

CITY of BEVERLY HILLS
STATE of CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2006

Prepared by the Staff of the Administrative Services Department
Under the Direction of Scott G. Miller, PhD, *Director of Administrative Services, Chief Financial Officer*



CITY OF BEVERLY HILLS, CALIFORNIA

Comprehensive Annual Financial Report

Year Ended June 30, 2004

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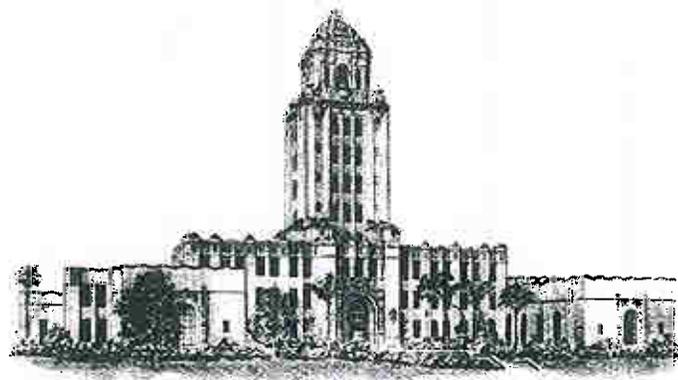




INTRODUCTORY SECTION

The introductory section of the Comprehensive Annual Financial Report provides general information of the City of Beverly Hills, California's structure and its personnel, as well as information useful in assessing the City's financial condition. This section includes the:

- Letter of Transmittal,
- City's Organizational Chart and List of Principal Officials,
- Organizational Chart for the City's Finance Administration Department,
- Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting, and
- California Society of Municipal Finance Officers Certificate of Award for Outstanding Financial Reporting.



CITY OF BEVERLY HILLS

December 13, 2006

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, 2006.

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 Mayer Hoffman McCann P.C., an international 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, 2006, 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, 2006, 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 35,813¹. The City estimates that services are provided to 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
- 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 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 38, 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 91. The budget-to-actual comparison for the Infrastructure Capital Projects Fund, a Major governmental fund of the City, can be found on page 111.

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

The City Council adopted a conservative budget for Fiscal Year 2006/2007. A part of our budget and one of our key financial management goals has been and is to convert the prior single line appropriations budget to a program-based budget to better identify what services and programs we are delivering to the community, understanding our sources and uses of funds and to manage our effectiveness and efficiency in the delivery of our services and programs. This program budget conversion is designed to be a five-year process to allow the implementation of necessary software, financial processes, training and program development. Last year's budget



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(FY 05/06) produced the creation of the program format which included best estimates for program costs. This year's budget (FY 06/07) captures accurate revenues and expenditures for the programs. This year's budget also incorporates the Department's Work Plans and major Program Initiatives. This document outlines and integrates together the financial plan, work plans and the priority initiatives for all departments for the coming fiscal year.

These work plans and initiatives were developed based on the community values and goal statements by the City Council and Mayors over the past two plus years. These were summarized during this year's Mayoral Installation and are as noted.

1. Beverly Hills offers the highest quality of life achievable for all of its citizens and maintains a unique and friendly character for its residents, guests and neighbors.
2. Beverly Hills is a world-class community known internationally for its excellence in its built environment and its extraordinary experiences, activities and events.
3. Beverly Hills is known as a leading edge, innovative and unique community in its government, business and technology programs and is recognized as a leader in the region, state and nation.
4. Beverly Hills is committed and maintains itself as the safest city in America.
5. Beverly Hills is known throughout the world for its alluring and distinctive business quarter of hotels, retail, restaurants, entertainment industry and unique headquarter businesses.

In an effort to succinctly and directly address the City's highest priorities and needs, the proposed budget integrates each department's mission, goals and work plan initiatives to meet these priorities. A focus of this year's budget document is a direct connection between the work plan elements and the City Council's goals. The staff has adopted five major initiatives to institute the City Council's goals and vision. These five initiatives are:

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

Every new effort, all of the existing programs and every element of the work plan are tied to one or more of these five initiatives. This will help staff, the City Council and the community sort through the many demands to provide new programs or higher levels of service by focusing on only those elements that will help achieve the five initiatives. The intent is that if we stay focused on these initiatives the City will be providing exceptional customer service and meeting the highest priorities of the community.

Before outlining the City's major initiatives for the coming fiscal year, an overview of the fiscal context in which the budget was developed is provided.

The Economic and Fiscal Context

While the economy improved, there are areas of concern particularly as it relates to the City's budget and future revenues. When developing last year's budget, it was expected that increasing revenue sources would slow, construction and general operating and labor costs would continue to rise at a rate that would outstrip increasing revenue, and the market pressure would continue to transition from more productive entertainment office space rentals to less productive medical office uses. These factors joined with the desire to substantially increase (\$10 million annually) the City's investment in maintenance and improvements to the city's infrastructure and other capital needs, were areas of significant concern. These were addressed in the budget by creating a three-year plan to increase fees, transfer appropriate costs from the General Fund to the appropriate enterprise fund, reduce expenses by eliminating 45 positions via attrition over the three year period, implement unspecified budget reductions and use of General Fund Reserves in the form of a loan to pay for investment in capital needs of the city. The plan anticipated that excess revenues would be used to replenish these reserves, provide for capital needs or reduce debt.

During this fiscal year the first phase of the three-year plan was implemented and included a number of, but not all, needed fee increases, the transfer of approximately \$3.48 million of expenses from the General Fund to the appropriate enterprise funds, elimination of 15 positions, cost savings associated with leaving some positions vacant for a period of time to accrue salary and benefit savings, and a transfer of \$8 million to the CIP



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funds for infrastructure and capital needs. All of this resulted in achieving some of the fiscal objectives outlined in the three-year plan earlier than was expected. Additionally, the economic performance in the region and in the City has outperformed the projections presented to the City Council in the adopted FY 05/06 budget. Specifically, the city's retail sector as well as the tourist supported sector had an excellent year, far surpassing our expectations. Moreover, the property tax realized was more than expected as a result of the sustained housing market. This resulted in over-realization of revenues from sales tax, transient occupancy tax and property tax compared to that which was expected. Additionally, the city successfully implemented the first phase of fund transfers, fee adjustments and position eliminations outlined in the plan. Lastly, City staff was been extraordinarily prudent in spending budgeted resources such that the required and expected expenditure savings was achieved. All of these factors taken together have created a fiscal environment in which the main elements of the three-year plan were or will be realized after the first year. This is particularly important because, based on current projections, the City will be able to make the annual \$10 million investment in the city's infrastructure and capital needs in future years without contributions from the General Fund Reserves or the elimination of additional positions.

Major Initiatives for Fiscal Year 2006-2007

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.

These initiatives are the foundation of each Department's budget and work plan initiatives. Each department has done an excellent job of translating their work plan objectives into these five priorities and they are outlined in detail within their respective sections of this budget. Below we have outlined highlights from the Departments' budgets as well as the capital improvement program budget. As a reminder, these are only initiatives and programs and are only the highlights of the ones with the broadest interest from the Council and community.

1. Community Reinvestment
 - Invest in street resurfacing by increasing street resurfacing to \$2 million

- Begin implementation of granite sidewalks at City-owned facilities
 - Capital invest in ongoing basic maintenance of existing buildings, parks and right of way improvements
2. Communication and Outreach
 - Redesign website
 - Develop and implement Communications Master Plan
 - Implement branding program and begin marketing City merchandise
 3. Organizational Development – Being the Best
 - Implement First Line Supervisor Training
 - Complete required disaster training required by National Incident Management System (NIMS)
 4. Improving Services and Results
 - Improving customer efficiency by rehabilitating Lobby/Ground Floor in City Hall to establish a customer service and permit center
 - Increase types of transactions that can be accomplished over the Web
 - Construct and staff Teen Zone and Library
 - Implement comprehensive and centralized management of human service/social service needs for Beverly Hills community
 - Develop a Community Security Plan
 5. Sustaining Beverly Hills' Reputation for Excellence
 - Develop comprehensive "Smart City" Plan
 - Implement pilot community security video program on Rodeo Drive and a selected parking structure
 - Design and construct first phase of Gateway improvements

Revenues:

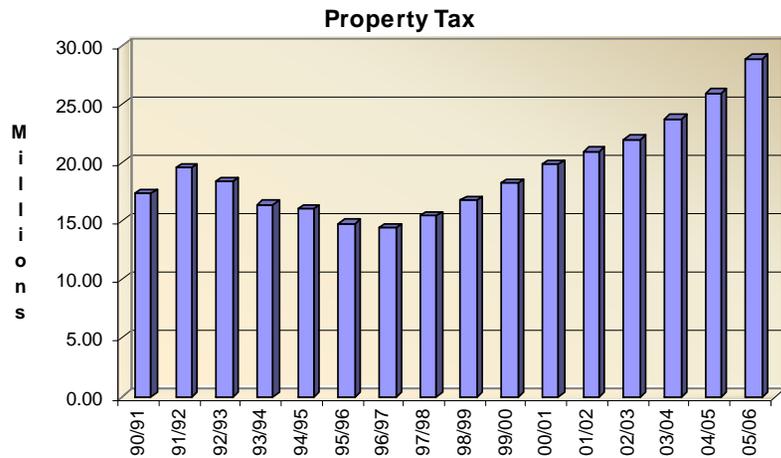
The four major sources of General Fund revenue include Property Tax, Sales Tax, Business Tax and Transient Occupancy Tax (TOT).

The graph on the next page illustrates how property tax revenues respond to economic conditions. In FY 90/91 the State and Nation entered into a period of economic downturn. But as the chart illustrates, property taxes did not respond to this economic trend as rapidly as other tax based revenues. The downturn, which began in FY 92/93 and continued through



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FY 96/97, was the result of three factors; 1) the general economic conditions, 2) State takeaways of property tax revenues, and 3) the reductions of California’s real estate values and reassessment of property valuations by the Los Angeles County Assessor. Fiscal year 04/05 saw property tax revenues increase to \$25.9 million, a 9.2% increase over the prior year. Fiscal year 05/06 was ended at \$28.86 million million, an 11.5% increase over the FY 04/05 actual.

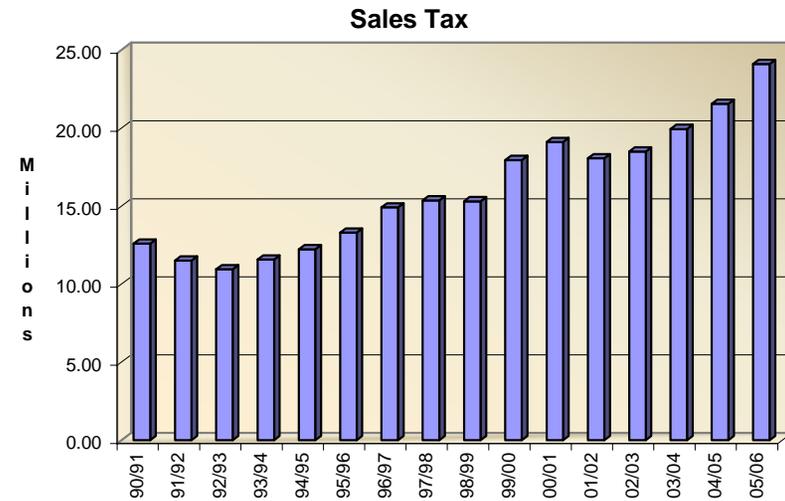


Because property tax revenues can take as long as two years to respond to changes in economic conditions, they help the City adjust to economic downturns by lessening the immediacy of revenue loss.

Sales tax revenue responds much faster to changing economic conditions than property tax. As the accompanying chart shows, sales tax revenue responded almost immediately to the economic downturn of the early 90’s and the terrorist events of September 2001. From FY 90/91 through FY 92/93 sales tax revenue declined at the rate of about 6.3% in each of the years. In FY 93/94 sales tax revenues began responding to local economic improvements and continued that growth until September of 2001. We finally began seeing a rebound from that tragic event in FY 03/04.

Sales tax revenues ended fiscal year 05/06 at \$24.11 million, an 11.8% increase of fiscal year 04/05 results. The budget for fiscal year 05/06 was considered conservative when developed at \$24.6 million or 2% over the

then fiscal year 05/06 actual. The City anticipates that our budget number will be exceeded.



