
Total participating art show artists	467	476	471	482	484	463	481	480	479	471

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 Year 2004 is not available. 2008, 2009, 2010, 2011, 2012, and 2013 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.

4. Information for the number of calls answered during fiscal years 2004-2005 is not available.

5. Information for the number of potholes repaired for the fiscal years 2004-2005 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. Source- Various City Departments

CITY OF BEVERLY HILLS, CALIFORNIA

Capital Asset Statistics by Function

Last Ten Fiscal Years¹
(Unaudited)

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	40	43	43	48	49	45	45	43	48	39
Fire										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Fire Trucks ²	—	—	16	25	25	25	25	25	25	26
Public Service										
Miles of streets (all paved)	102	102	109	109	109	109	109	109	111	111
Miles of alleys (all paved)	41	41	41	41	41	41	41	41	42	42
Street lights	5,683	5,683	5,017	5,017	5,018	5,018	5,018	5,019	5,094	5,095
Alley lights	858	858	858	858	858	858	858	858	858	858
Traffic Signalized intersections	94	94	95	95	96	98	97	97	97	97
Parking meters (on street)	2,770	2,770	2,762	3,150	3,129	2,756	2,756	2,541	2,516	2,618
Water mains (miles)	171	171	171	171	171	171	171	171	171	171
Meters in service	10,728	10,728	10,728	11,114	11,158	11,158	11,158	11,200	11,232	11,087
Fire hydrants	1,200	1,200	1,200	1,200	1,305	1,305	1,345	1,346	1,347	1,349
Sanitary sewers (miles)	96	96	96	96	98	98	98	98	98	98
Storm drains (miles) ³	84	84	84	84	32	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
Mini-parks acreage	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

1. Source- Various City Departments

2. The information for the number of fire trucks for Fiscal Years 2004-2005 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.