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

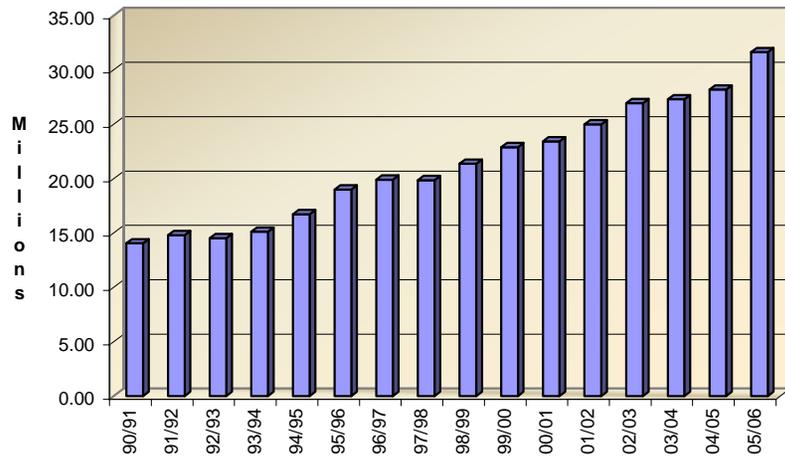
As the chart on the next page illustrates, business taxes have been a barometer of the economic climate in Beverly Hills, responding rapidly to the changing economic climate. Recognizing that significant portions of business tax revenues are based on gross receipts, we can see how downward trends in the economy impact City revenues. Vacant office and retail space - which reflect revenue from real estate rentals - and a reduction in retail sales negatively impacted business tax revenues. In fiscal year 93/94, the City began to experience an upward swing in the economy as commercial vacancies were reduced and new businesses entered the City. Some portion of the improvement since 1992/1993 also reflects a more aggressive tax audit program by the City. Fiscal year 05/06 ended with a



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significant increase of 12.2% or about \$3.44 million for total revenues of \$31.6 million. Business tax revenue is estimated at \$32.3 million a 2.2% increase over the 05/06 years revenue.

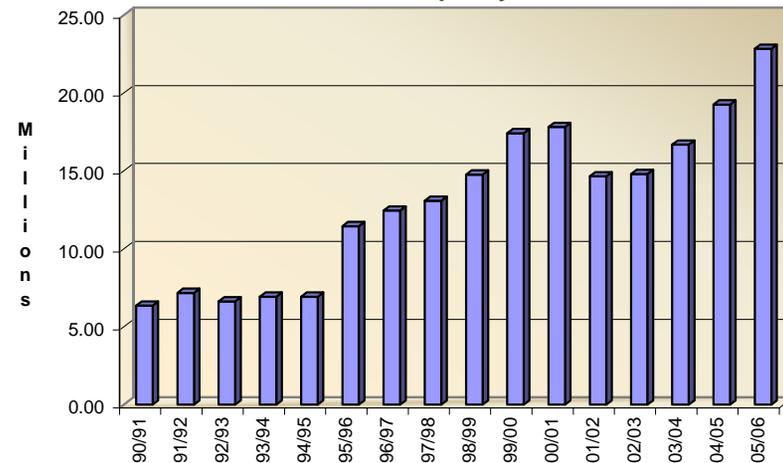
Business Tax



In the accompanying transient occupancy tax (bed tax) chart the variations beginning in FY 92/93 are due to hotel closures and tax rate changes. Two world class hotels, The Beverly Hills Hotel and the L'Ermitage were closed for refurbishment in FY 92/93. The Beverly Hills Hotel had its reopening in June of FY 94/95. The L'Ermitage had its grand opening in June, 1998. In FY 91/92, the City raised the transient occupancy tax rate from 11% to 12% to improve revenues and remain consistent with surrounding communities. In February 1994, the City Council, at the urging of the Chamber of Commerce and the City's hotel operators, voted to increase the transient occupancy tax rate from 12% to 14% to fund local advertising/promotion campaigns. From that point until the terrorist activities of September 2001, transient occupancy taxes experienced steady growth. From \$17.8 million in revenues in FY 00/01, transient occupancy taxes fell about 18% to \$14.6 million in FY 01/02 and rebounded only slightly to \$14.8 million in FY 02/03. Revenue for FY 03/04 increased 12.7% to recover some of their prior strength and end the year at about \$16.7 million. Fiscal year 04/05 and 05/06 had increases of 15.5% (\$2.6 million increase for total revenues of \$19.26 million) and 18.58% (\$3.6

million increase for total revenues of \$22.8 million) respectively, far greater than anticipated and back on track to pre 9/11 growth. For next year the City budgeted revenues of \$22.1 million but currently anticipate transient occupancy tax growth to continue and end the year in excess of budget estimates.

Transient Occupancy Tax



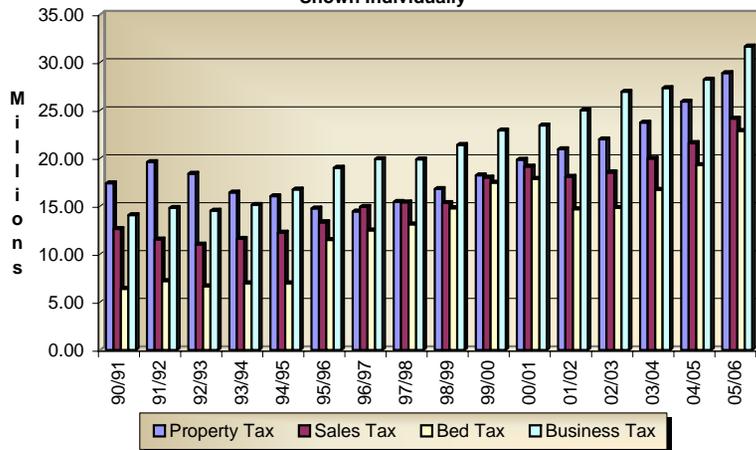
By reviewing the previous charts one can see the effect of the economy on the City's revenues and how that impacts our ability to provide services. When necessary, the City acted promptly in reducing costs to match reductions in activity. Concurrently, the City moved, in concert with the Chamber of Commerce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

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



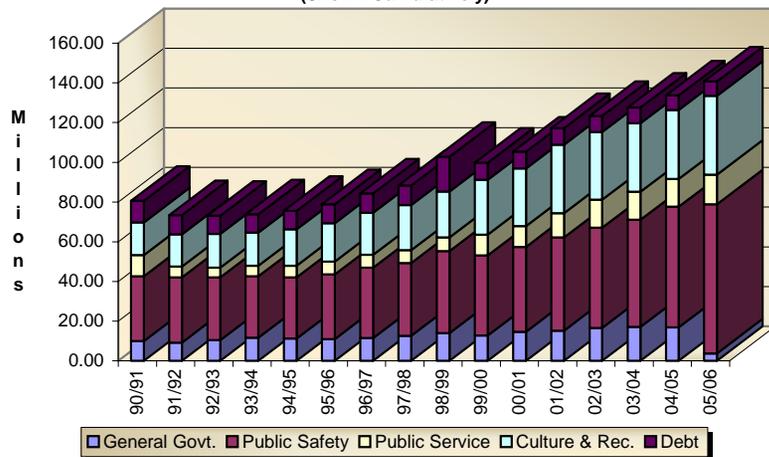
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Total Tax Revenues
 Shown Individually



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)



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

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

The continued improvements in revenues provide the City with a strong economic base to build upon for the future. Recent increases in property values, as evidenced by current property transactions, indicate that the real estate market is continuing to show strong growth. The City has adopted a balanced budget for FY 06/07. However, this budget assumes that the City will continue to reduce expenditures through more efficient operations, and hiring delays (i.e. extend the hiring process so that non essential positions are held vacant a minimum number of days prior to being actively recruited). With significant increases expected in pension and health care contribution costs for its employees (especially public safety), the soaring costs of managing claims, litigation and workers' compensation, and the unknown impact on local government as the State attempts to balance its budget, the City Council continues to pursue strategies that maintain the City government's fiscal health.

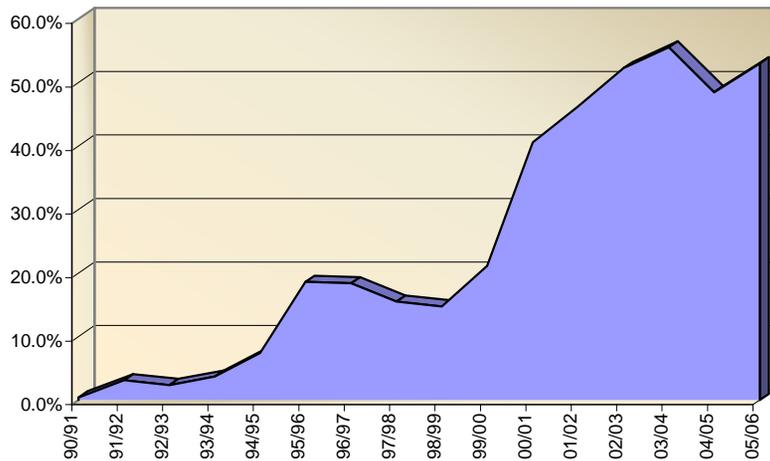
Perhaps the best measure of the City's effectiveness in weathering an economic downturn and building sustained growth for the future is its ability to build fund reserves. As a rule of thumb, a city should maintain sufficient reserves to weather the worst potential emergency scenarios. Ideally, municipalities would maintain a reserve equal to 25% to 50% of their annual General Fund operating expenditure budget. For Beverly Hills, that would equate to reserves between \$30 million and \$60.1 million for FY 04/05. 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



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increase its reserves for future needs. From this base, the City can confidently move into the 21st century.

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



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

- Development of the “T” surface parking lot into a 1,000 vehicle subterranean parking garage with surface gardens and retail space. This project will be in conjunction with commercial development of a 5 star hotel complex.
- Complete the accelerated street resurfacing program. The City normally spends about \$2.5 million a year on street resurfacing programs, in addition to alley and sidewalk programs totaling about \$1.2 million per year.
- Continue replacement of the conduit and wiring of the City’s streetlights. This is a multi-year project to replace the City’s aging 5,000-volt serial street lighting system in both the residential and business sectors of the City.
- Complete development of the Vehicle Services Center, which will provide space and facilities for the City’s vehicle repair shop and several other repair facilities. When completed, this facility will

centralize several of the City’s Public Works divisions currently located in several older facilities. Demolition of these older facilities has been completed and the vehicle repair facility is currently residing in a temporary facility.

- Continue preliminary planning for facilities to house such desired activities as a sports center, performing arts center and counseling center.

Cash Management Policies and Practices. Under the direction of the City Treasurer, an elected official, cash temporarily idle during the year was invested in demand deposits, obligations of the U.S. Treasury and various U.S. Agencies, as well as mutual fund investments, primarily the State Local Agency Investment Fund. The annual yield on investments was 2.86% for the general portfolio and 3.69% for the portfolio held by fiscal agents.

The City Council annually adopts, by resolution, a statement of investment policy for the City’s funds. The policy defines the objectives and priorities of the investment program, stressing safety and liquidity of funds as the highest priority. The third priority stated by the policy is the achievement of the maximum yield possible within the constraints of the primary objectives. Accordingly, deposits and investments were either insured by federal depository insurance or collateralized.

The City Treasurer is charged with the responsibility of custody and investment of surplus City funds. The Treasurer is required to submit a monthly investment report to the City Council that provides a summary of the status of the current investment portfolio and material transactions entered into during the month.

Debt Administration. At June 30, 2006, the City had a number of debt issues outstanding. These issues, net of unamortized original issue discounts, premiums and deferred amounts on refunding, include \$204,451,757 of revenue bonds. During the year, outstanding bonds were reduced by a total of \$8.6 million.

Under current state statutes, the City’s general obligation bonded debts are subject to a legal limitation based on 3.75% of total assessed value of real and personal property. The City has no general obligation debt applicable to the debt limit. The legal limit for general obligation debt for the City at June 30, 2006 was \$577,177,113, which when reduced by the current



The Honorable Mayor, City Council and
Citizens of the City of Beverly Hills, California
Letter of Transmittal
January 28, 2006

general obligation debt of \$0 provides a net available debt margin of \$577,177,113. In addition to the restriction of the legal debt limitations, California's Constitution requires that a two-thirds majority vote be obtained for California cities to issue general obligation debt.

Risk Management. The City maintains a limited risk management program for liability, workers' compensation and unemployment benefits claims. This program includes the accumulation of resources in the self-insurance internal service funds to meet potential losses. In addition, various risk control techniques, including accident prevention training, have been implemented to minimize accident-related losses. The City is self-insured for all workers' compensation claims and the first \$500,000 of each general liability claim. General liability claims in excess of \$500,000 up to \$25.5 million combined-single-limit per occurrence are covered by insurance. Excess insurance coverage for workers' compensation claims was cancelled effective July 1, 2003 when the Risk Manager determined that the significant increases in premiums for such excess coverage were not cost justified based on the City's historical claims against such coverage. Risk Management estimates predict significantly increased loss exposure for workers' compensation in future years. This prediction is based upon increased benefits mandated by the State of California.

Pension and Other Postemployment Benefits. The City provides its full-time and certain part-time employees retirement and disability benefits, annual cost-of-living adjustments and death benefits to members and their beneficiaries through two defined benefit pension plans, one for its safety employees and one for its miscellaneous employees. Effective May 7, 2001, the City amended the plans to increase the safety members retirement benefit to 3% at 50 (from 2% at 50) and effective January 8, 2005 the miscellaneous members retirement benefit increased to 2.5% at 55 (from 2% at 55). These plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), agent-multiple employer plans administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. The City makes contributions to the plans based on amounts determined by CalPERS actuaries. The City also contributes the employees' required contributions on their behalf and for their account. As a result of the 2001 and 2005 Plan Amendments and the poor performance of CalPERS' investments over the past three years, the safety plan and miscellaneous plans are no longer over-funded. As of the

latest plan valuation date, July 1, 2005, the funded status of the plans are 89.4% and 97.2% of the actuarial accrued liability of the safety and miscellaneous employees plans, respectively.

The City also provides postretirement health care benefits to its employees in accordance with agreements reached with the various employees bargaining groups. The City is currently enrolled in various health care plans administered by CalPERS. The City pays for retirees' health care premiums in these plans up to limits established in the agreements with the bargaining units. These payments are financed on a pay-as-you-go basis. As of June 30, 2006, the City was providing benefits to an average of 153 participants at an annualized cost of \$1,036,205.

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, 2005. 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) awarded a Certificate of Award for Excellence in Public Communication to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2005. The criteria for award of this certificate from the CSMFO is similar to that established for the GFOA program. The certificate recognizes the achievement of excellence in producing a public communication document that enhances general public understanding of city government and encourages citizen participation.

The Certificate of Achievement from the GFOA and the Certificate of Award for Excellence from the CSMFO are valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement and Certificate of Award for Excellence requirements and we are submitting it to both the GFOA and CSMFO 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

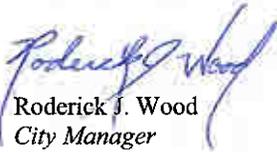


The Honorable Mayor, City Council and
Citizens of the City of Beverly Hills, California
Letter of Transmittal
January 28, 2006

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,


Roderick J. Wood
City Manager


Scott G. Miller, PhD
Chief Financial Officer

CITY OF BEVERLY HILLS, CALIFORNIA

Principal City Officials

Elected Officials

City Council

Mayor	Steven P. Webb
Vice Mayor	Jimmy Delshad
Councilmember	Linda J. Briskman
Councilmember	Barry Brucker
Councilmember	Frank M. Fenton

City Treasurer

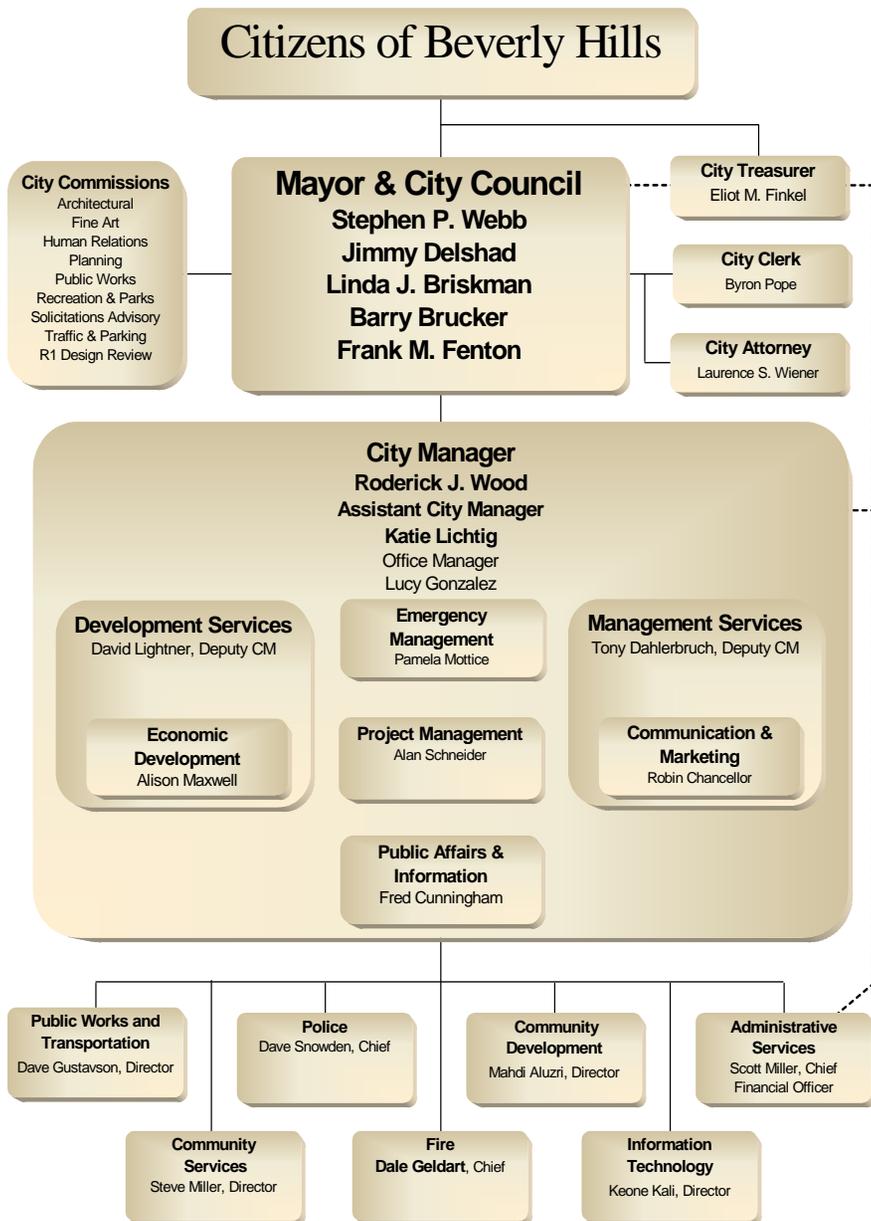
Eliot M. Finkel

Appointed Officials

City Manager	Roderick J. Wood	Fire Chief	Dale Geldart
Assistant City Manager	Katie Lichtig	Police Chief	David Snowden
City Attorney	Laurence S. Wiener	Director of Community Development	Mahdi Aluzri
City Clerk	Byron Pope	Director of Community Services	Steve Miller
Director of Administrative Services/Chief Financial Officer	Scott G. Miller, PhD	Director of Public Works and Transportation	David Gustavson
Deputy City Manager/Development	David Lightner	Director of Information Technology	Keone Kali
Deputy City Manager/Community	Anton Dahlerbruch		

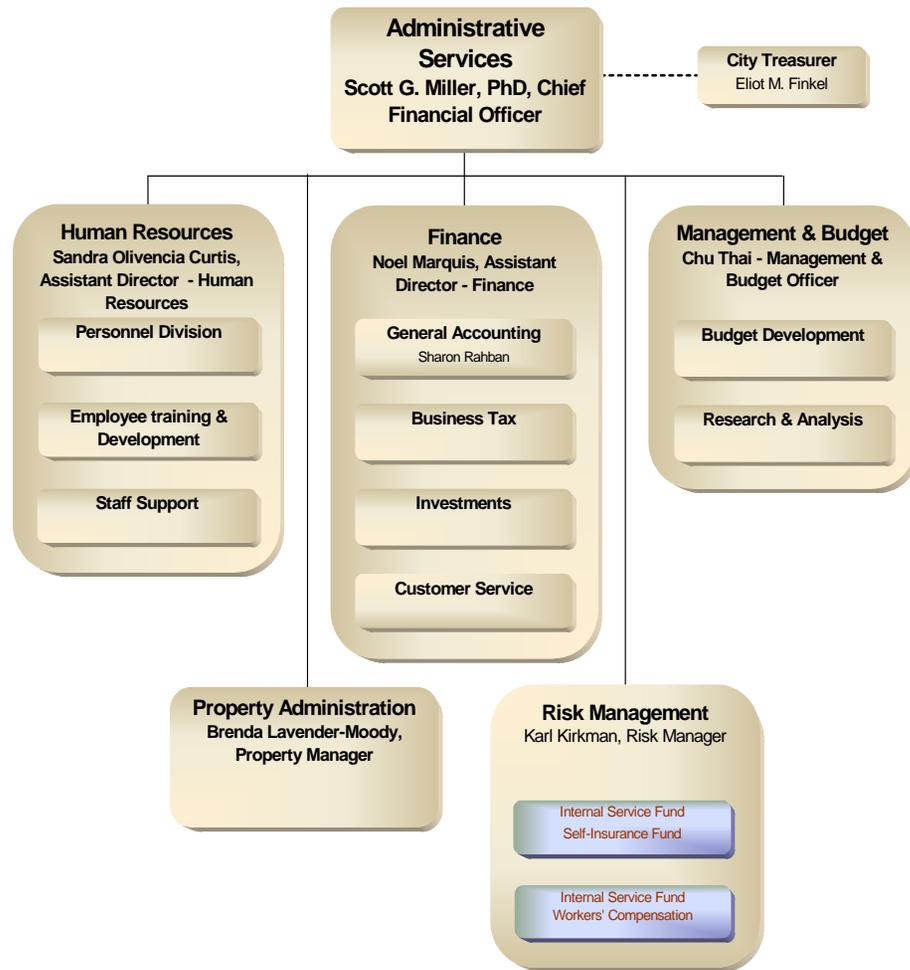
CITY OF BEVERLY HILLS, CALIFORNIA

Organizational Chart



CITY OF BEVERLY HILLS, CALIFORNIA

Department of Administrative Services Organizational Chart



CITY OF BEVERLY HILLS, CALIFORNIA

Government Finance Officers Association
Certificate of Achievement for Excellence in Financial Reporting

**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, 2005

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



President

Executive Director

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, 2005. This was the fourteenth 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.

CITY OF BEVERLY HILLS, CALIFORNIA
California Society of Municipal Finance Officers
Certificate of Award for Outstanding Financial Reporting

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of Beverly Hills

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2006



William J. Thomas

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management





FINANCIAL SECTION

The financial section contains the City's basic financial statements and requires supplementary information (management's discussion and analysis and funding progress of the City's two defined benefit pension plans), as well as the independent auditors' report. In addition, the financial section provides information on each individual fund and component unit for which data are not provided separately within the basic financial statements.





Mayer Hoffman McCann PC.

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Conrad Government Services Division

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

Independent Auditors' Report

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, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Beverly Hills. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, of the City of Beverly Hills, California and the respective budgetary comparison information for the general fund of the City for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Mayor and City Council
City of Beverly Hills
Beverly Hills, California
Page Two

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* are not a required part of the basic financial statements, but are supplementary information required by the accounting standards generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Beverly Hills basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006, on our consideration of the City of Beverly Hill's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Marger Hoffman McLann P.C.

Irvine, California
September 22, 2006

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis

June 30, 2006

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, 2006. 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 \$458,877,091 (*net assets*). Of this amount, \$142,343,360 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$57,838,465.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$109,297,373, an increase of \$17,030,747 from the prior year. Of this amount, \$83,194,510 or approximately 76.1% of total fund balances are available for spending at the City's discretion (*unreserved fund balance*).
- The increase in the City's governmental funds reported combined fund balances was the result of an overall increase in revenues of \$15,609,878 and a reduction in expenditures of (\$3,425,329).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$50,378,595, or 39.5% of total General Fund expenditures.
- The City's net capital assets increased by \$19,719,797 from the prior year as the result of a July 28, 2005 Cooperative Agreement with the State of California, Department of Transportation, in which the City accepted relinquishment of Route 2 (Santa Monica Boulevard) from Moreno Drive to Doheny Drive for the amount of \$4,300,000 to provide for specific future City improvements and betterments in the form of roadway rehabilitation. The estimated land value of the relinquished property was \$19,559,986 and the estimated additions to infrastructure were \$3,600,000 at the date of relinquishment.
- The City's net long-term liabilities decreased \$6,746,772 or 2.82%.

(B) Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public services, culture and recreation and interest on long-term debt. The business-type activities of the City include operations of its water, wastewater and solid waste utilities, parking facilities operations and stormwater activities.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2006

The government-wide financial statements include not only the City itself (known as the primary government), but also activities of two legally separate component units: the Parking Authority of the City of Beverly Hills and the Beverly Hills Public Financing Authority. Because the City Council acts as 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 30-32 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 three categories: governmental funds, proprietary funds and fiduciary funds (the City has no fiduciary funds at June 30, 2006).

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Infrastructure Capital Projects Fund, each of which are considered to be major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the *Additional Financial Information* section of this report.

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

The basic governmental fund financial statements can be found on pages 33-39 of this report.

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

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2006

the governmental activities columns of the government-wide financial statements),

- 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 and Stormwater 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 40-46 of this report.

Fiduciary Funds

The City has no fiduciary funds at June 30, 2006.

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 47-82 of this report.

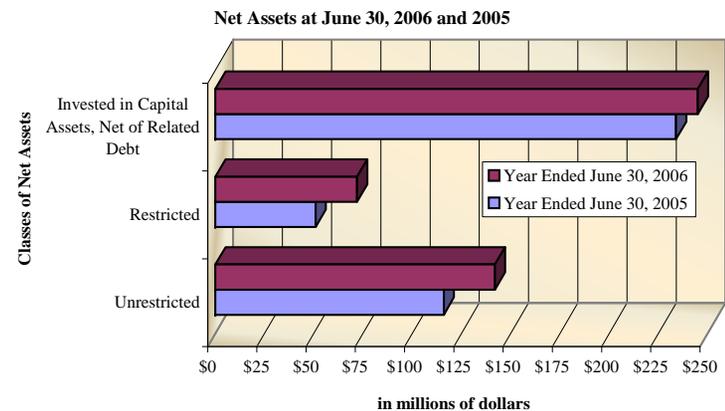
Other Information

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 83 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 85-115 of this report.

(C) Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$458,877,091 at the close of the most recent fiscal year.



CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2006

The second largest portion of the City's net assets (31.2%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

The largest portion of the City's net assets (53.2%) 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 assets (15.2%) represents resources that are subject to external restrictions on how they may be used. Of these restricted net assets 8.8% is for repayment of long-term

debt, 24.% is for pension contributions, 57.9% is for construction of capital assets (unspent proceeds from long-term debt issues) 9.1% relates to restrictions in the City's special revenue and permanent funds.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's governmental current assets increased by \$27,292,297, which resulted primarily from an increase in cash and investments of \$22,767,316. Increases of \$2,195,262 in Taxes receivable and \$1,435,835 in Intergovernmental receivables also contributed to this increase. The City's business-type current assets increased by \$1,842,461, primarily from changes to the accounts receivable. The City's restricted assets decreased \$1,298,412, as a result of the use of debt proceeds.

The City reported a net increase of \$19,719,797 in capital assets, \$22.9 million in governmental activities and a reduction of \$3.1 million in business-type activities. The net increase in governmental activities resulted from construction in a wide variety of projects (e.g., street resurfacing, street light system installation) totaling \$7.5 million, \$19 million of capital assets were completed and transferred to completed features, \$3.5 million of various equipment purchases, and provision for depreciation of approximately \$11.3 million. In addition, as the result of a July 28, 2005 Cooperative Agreement with the State of California, Department of Transportation, the City accepted relinquishment of Route 2 from Moreno Drive to Doheny Drive with an estimated land value of the relinquished property of \$19.6 million and an estimated addition to infrastructure of \$3.6 million. The net decrease in business-type activities results from various projects totaling \$5.2 million, \$11.2 of capital assets completed, \$401,636 of various equipment purchases, disposition of \$293,865 of projects, and provision for depreciation of approximately \$8.2 million.

The City's net assets increased by \$57.8 million during the current fiscal year, a 224.7% increase over the prior year. Total adjusted revenues increased 26% (\$51.5 million). This categories largest impact was an increase of 749.2% (\$24.4 million) from the acquisition of the aban-

City of Beverly Hills' Net Assets (000's)						
As of June 30, 2006 and 2005						
	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Current assets	\$ 164,231	136,938	53,851	52,008	218,082	188,946
Restricted and other assets	70,771	70,170	(11,602)	(12,112)	59,169	58,058
Capital assets	<u>267,686</u>	<u>244,825</u>	<u>182,023</u>	<u>185,164</u>	<u>449,709</u>	<u>429,989</u>
Total assets	<u>502,688</u>	<u>451,933</u>	<u>224,272</u>	<u>225,060</u>	<u>726,960</u>	<u>676,993</u>
Current liabilities	21,398	24,138	12,756	11,106	34,154	35,244
Long-term liabilities, net of current portion	153,022	155,131	80,907	83,615	233,929	238,746
Other liabilities	-	-	-	1,964	-	1,964
Total liabilities	<u>174,420</u>	<u>179,269</u>	<u>93,663</u>	<u>96,685</u>	<u>268,083</u>	<u>275,954</u>
Net assets:						
Invested in capital assets, net of related debt	160,367	134,616	84,138	99,448	244,505	234,064
Restricted	67,780	47,306	4,249	3,342	72,029	50,648
Unrestricted	<u>100,120</u>	<u>90,742</u>	<u>42,223</u>	<u>25,585</u>	<u>142,343</u>	<u>116,327</u>
Total net assets	<u>\$ 328,267</u>	<u>272,664</u>	<u>130,610</u>	<u>128,375</u>	<u>458,877</u>	<u>401,039</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2006

doned Route 2 from the State of California, Department of Transportation. Further the City experienced increases of 11.6% in tax revenues (\$11.7 million), a 18.4% increase in charges for services (\$14.6 million), a 22.8% increase in investment revenues (\$2 million) and a 32.7% (\$1.5 million) decrease in other revenues. The tax increases reflect improving economic conditions and a strong real estate market. Service charge increases reflect pricing adjustments to reflect City costs. Expenses increased by 6.3% (\$11.4 million) over the prior year. The increases resulted from planned salary increases, significant increases in healthcare and other benefit and pension costs, increased public safety costs related to the increased security measures following 9/11 and the significant hurricane season which significantly increased property and liability insurance costs, and increased maintenance efforts in various City facilities.

	For the Years Ended June 30, 2006 and 2005					
	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 42,012	30,969	51,788	48,221	93,800	79,190
Op. grants & cont.	2,188	1,934	-	-	2,188	1,934
Cap. grants & cont.	27,643	3,255	-	-	27,643	3,255
General revenues:						
Taxes	112,258	100,550	-	-	112,258	100,550
Investment earnings	9,194	7,573	1,489	1,127	10,683	8,700
Other	2,975	4,424	44	67	3,019	4,491
Transfers	9	-	(9)	-	-	-
Total revenues	<u>196,279</u>	<u>148,705</u>	<u>53,312</u>	<u>49,415</u>	<u>249,591</u>	<u>198,120</u>
Expenses:						
General government	3,746	16,860	-	-	3,746	16,860
Public safety	75,061	60,707	-	-	75,061	60,707
Public services	14,993	13,974	-	-	14,993	13,974
Culture and recreation	39,676	34,856	-	-	39,676	34,856
Interest on LT debt	7,200	7,381	-	-	7,200	7,381
Water	-	-	19,724	17,523	19,724	17,523
Parking facilities	-	-	13,439	12,853	13,439	12,853
Solid waste	-	-	10,313	10,686	10,313	10,686
Wastewater	-	-	5,437	3,958	5,437	3,958
Stormwater	-	-	2,165	1,558	2,165	1,558
Total expenses	<u>140,676</u>	<u>133,778</u>	<u>51,078</u>	<u>46,578</u>	<u>191,754</u>	<u>180,356</u>
Increase in net assets	55,603	14,927	2,234	2,837	57,837	17,764
Net assets, July 1, as restated	<u>272,664</u>	<u>257,737</u>	<u>128,375</u>	<u>125,537</u>	<u>401,039</u>	<u>383,274</u>
Net assets, June 30	\$ 328,267	272,664	130,609	128,374	458,876	401,038

Governmental Activities

Governmental activities net assets increased by \$55,603,860 thereby accounting for 96.1% of the total growth in the net assets of the City. Key elements of the increase in governmental activities net assets are as follows:

- Taxes, 57% of total governmental activities revenues, increased by \$11.7 million (11.6%) 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 \$3.44 million (12.2%) because of the increased activity in calendar year 2005.
- 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 2005 were brisk due to high demand and historic low mortgage rates. This resulted in a \$3.3 million (12.9%) increase over FY 2005.
- Sales taxes are a direct reflection of the general economy; the increase of \$2.2 million (9.9%) reflects the continuing recovery of the economy and the stock market.
- Transient occupancy tax revenues increased 18.6% (\$3.6 million) over the prior year.
- Program revenues increased 98.7% (35.7 million) primarily as a result of the acquisition of Route 2 from the State of California, Department of Transportation.
- Investment earnings increased by \$1.6 million (21.4%) during the year. This was primarily a result of an improvement in the investment yield of the portfolio.
- Other taxes and revenues, such as the fine art and parks and recreation taxes, are related to building activity. The strong real estate market and recovering economy still reflect strongly in this category even though there was a decrease of \$528,488 (5.7%).

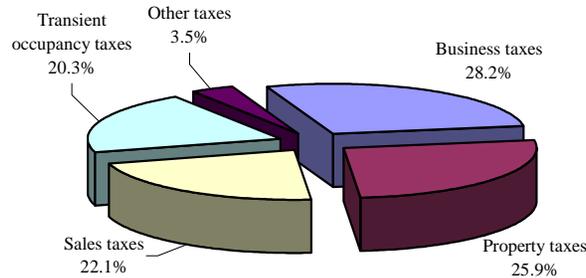
The four major tax sources are relatively evenly split, reducing the City's reliance on any one source.

CITY OF BEVERLY HILLS, CALIFORNIA

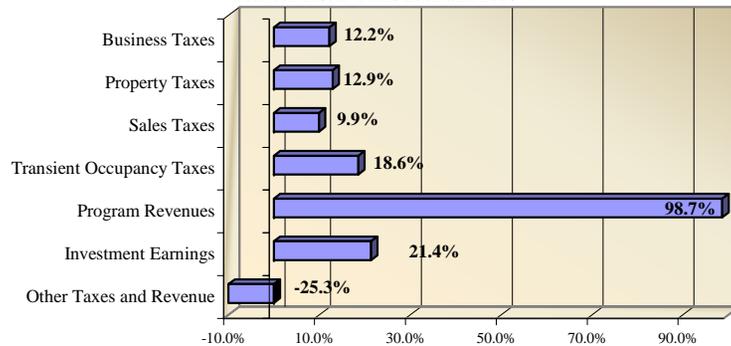
Management's Discussion and Analysis, Continued

June 30, 2006

Taxes by Type



**Percent Change in Governmental Activities Revenues
Between Fiscal Years 2005 and 2006**



- While the City continued its efforts to maintain effective cost controls, governmental activities expenses increased 5.2% during FY 2006. All functional expenses increased resulting from planned salary increases (part of contract terms with bargaining units made in prior years). In addition:

- General government expenses decreased 77.8% (\$13.1 million).
- Increases in public safety of 23.6% (\$14.4 million) related primarily to increased security measures following 9/11 and the Iraq conflict.
- Public services increased 7.3% (\$1 million) inline with planned increases.
- Culture and recreation increased 13.8% (\$4.8 million) due primarily to expansion of tree and turf management programs.
- Interest on long-term debt declined slightly (2.4%) as debt levels decreased.

Business-type Activities

Business-type activities increased the City's net assets by \$2.2 million, for 3.8% of the growth in the City's net assets. Key elements of this increase in business-type activities net assets are as follows:

- Charges for services, representing 97.1% of total business-type activities revenues, increased by \$3.6 million (7.4%) over the prior year. The increases were primarily a result of various utility rate increases.
- Expenses in the business-type activities increased 9.7% (\$4.5 million) FY 2006.

(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 \$109,297,373, an increase of \$17,030,747 from the prior year. This increase is primarily a result of a

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2006

\$15.6 million (11.3%) increase in total revenues and a \$3.4 million (2.5%) decrease in total expenditures. Last fiscal year the ending fund balance was impacted by the City's decision to make a pension contribution to the California Public Employees Retirement System (PERS) of \$13,420,437. While this action reduced the ending fund balance, the continuing improvement of business activity revenues and general improvements to the economic and real estate markets during the current fiscal year have allowed the City to not only replace the funds contributed, but to increase the fund balance above the fiscal year 2005 beginning balance by \$4.7 million.

Approximately 76.1% of fund balances (\$83.2 million) constitute the unreserved fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it 1) has already been committed to liquidate contracts and purchase orders of the prior period (\$5.2 million), 2) represents net assets that are not available spendable resources, in this case the amounts corresponding to the advance to the Parking Facilities Enterprise Fund from the General Fund (\$17.1 million), 3) represents assets set aside to pay debt service (\$3.6 million), and 4) represents endowments established to generate income to pay for library and parks uses and scholarship awards according to the terms of the Buck and Burton Green endowments. (\$81,381).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$50,378,595, while the total fund balance reached \$69,056,312. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance represents 39.2% of General Fund expenditures, while the total fund balance represents 53.7% of that same amount.

The fund balance of the City's General Fund increased by \$10,292,456 during the current fiscal year. This represents an increase of 17.5% in fund balance from FY 2005. Key factors in this increase are as follows:

- Tax revenues increased \$12.8 million (13.3%). 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 2005 are: business taxes increased by \$3.4 million, (12.2%), property taxes increased by \$3.3 million (12.9%), sales taxes increased \$2.2 million (9.9%) and transient occupancy taxes increased \$3.6 million (18.6%).

- The City continued its efforts to maintain effective cost controls even though factors beyond our control resulted in an increase of 6% (\$7.2 million) in General Fund expenditures during FY 2006. The reasons for the increases in certain expenditures in the General Fund were previously described in the analysis of governmental activities expenses. General Government expenses decreased \$10.1 million (60.9%), Public Safety increased by \$13.4 million (22.7%), Public Service decreased \$844,847 (5.7%) and Culture and recreation increased \$4.8 million (15.7%).

Activities in the Infrastructure Capital Projects Fund continued a vary aggressive program in FY 2006. These projects include the citywide streetlight replacement program, resurfacing of major streets, parks capital improvement projects and traffic signal upgrades.

Nonmajor governmental funds' fund balances increased \$3 million (14.2%) during FY 2006. This resulted primarily from reductions in operating expenditures.

Enterprise Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the enterprise funds totaled \$43 million, an increase of \$17.4 million (68%). Total growth in net assets for these funds was an increase of \$2.2 million (1.7%). Other factors concerning the finances of these funds are as follows:

- Operating revenue for the Water Enterprise increased \$743,106 (4.3%), operating expenses increased \$2.2 million (14.5%), operating income decreased by \$1.5 million (105.2%), non-operating income improved \$198,882 (14.33%) providing a decrease to net assets of \$1.2 million, a reduction of \$1.3 million from the prior year.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2006

- Operating revenue for the Parking Enterprise increased \$1.9 million (17.3%) operating expenses increased \$631,476 (6.2%), operating income increased \$1.2 million (177.2%), non-operating expenses improved \$87,300 (3.6%) providing an improvement to net assets of \$1.3 million from the prior year.
- Operating revenue for the Solid Waste Enterprise increased \$640,565 (5.7%) operating expenses decreased \$373,532 (3.5%), operating income increased \$1 million (215.8%), non-operating income improved \$23,933 (16.1%) providing an increase to net assets of \$1.6 million an increase of \$1 million (167.9%) from the prior year.
- Operating revenues for the Wastewater Enterprise increased \$248,488 (3.4%), expenses increased \$1.5 million (49.9%), operating income decreased \$1.3 million (29.2%), non-operating income improved \$150,727 (20.5%) providing a positive increase to net assets of \$2.5 million a decrease of \$1.1 million (30.9%) from the prior year.
- Operating revenues for the Stormwater Enterprise increased \$55,641 (3.2%), expenses increased \$606,959 (38.9%), operating income decreased by \$551,318 (289.8%), non-operating revenues improved by \$22,417 (29.4%), net assets decreased \$262,451.

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 service funds, although the City does not report the results of these funds on a budgetary comparison basis.

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

General Fund

The General Fund reflected a net total favorable budget variance of \$16.8 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 \$14.3 million and a favorable variance in total expenditures of \$2.5 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 \$449,709,271 (net of accumulated depreciation of \$242,096,293) as of June 30, 2006. This investment in capital assets includes land, buildings, utility systems, improvements other than buildings, infrastructure (roads, sidewalks, streetlights, etc.),

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2006

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 8.4% before depreciation (12.1% for governmental activities and 3.6% for business-type activities).

The increase in governmental activity capital assets primarily reflects additions to construction in progress and infrastructure for various capital projects and ongoing purchase of information technology equipment as part of an overall upgrade project. In addition, as the result of a July 28, 2005 Cooperative Agreement with the State of California, Department of Transportation, the City accepted relinquishment of Route 2 from Moreno Drive to Doheny Drive with an estimated land value of the relinquished property of \$19.6 million and an estimated addition to infrastructure of \$3.6 million. The increase in business-type activity capital assets primarily reflects additions for utility systems.

The City has an aggressive capital improvement program totaling over \$172.2 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 (\$7.6 million), construction of a vehicle service center (\$20 million), replacing/updating computer and telephone systems (\$21.1 million), replacing water mains and hydrants (\$16.7 million), replacing the Coldwater

Canyon Reservoir (\$28.5 million), Reservoir maintenance (\$7.4 million), repairs to sewer system (\$6.9 million) capital contributions to the Los Angeles Amalgamated Wastewater Treatment and Collection System (\$15 million), street and alley resurfacing (\$12.5 million) and construction of a parking structure and public gardens (\$33.3 million). The City has budgeted capital projects expenditures totaling \$134.8 million for FY 2007.

Additional information on the City's capital assets can be found in note 8 to the basic financial statements on pages 66-70 of this report.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$204,451,757, including current portion of \$9,070,000. Of this amount, \$204,451,757 represents revenue bonds secured solely by specified revenue sources. Other long-term obligations include employee-compensated absences of \$14,410,862, including current portion of \$1,006,779; capital leases payable of \$19,212,842, including current portion of \$678,937; and outstanding claims of \$8,943,500, including current portion of \$4,235,930.

Additions to the City's long-term debt included current year claims totaling \$2.1 million and additions to compensated absences of \$5.5 million. Deductions include payments against claims totaling \$2.6 million, payment of compensated absences totaling \$3.9 million and payment of capital leases totaling \$639,494.

	As of June 30, 2006 and 2005					
	Governmental		Business-type		Total	
	Activities		Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 51,610	32,042	25,945	25,954	77,555	57,996
Buildings	97,593	101,199	63,399	67,295	160,992	168,494
Utility systems	-	-	88,288	81,102	88,288	81,102
Improvements other						
than buildings	16,675	17,372	552	607	17,227	17,979
Infrastructure	76,820	60,416	-	-	76,820	60,416
Machinery and equipment	14,871	12,141	1,402	1,104	16,273	13,245
Fine art collection	1,119	1,119	-	-	1,119	1,119
Construction in progress	8,997	20,536	2,437	9,102	11,434	29,638
Total capital assets, net	\$ 267,685	244,825	182,023	185,164	449,708	429,989

	As of June 30, 2006 and 2005					
	Governmental		Business-type		Total	
	Activities		Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue bonds	140,288	144,999	64,164	68,051	204,452	213,050
Capital leases	-	-	19,216	19,855	19,216	19,855
Compensated absences	13,812	12,180	599	570	14,411	12,750
Claims	8,944	9,506	-	-	8,944	9,506
Total debt	\$ 163,044	166,685	83,979	88,476	247,023	255,161

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. Accord-

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2006

ingly, the debt limit at June 30, 2006 is \$577.2 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 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 on taxable properties within the District, are not obligations of the City, but rather are limited obligations of the Community Facilities District.

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

City of Beverly Hills' Debt Ratings			
Debt Issue	Moody's	Fitch's	S & P
Revenue bonds:			
1998 Refunding Water	Aaa	AAA	—
1998 Refunding Wastewater	Aaa	AAA	AA-
1998 Lease Revenue	Aa3	—	—
1999 Refunding Lease	Aaa	AAA	—
2001 Refunding Lease	Aaa*	—	AAA
2003 Refunding Lease	Aaa*	AA	—

* Underlying rating is Aa3.

Additional information on the City's long-term debt can be found in note 9 to the basic financial statements on pages 71-78 of this report.

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

The City Council adopted a conservative budget for Fiscal Year 2006/2007.

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 all funds. This is the second year of a five-year conversion to a program based budget. The development of the programs and the accurate tracking of funds will be completed with the 2007/2008 budget process. The 2006/2007 budget presents a number of opportunities and challenges to improve overall service to the community. By any standard this is a very aggressive program of work that will challenge the capacity of staff and the City Council to accomplish.

The proposed General Fund budget for Fiscal Year 2006/2007 includes the following assumptions:

- An increase in capital contributions of \$2 million to a total of \$10 million in Fiscal Year 2006/2007 remaining at \$10 million next and thereafter.
- Increases to operating budgets due to PERS contributions.
- Increases to operating budgets due to health benefit and workers' compensation premiums.
- A provision for salary increases.
- Increases to some service and program areas do to increased demand and a willingness to pay full fees for the services provided by residents and guests.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2006

The City's unemployment rate was 3.3% at the end of FY 2006. This compares favorably to the state of California's unemployment rate of 5.1% and the County of Los Angeles' unemployment rate of 5.0%.

The City implemented a rate increase of 12% for all Water utility service for FY2007. The City has adopted a policy of annual reviews and appropriate rate increases to give greater assurance of maintaining healthy enterprise operations.

(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 Scott G. Miller, PhD, Chief Financial Officer, City of Beverly Hills, 455 N. Rexford Drive, Room 250, Beverly Hills, California 90210-4817. Additional information, including the prior years CAFR and prior and current year budgets are available on the City's WEB site at www.beverlyhills.org.





BASIC FINANCIAL STATEMENTS

The City's basic financial statements, including the accompanying notes, constitute the core of the CAFR's financial section. The basic financial statements include the Government-wide Financial Statements, the Fund Financial Statements and the Notes to Basic Financial Statements.

Immediately following the basic financial statements is Required Supplementary Information – Schedule of Funding Progress of the City's Defined Benefit Pension Plans.

Major funds reported in the Basic Financial Statements are defined in note 1 of the notes to basic financial statements.



CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments (note 4)	\$ 146,165,933	46,021,915	192,187,848
Accounts receivable, net (note 5)	1,952,877	7,122,762	9,075,639
Interest receivable (note 5)	975,675	340,684	1,316,359
Taxes receivable (note 5)	8,038,726	—	8,038,726
Intergovernmental receivables (note 5)	6,365,506	—	6,365,506
Inventories	374,948	359,664	734,612
Prepaid expenses	356,639	—	356,639
Deposits	—	5,552	5,552
Total current assets	<u>164,230,304</u>	<u>53,850,577</u>	<u>218,080,881</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash and investments (notes 4C and 9)	30,896,480	3,548,655	34,445,135
Interest receivable (note 5)	53,147	13,090	66,237
Permanently restricted:			
Cash and investments (note 4C)	<u>81,381</u>	<u>—</u>	<u>81,381</u>
Total restricted assets	<u>31,031,008</u>	<u>3,561,745</u>	<u>34,592,753</u>
Other noncurrent assets:			
Deferred bond issuance costs, net (note 9)	5,820,050	1,297,426	7,117,476
Advances to (from) other funds (note 6)	17,137,709	(17,137,709)	—
Net pension assets (note 10)	<u>16,782,015</u>	<u>677,027</u>	<u>17,459,042</u>
Total other noncurrent assets	<u>39,739,774</u>	<u>(15,163,256)</u>	<u>24,576,518</u>
Capital assets (notes 8 and 14):			
Land	51,610,485	25,944,999	77,555,484
Buildings	151,435,672	117,513,774	268,949,446
Utility systems	—	129,261,905	129,261,905
Improvements other than buildings	26,325,458	1,549,147	27,874,605
Infrastructure	116,718,002	—	116,718,002
Machinery and equipment	50,525,501	8,367,057	58,892,558
Fine art collection	<u>1,119,390</u>	<u>—</u>	<u>1,119,390</u>
	397,734,508	282,636,882	680,371,390
Less accumulated depreciation	(139,045,259)	(103,051,034)	(242,096,293)
Construction in progress	<u>8,996,683</u>	<u>2,437,491</u>	<u>11,434,174</u>
Total capital assets, net	<u>267,685,932</u>	<u>182,023,339</u>	<u>449,709,271</u>
Total noncurrent assets	<u>338,456,714</u>	<u>170,421,828</u>	<u>508,878,542</u>
Total assets	<u>502,687,018</u>	<u>224,272,405</u>	<u>726,959,423</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,218,916	2,662,547	5,881,463
Contracts payable	837,904	—	837,904
Accrued payroll	1,849,005	146,718	1,995,723
Interest payable (note 9)	582,930	255,442	838,372
Current portion of long-term liabilities (note 9):			
Compensated absences	964,909	41,870	1,006,779
Outstanding claims	4,235,930	—	4,235,930
Capital leases	—	678,937	678,937
Revenue bonds	4,820,830	4,249,170	9,070,000
Intergovernmental liabilities	50,004	2,388,145	2,438,149
Customer deposits	4,577,912	2,113,653	6,691,565
Unearned revenue (note 5)	259,477	219,455	478,932
Total current liabilities	<u>21,397,817</u>	<u>12,755,937</u>	<u>34,153,754</u>
Long-term liabilities, net of current portion (note 9):			
Compensated absences	12,846,628	557,455	13,404,083
Outstanding claims	4,707,570	—	4,707,570
Unearned revenue (note 5)	—	695,543	695,543
Capital leases	—	18,536,905	18,536,905
Revenue bonds	135,206,773	62,118,227	197,325,000
Original issue premium, net	3,714,345	1,649,612	5,363,957
Original issue discount, net	(251,176)	(67,844)	(319,020)
Deferred amount on refunding, net	(3,202,616)	(3,785,565)	(6,988,181)
Deferred credit from sale-leaseback transactions (note 11)	—	1,202,721	1,202,721
Total long-term liabilities	<u>153,021,524</u>	<u>80,907,054</u>	<u>233,928,578</u>
Total liabilities	<u>174,419,341</u>	<u>93,662,991</u>	<u>268,082,332</u>
NET ASSETS (note 14)			
Invested in capital assets, net of related debt	170,857,755	84,137,521	254,995,276
Restricted for:			
Debt service	3,558,250	2,761,678	6,319,928
Net pension assets	16,782,015	684,793	17,466,808
Construction of capital assets	16,005,265	—	16,005,265
Parks and recreation facilities	14,114,258	—	14,114,258
Streets, highways, bikeways, public transit and other related purposes	4,474,155	—	4,474,155
Endowment or trust agreement:			
Expendable	158,782	—	158,782
Nonexpendable	81,381	—	81,381
Other purposes	1,849,932	—	1,849,932
Unrestricted	<u>100,385,884</u>	<u>43,025,422</u>	<u>143,411,306</u>
Total net assets	<u>\$ 328,267,677</u>	<u>130,609,414</u>	<u>458,877,091</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Activities

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ (3,746,165)	1,880,850	—	23,260,880	21,395,565	—	21,395,565
Public safety	(75,061,162)	17,392,742	492,871	15,751	(57,159,798)	—	(57,159,798)
Public service	(14,993,054)	17,058,816	1,505,812	4,344,134	7,915,708	—	7,915,708
Culture and recreation	(39,675,546)	5,679,408	189,572	21,999	(33,784,567)	—	(33,784,567)
Interest on long-term debt	(7,200,250)	—	—	—	(7,200,250)	—	(7,200,250)
Total governmental activities	<u>(140,676,177)</u>	<u>42,011,816</u>	<u>2,188,255</u>	<u>27,642,764</u>	<u>(68,833,342)</u>	<u>—</u>	<u>(68,833,342)</u>
Business-type activities:							
Water	(19,724,346)	17,809,880	—	—	—	(1,914,466)	(1,914,466)
Parking facilities	(13,438,609)	12,772,987	—	—	—	(665,622)	(665,622)
Solid waste	(10,312,744)	11,796,598	—	—	—	1,483,854	1,483,854
Wastewater	(5,436,889)	7,604,664	—	—	—	2,167,775	2,167,775
Stormwater	(2,165,250)	1,804,169	—	—	—	(361,081)	(361,081)
Total business-type activities	<u>(51,077,838)</u>	<u>51,788,298</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>710,460</u>	<u>710,460</u>
Total	<u>\$ (191,754,015)</u>	<u>93,800,114</u>	<u>2,188,255</u>	<u>27,642,764</u>	<u>(68,833,342)</u>	<u>710,460</u>	<u>(68,122,882)</u>
General revenues:							
Taxes:							
Business					31,634,820	—	31,634,820
Property					29,053,621	—	29,053,621
Sales					24,817,499	—	24,817,499
Transient occupancy					22,842,265	—	22,842,265
Other					3,909,671	—	3,909,671
Grants and contributions not restricted to specific programs					1,943,643	—	1,943,643
Unrestricted investment earnings					10,251,387	1,900,660	12,152,047
Net change in fair value of investments					(1,056,975)	(411,843)	(1,468,818)
Gain on sale of capital assets					86,031	—	86,031
Miscellaneous					946,446	44,122	990,568
Transfers (note 7)					8,794	(8,794)	—
Total general revenues and transfers					<u>124,437,202</u>	<u>1,524,145</u>	<u>125,961,347</u>
Change in net assets					55,603,860	2,234,605	57,838,465
Net assets, July 1					<u>272,663,817</u>	<u>128,374,809</u>	<u>401,038,626</u>
Net assets, June 30					<u>\$ 328,267,677</u>	<u>130,609,414</u>	<u>458,877,091</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Balance Sheet

Governmental Funds

June 30, 2006

Assets	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
Cash and investments (note 4)	\$ 47,134,307	—	21,328,039	—	68,462,346
Accounts receivable, net (note 5)	1,818,036	—	7,986	—	1,826,022
Interest receivable (note 5)	297,885	—	137,854	—	435,739
Taxes receivable (note 5)	8,038,726	—	—	—	8,038,726
Interfund receivables (note 6)	200,794	—	—	(200,794)	—
Intergovernmental receivables (note 5)	6,163,675	—	201,831	—	6,365,506
Prepaid items	80,946	—	—	—	80,946
Advances to other funds (note 6)	17,137,709	—	—	—	17,137,709
Restricted assets:					
Cash and investments (note 4C)	—	16,542,975	3,681,576	—	20,224,551
Interest receivable (note 5)	—	34,900	14,414	—	49,314
Total assets	<u>\$ 80,872,078</u>	<u>16,577,875</u>	<u>25,371,700</u>	<u>(200,794)</u>	<u>122,620,859</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,463,530	189,642	224,717	—	1,877,889
Contracts payable	—	377,000	125,368	—	502,368
Accrued payroll	1,754,343	—	10,131	—	1,764,474
Interfund payables (note 6)	—	—	200,794	(200,794)	—
Intergovernmental payables	8,597	—	48	—	8,645
Customer deposits	4,029,452	—	548,460	—	4,577,912
Deferred revenue (note 5)	4,559,844	5,968	26,386	—	4,592,198
Total liabilities	<u>11,815,766</u>	<u>572,610</u>	<u>1,135,904</u>	<u>(200,794)</u>	<u>13,323,486</u>
Fund balances:					
Reserved for:					
Encumbrances	1,459,062	2,516,874	1,269,549	—	5,245,485
Prepaid expenses	80,946	—	—	—	80,946
Advances to other funds	17,137,709	—	—	—	17,137,709
Debt service	—	—	3,557,342	—	3,557,342
Endowment or Trust Agreement	—	—	81,381	—	81,381
Unreserved, reported in:					
General Fund	50,378,595	—	—	—	50,378,595
Special revenue funds	—	—	19,168,742	—	19,168,742
Capital projects funds	—	13,488,391	—	—	13,488,391
Permanent funds	—	—	158,782	—	158,782
Total fund balances	<u>69,056,312</u>	<u>16,005,265</u>	<u>24,235,796</u>	<u>—</u>	<u>109,297,373</u>
Total liabilities and fund balances	<u>\$ 80,872,078</u>	<u>16,577,875</u>	<u>25,371,700</u>	<u>(200,794)</u>	<u>122,620,859</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

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

June 30, 2006

Total Governmental fund balances (page 33)	\$ 109,297,373
Amounts reported for governmental activities in the statement of net assets are different because (note 2):	
– Capital assets used in governmental activities, that are not included in internal service funds, are not financial resources and, therefore, are not reported in the funds.	98,666,659
– The pension contribution is a use of current financial resources and an expenditure at the fund level but is deferred and recognized as a net pension asset on the statement of net assets.	15,160,889
– Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	83,593
– Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,816,751
– Certain sales tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,432,377
– Internal service funds are used by management to charge the costs of acquisition, construction, financing, maintenance and capital accumulation for the replacement of governmental capital assets (except for infrastructure and fine art collection assets); operations of the City's computer services, reprographics and cable TV operations; the City's self-insurance programs and its employee benefits to individual user funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	134,589,839
– 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>(33,779,804)</u>
Net assets of governmental activities (page 31)	\$ <u><u>328,267,677</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, 2006

	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
Revenues:					
Taxes	\$ 108,942,753	—	2,415,353	—	111,358,106
Licenses and permits	10,536,677	—	—	—	10,536,677
Intergovernmental	1,732,203	—	2,481,579	—	4,213,782
Charges for service	8,695,395	—	57,186	—	8,752,581
Fines, forfeitures and penalties	6,177,549	—	—	—	6,177,549
Use of money and property	5,573,781	680,783	853,022	—	7,107,586
Net change in fair value of investments	(264,177)	(17,477)	(166,853)	—	(448,507)
Contribution in aid of construction	—	4,300,000	—	—	4,300,000
Miscellaneous	938,935	7,511	—	—	946,446
Total revenues	142,333,116	4,970,817	5,640,287	—	152,944,220
Expenditures:					
Current:					
General government	6,468,832	—	—	—	6,468,832
Public safety	72,117,504	—	243,083	—	72,360,587
Public service	13,914,339	—	1,128,897	—	15,043,236
Culture and recreation	35,156,962	—	212,771	—	35,369,733
Debt service:					
Interest	—	—	1,766,075	—	1,766,075
Finance charges	—	—	4,825	—	4,825
Capital outlay	—	1,257,977	882,637	—	2,140,614
Total expenditures	127,657,637	1,257,977	4,238,288	—	133,153,902
Excess (deficiency) of revenues over expenditures	14,675,479	3,712,840	1,401,999	—	19,790,318
Other financing sources (uses):					
Transfers in (note 7)	261,973	—	1,655,081	(1,686,710)	230,344
Transfers out (note 7)	(4,644,996)	—	(31,629)	1,686,710	(2,989,915)
Total other financing sources (uses)	(4,383,023)	—	1,623,452	—	(2,759,571)
Net change in fund balances	10,292,456	3,712,840	3,025,451	—	17,030,747
Fund balances, July 1	58,763,856	12,292,425	21,210,345	—	92,266,626
Fund balances, June 30	\$ <u>69,056,312</u>	<u>16,005,265</u>	<u>24,235,796</u>	<u>—</u>	<u>109,297,373</u>

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, 2006

Net change in fund balances – total governmental funds (page 35)	\$ 17,030,747
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.	1,816,751
• 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.	(1,625,689)
• Certain sales tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,432,377
• Sales 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.	(1,723,669)
– Interest revenues:	
• Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	83,593
• 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	(113,861)
– 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.	14,171,402
– The pension contribution, is a use of current financial resources and an expenditure at the fund level but is deferred and recognized as a net pension asset on the statement of net assets.	1,740,452
– 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.	21,816,504
– The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is 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>(24,747)</u>
Change in net assets of governmental activities (page 32)	\$ <u>55,603,860</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final		
Revenues:				
Taxes:				
Business	\$ 28,851,140	28,851,140	31,634,820	2,783,680
Property	25,798,772	25,798,772	28,862,559	3,063,787
Sales	21,507,004	21,507,004	24,108,791	2,601,787
Transient occupancy	18,533,735	18,533,735	22,842,265	4,308,530
Other	1,103,667	1,103,667	1,494,318	390,651
Licenses and permits	10,608,890	10,108,890	10,536,677	427,787
Intergovernmental	1,130,058	1,530,027	1,732,203	202,176
Charges for services	7,627,198	7,627,198	8,695,395	1,068,197
Fines, forfeitures and penalties	5,639,741	5,639,741	6,177,549	537,808
Use of money and property	6,699,750	6,699,750	5,573,781	(1,125,969)
Net change in fair value of investments	—	—	(264,177)	(264,177)
Miscellaneous	1,564,598	1,564,598	938,935	(625,663)
Total revenues	<u>129,064,553</u>	<u>128,964,522</u>	<u>142,333,116</u>	<u>13,368,594</u>
Expenditures:				
Current:				
General government:				
City Council	—	—	—	—
City Manager	—	73,439	62,645	(10,794)
Human Resources	—	—	—	—
Risk management	—	—	—	—
Management services:	—	—	—	—
City Attorney	—	—	—	—
City Clerk	1,068,611	1,131,346	1,162,663	31,317
Financial services	112,150	3,584,210	4,594,946	1,010,736
Economic developmen	—	—	—	—
General services	—	—	—	—
Non-departmental	—	4,264,723	695,546	(3,569,177)
Total general government	<u>1,180,761</u>	<u>9,053,718</u>	<u>6,515,800</u>	<u>(2,537,918)</u>
Public safety:				
Police services	41,804,473	42,438,057	44,124,627	1,686,570
Fire control	22,020,557	22,153,461	23,392,049	1,238,588
Building and safety	5,204,808	5,193,975	5,121,812	(72,163)
Public Works	—	3,024	3,019	(5)
Total public safety	<u>69,029,838</u>	<u>69,788,517</u>	<u>72,641,506</u>	<u>2,852,989</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget – Over (Under)
	<u>Original</u>	<u>Final</u>		
Public service:				
Engineering and administration	\$ 2,565,653	1,007,900	970,616	(37,285)
Parking meters	626,587	690,495	756,049	65,554
Streets and subdrains	3,844,322	4,108,187	3,364,787	(743,399)
Planning services	3,156,584	3,886,800	3,126,371	(760,429)
Community services	<u>5,807,038</u>	<u>5,827,821</u>	<u>5,797,616</u>	<u>(30,205)</u>
Total public service	<u>16,000,184</u>	<u>15,521,203</u>	<u>14,015,439</u>	<u>(1,505,765)</u>
Culture and recreation:				
Recreation and parks	14,168,821	14,065,918	13,585,025	(480,893)
Library	11,378,227	11,288,992	10,800,604	(488,388)
Education	8,074,050	8,074,050	8,105,558	31,508
Promotion and tourism	<u>2,927,676</u>	<u>3,324,366</u>	<u>2,921,223</u>	<u>(403,143)</u>
Total culture and recreation	<u>36,548,774</u>	<u>36,753,326</u>	<u>35,412,410</u>	<u>(1,340,916)</u>
Total expenditures	<u>122,759,557</u>	<u>131,116,765</u>	<u>128,585,155</u>	<u>(2,531,610)</u>
Excess of revenues over expenditures	<u>6,304,996</u>	<u>(2,152,243)</u>	<u>13,747,961</u>	<u>15,900,204</u>
Other financing sources (uses):				
Transfers in (note 7)	6,000	6,000	261,973	255,973
Transfers out (note 7)	<u>(3,707,691)</u>	<u>(5,707,691)</u>	<u>(4,644,996)</u>	<u>1,062,695</u>
Total other financing sources (uses)	<u>(3,701,691)</u>	<u>(5,701,691)</u>	<u>(4,383,023)</u>	<u>(806,722)</u>
Net change in fund balance:	2,603,305	(7,853,934)	9,364,938	17,218,872
Fund balance, July 1	<u>58,763,856</u>	<u>58,763,856</u>	<u>58,763,856</u>	<u>—</u>
Fund balance, June 30	<u>\$ 61,367,161</u>	<u>50,909,922</u>	<u>68,128,794</u>	<u>17,218,872</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

Proprietary Funds

June 30, 2006

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
ASSETS							
Current assets:							
Cash and investments (note 4)	\$ 21,961,679	5,040,352	6,587,790	8,949,508	3,482,586	46,021,915	77,703,587
Accounts receivable, net (note 5)	3,503,274	48,333	1,995,665	1,269,146	306,344	7,122,762	126,855
Interest receivable (note 5)	158,778	52,894	42,411	62,477	24,124	340,684	539,936
Inventory	359,664	—	—	—	—	359,664	374,948
Prepaid expenses	—	—	—	—	—	—	275,693
Deposits	3,470	2,082	—	—	—	5,552	—
Total current assets	<u>25,986,865</u>	<u>5,143,661</u>	<u>8,625,866</u>	<u>10,281,131</u>	<u>3,813,054</u>	<u>53,850,577</u>	<u>79,021,019</u>
Noncurrent assets:							
Restricted assets:							
Cash and investments (notes 4C and 9)	1,030,780	800,067	—	1,717,808	—	3,548,655	10,753,310
Interest and other receivables (note 5)	3,831	2,875	—	6,384	—	13,090	3,833
Total restricted assets	<u>1,034,611</u>	<u>802,942</u>	<u>—</u>	<u>1,724,192</u>	<u>—</u>	<u>3,561,745</u>	<u>10,757,143</u>
Deferred bond issuance costs, net	149,331	933,397	—	214,698	—	1,297,426	5,528,857
Net pension assets (note 10)	241,375	102,952	183,587	60,597	88,516	677,027	1,621,126
Total other noncurrent assets	<u>390,706</u>	<u>1,036,349</u>	<u>183,587</u>	<u>275,295</u>	<u>88,516</u>	<u>1,974,453</u>	<u>7,149,983</u>
Capital assets (note 8):							
Land	5,260,911	11,975,088	—	8,709,000	—	25,944,999	32,050,499
Buildings	16,330,800	101,182,974	—	—	—	117,513,774	151,435,672
Utility systems	75,974,424	—	—	43,826,500	9,460,981	129,261,905	—
Improvements other than buildings	—	1,549,147	—	—	—	1,549,147	26,325,458
Machinery and equipment	4,667,721	2,944,774	451,444	295,442	7,676	8,367,057	50,525,501
	<u>102,233,856</u>	<u>117,651,983</u>	<u>451,444</u>	<u>52,830,942</u>	<u>9,468,657</u>	<u>282,636,882</u>	<u>260,337,130</u>
Less accumulated depreciation	(34,257,117)	(54,385,070)	(224,528)	(9,112,393)	(5,071,926)	(103,051,034)	(99,146,910)
Construction in progress	1,443,631	992,180	—	1,680	—	2,437,491	7,829,053
Total capital assets, net	<u>69,420,370</u>	<u>64,259,093</u>	<u>226,916</u>	<u>43,720,229</u>	<u>4,396,731</u>	<u>182,023,339</u>	<u>169,019,273</u>
Total noncurrent assets	<u>70,845,687</u>	<u>66,098,384</u>	<u>410,503</u>	<u>45,719,716</u>	<u>4,485,247</u>	<u>187,559,537</u>	<u>186,926,399</u>
Total assets	<u>96,832,552</u>	<u>71,242,045</u>	<u>9,036,369</u>	<u>56,000,847</u>	<u>8,298,301</u>	<u>241,410,114</u>	<u>265,947,418</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets, Continued

Proprietary Funds

June 30, 2006

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 1,383,246	194,712	1,035,333	45,964	3,292	2,662,547	1,341,027
Contracts payable	—	—	—	—	—	—	335,536
Accrued payroll	29,281	66,881	23,176	7,470	19,910	146,718	84,531
Interest payable	53,487	129,645	—	72,310	—	255,442	435,757
Current portion of (note 9):							
Compensated absences	12,955	5,536	12,308	6,634	4,437	41,870	964,909
Outstanding claims	—	—	—	—	—	—	4,235,930
Capital leases	678,937	—	—	—	—	678,937	—
Advances from other funds (note 6)	—	533,841	—	—	—	533,841	—
Revenue bonds	695,764	2,718,406	—	835,000	—	4,249,170	4,820,830
Intergovernmental payable	146	222	1,072	2,386,705	—	2,388,145	41,359
Customer deposits	1,798,955	307,099	1,099	6,500	—	2,113,653	—
Unearned revenue (note 5)	—	219,455	—	—	—	219,455	—
Total current liabilities	<u>4,652,771</u>	<u>4,175,797</u>	<u>1,072,988</u>	<u>3,360,583</u>	<u>27,639</u>	<u>13,289,778</u>	<u>12,259,879</u>
Long-term liabilities (net of current portion) (note 9):							
Compensated absences	172,486	73,707	163,861	88,321	59,080	557,455	12,846,628
Outstanding claims	—	—	—	—	—	—	4,707,570
Deferred revenue (note 5)	—	695,543	—	—	—	695,543	—
Capital leases	18,536,905	—	—	—	—	18,536,905	—
Advances from other funds (note 6)	—	16,603,868	—	—	—	16,603,868	—
Revenue bonds	13,062,432	31,020,795	—	18,035,000	—	62,118,227	101,031,773
Original issue premium, net	161,216	1,488,396	—	—	—	1,649,612	3,714,345
Original issue discount, net	(44,226)	—	—	(23,618)	—	(67,844)	—
Deferred amount on refunding, net	(799,177)	(1,899,429)	—	(1,086,959)	—	(3,785,565)	(3,202,616)
Deferred credit from sale-leaseback transactions (note 11)	—	1,202,721	—	—	—	1,202,721	—
Total long-term liabilities	<u>31,089,636</u>	<u>49,185,601</u>	<u>163,861</u>	<u>17,012,744</u>	<u>59,080</u>	<u>97,510,922</u>	<u>119,097,700</u>
Total liabilities	<u>35,742,407</u>	<u>53,361,398</u>	<u>1,236,849</u>	<u>20,373,327</u>	<u>86,719</u>	<u>110,800,700</u>	<u>131,357,579</u>
NET ASSETS							
Invested in capital assets, net of related debt	37,277,850	16,060,521	226,916	26,175,503	4,396,731	84,137,521	78,752,527
Restricted for:							
Debt service	1,034,611	2,875	—	1,724,192	—	2,761,678	908
Net pension assets	241,375	102,952	183,587	60,597	96,282	684,793	1,621,126
Construction of capital assets	—	—	—	—	—	—	—
Unrestricted	<u>22,536,309</u>	<u>1,714,299</u>	<u>7,389,017</u>	<u>7,667,228</u>	<u>3,718,569</u>	<u>43,025,422</u>	<u>54,215,278</u>
Total net assets	<u>\$ 61,090,145</u>	<u>17,880,647</u>	<u>7,799,520</u>	<u>35,627,520</u>	<u>8,211,582</u>	<u>130,609,414</u>	<u>134,589,839</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the Year Ended June 30, 2006

	Business-type Activities – Enterprise Funds					Governmental Activities – Internal Service Funds	
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		Total
Operating revenues –							
Sales, service charges and fees	\$ 17,809,880	12,772,987	11,796,598	7,604,664	1,804,169	51,788,298	59,698,715
Operating expenses:							
Salaries and employee benefits	1,820,372	2,081,798	1,380,809	551,442	1,232,073	7,066,494	14,231,918
Maintenance and operation	13,060,981	4,628,107	8,916,807	2,844,430	750,465	30,200,790	18,785,034
Insurance premiums, settlements and provisions	—	—	—	—	—	—	3,756,137
Depreciation (note 8)	2,948,622	3,961,563	15,128	1,060,699	182,712	8,168,724	8,516,017
Amortization of issuance costs	54,413	149,083	—	83,263	—	286,759	349,670
Total operating expenses	17,884,388	10,820,551	10,312,744	4,539,834	2,165,250	45,722,767	45,638,776
Operating income	(74,508)	1,952,436	1,483,854	3,064,830	(361,081)	6,065,531	14,059,939
Nonoperating revenues (expenses):							
Investment revenue	879,889	290,164	209,874	390,691	130,042	1,900,660	3,174,069
Net change in fair value of investments	(198,701)	(56,254)	(47,295)	(78,181)	(31,412)	(411,843)	(608,468)
Interest expense	(1,839,958)	(2,618,058)	—	(897,055)	—	(5,355,071)	(5,409,428)
Intergovernmental revenue	—	—	—	—	—	—	100,894
Gain on sale of capital assets	—	—	—	—	—	—	86,031
Other revenue	—	34,365	9,757	—	—	44,122	—
Total nonoperating revenues (expenses)	(1,158,770)	(2,349,783)	172,336	(584,545)	98,630	(3,822,132)	(2,656,902)
Income (loss) before contributions and operating transfers	(1,233,278)	(397,347)	1,656,190	2,480,285	(262,451)	2,243,399	11,403,037
Transfers in (note 7)	—	—	—	—	—	—	2,998,709
Transfers out (note 7)	(8,794)	—	—	—	—	(8,794)	(230,344)
Change in net assets	(1,242,072)	(397,347)	1,656,190	2,480,285	(262,451)	2,234,605	14,171,402
Net assets, July 1	62,332,217	18,277,994	6,143,330	33,147,235	8,474,033	128,374,809	120,418,437
Net assets, June 30	\$ 61,090,145	17,880,647	7,799,520	35,627,520	8,211,582	130,609,414	134,589,839

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2006

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
Cash flows from operating activities:							
Cash received from customers	\$ 17,458,315	5,813,379	11,324,613	7,112,182	1,712,638	43,421,127	70,420,348
Rents received under property leases	50,503	6,963,346	—	—	—	7,013,849	—
Cash payments to employees for services	(1,816,451)	(2,043,794)	(1,349,199)	(551,629)	(1,218,987)	(6,980,061)	(14,014,020)
Cash payments for goods and services	(13,002,897)	(4,730,108)	(8,514,280)	(1,978,292)	(747,615)	(28,973,192)	(27,348,619)
Cash payments for insurance premiums, settle- ments and claims	—	—	—	—	—	—	(4,605,097)
Other nonoperating revenue	—	—	9,757	—	—	9,757	—
Net cash provided by operating activities	<u>2,689,470</u>	<u>6,002,823</u>	<u>1,470,891</u>	<u>4,582,260</u>	<u>(253,964)</u>	<u>14,491,480</u>	<u>24,452,612</u>
Cash flows from noncapital financing activities –							
Payment for unfunded liabilities	(29,536)	(12,598)	(22,465)	(7,415)	(10,831)	(82,844)	(1,135,745)
Transfers in	—	—	—	—	—	—	162,225
Transfers out	—	—	—	—	—	—	(230,344)
Net cash (used in) noncapital financing activities	<u>(29,536)</u>	<u>(12,598)</u>	<u>(22,465)</u>	<u>(7,415)</u>	<u>(10,831)</u>	<u>(82,844)</u>	<u>(1,203,864)</u>
Cash flows from capital financing activities:							
Proceeds from sale of property	—	—	—	—	—	—	86,031
Acquisition and construction of capital assets	(706,942)	(874,497)	(242,044)	(3,147,733)	—	(4,971,216)	(8,903,311)
Capital contributions received	—	—	—	—	—	—	2,937,378
Interest received on interfund advance	—	—	—	—	—	—	381,427
Payment of capital leases	(639,494)	—	—	—	—	(639,494)	—
Principal payments on debt	(659,646)	(3,102,202)	—	(800,000)	—	(4,561,848)	(4,654,162)
Interest payments on debt	(1,845,460)	(2,652,117)	—	(904,574)	—	(5,402,152)	(5,425,824)
Net cash used in capital financing activities	<u>(3,851,542)</u>	<u>(6,628,816)</u>	<u>(242,044)</u>	<u>(4,852,307)</u>	<u>—</u>	<u>(15,574,709)</u>	<u>(15,578,461)</u>
Cash flows from investing activities:							
Earnings on investments	<u>679,975</u>	<u>228,966</u>	<u>160,428</u>	<u>305,783</u>	<u>99,385</u>	<u>1,474,537</u>	<u>2,083,085</u>
Net cash provided by investing activities	<u>679,975</u>	<u>228,966</u>	<u>160,428</u>	<u>305,783</u>	<u>99,385</u>	<u>1,474,537</u>	<u>2,083,085</u>
Net increase (decrease) in cash and cash equivalents	(511,632)	(409,625)	1,366,812	28,321	(165,411)	308,464	9,753,372
Cash and cash equivalents, July 1	<u>22,473,312</u>	<u>5,449,976</u>	<u>5,220,979</u>	<u>8,921,187</u>	<u>3,647,997</u>	<u>45,713,451</u>	<u>67,950,215</u>
Cash and cash equivalents, June 30	<u>\$ 21,961,679</u>	<u>5,040,352</u>	<u>6,587,790</u>	<u>8,949,508</u>	<u>3,482,586</u>	<u>46,021,915</u>	<u>77,703,587</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows, Continued

Proprietary Funds

For the Year Ended June 30, 2006

	Business-type Activities – Enterprise Funds					Governmental Activities – Internal Service Funds	
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		Total
Reconciliation of operating income to net cash provided by operating activities:							
Operating income (loss)	\$ (74,508)	1,952,436	1,483,854	3,064,830	(361,081)	6,065,531	14,059,939
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	2,948,622	3,961,563	15,128	1,060,699	182,712	8,168,724	8,516,017
Amortization of issuance costs	54,413	149,083	—	83,263	—	286,759	349,670
Changes in assets and liabilities:							
Decrease in restricted cash	—	—	—	—	—	—	3,700
Increase in accounts receivable	(476,153)	(48,130)	(471,764)	(492,483)	(91,531)	(1,580,062)	(126,855)
(Increase) decrease in inventory	54,452	—	—	—	—	54,452	(90,303)
Decrease in prepaid expenses	—	—	—	—	—	—	(37,376)
Increase (decrease) in accounts payable	3,839	(100,543)	401,455	37,813	2,851	345,415	440,459
Increase (decrease) in intergovernmental payable	(208)	(1,457)	1,072	828,325	—	827,733	40,092
Increase (decrease) in accrued payroll	7,075	40,741	(2,122)	224	11,042	56,961	152,421
Increase (decrease) in accrued compensated absences	(3,154)	(2,738)	33,732	(411)	2,043	29,472	1,631,054
Increase in outstanding claims	—	—	—	—	—	—	(486,206)
Increase in deferred revenue	—	11,607	—	—	—	11,607	—
Increase (decrease) in customer deposits	175,091	40,262	(221)	—	—	215,132	—
Other nonoperating revenue (expense)	—	—	9,757	—	—	9,757	—
Total adjustments	2,763,978	4,050,387	(12,963)	1,517,430	107,117	8,425,949	10,392,673
Net cash provided by operating activities	\$ 2,689,470	6,002,823	1,470,891	4,582,260	(253,964)	14,491,480	24,452,612
Cash and investments	\$ 21,961,679	5,040,352	6,587,790	8,949,508	3,482,586	46,021,915	77,703,587
Restricted cash and investments	1,030,780	800,067	—	1,717,808	—	3,548,655	10,753,310
Total cash and investments	22,992,459	5,840,419	6,587,790	10,667,316	3,482,586	49,570,570	88,456,897
Less nonpooled investments	(1,030,780)	(800,067)	—	(1,717,808)	—	(3,548,655)	(10,753,310)
Cash and cash equivalents	\$ 21,961,679	5,040,352	6,587,790	8,949,508	3,482,586	46,021,915	77,703,587
Significant noncash investing and financing activities:							
– Amortization of bond issuance costs, premiums, discounts and deferred amounts on refunding (note 9)	\$ 54,413	149,083	—	83,263	—	286,759	349,670
– Change in fair value of nonpooled investments	—	—	—	—	—	—	21,341
See accompanying notes to basic financial statements.							

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(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. Blended component units, although separate legal entities, are, in substance, part of the government's operations. 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. The City's component units are blended; there are no discretely presented component units in the Financial Reporting Entity.

City of Beverly Hills

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

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

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

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

Parking Authority of the City of Beverly Hills

The Parking Authority of the City of Beverly Hills (Parking Authority) is a public financing agency established by the City under the State of California Parking Law of 1949 to provide public parking facilities on a city-wide 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.

During the year ended June 30, 1994, the assets of the Parking Authority were transferred to the Parking Facilities Enterprise Fund and no Parking Authority financial transactions have occurred in subsequent fiscal years. However, the Parking Authority still remains a legal entity.

Separate financial statements are not prepared for the Parking Authority. Please contact the Director of Administrative Services/Chief Financial Officer for more information.

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. Please contact the Director of Administrative Services/Chief Financial Officer for more information.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements (note that the City has no fiduciary funds). Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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 as soon as 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 liabili-

ties 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, are recorded only when payment is due.

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. 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 self-supporting 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.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- The *Wastewater Enterprise Fund* accounts for the collection and disposal of wastewater generated within the City. The acquisition and construction of wastewater facilities and capacity rights in the City of Los Angeles Hyperion Treatment Plant have primarily been financed through the issuance of revenue bonds supported by user charges established by City Council action.
- The *Stormwater Enterprise Fund* accounts for the certain standards for street sweeping, storm drain maintenance and other environmental quality programs mandated under the Federal "Clean Up the Bay" program. Stormwater operations are financed through user charges established by City Council action.

Additionally, the City reports the following fund type:

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are internal service fund charges and charges for billing, legislative assistance and similar services to business-type activities, as well as certain other charges to business-type activities and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities, Net Assets or Equity

Cash and Investments

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

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on month-end balances and is adjusted at year-end. 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. 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 transfers are included in transfers to the

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 early implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3*, effective July 1, 2002.

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 inter-fund 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 reserve 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 March 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively, at which time applicable penalties and interest are assessed.

Inventories and Prepaid Items

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

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

Restricted Assets

Certain proceeds of the City's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the bal-

ance 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 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 \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2006.

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 proprietary funds, a current liability is reported for that portion of the estimated value of vacation and sick leave benefits to be used during the subsequent year, and the estimated value of vested sick leave benefits of employees approaching or at their respective retirement ages. The balance is considered a long-term obligation. For governmental funds the estimated compensated absences liability due within one year is included as a current liability in the *Employee Benefits Internal Service Fund* and the balance is included as a long-term liability in the *Employee Benefits Internal Service Fund*.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount or deferred amount on refunding. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets and Fund Equity

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

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

Self-Insurance Programs

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

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

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 proceeding three fiscal years no claim settlement exceeded insurance coverage.

The following represents changes in the aggregate liabilities for claims for each of the City's self-insurance funds (general liability, workers' compensation and unemployment), including contracts payable amounts, for the years ended June 30, 2006 and 2005:

<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>				
2005	4,495,564	(684,232)	(823,655)	2,987,677
2006	2,987,677	1,975,249	(2,291,716)	2,671,210
<i>Workers' Compensation:</i>				
2005	6,217,543	1,915,395	(1,616,514)	6,516,424
2006	6,516,424	180	(219,880)	6,296,724
<i>Unemployment Insurance:</i>				
2005	10,636	90,673	(81,047)	20,262
2006	20,262	147,334	(136,286)	31,310

Pronouncements Issued, But Not Yet Implemented

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City. Those pronouncements are listed as follows:

- i. GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

(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

June 30, 2006

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

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

	Total Governmental Funds	Net Pension Asset	Capital Assets¹	Long-Term Liabilities²	Internal Service Funds³	Reclassifications and Eliminations⁴	Statement of Net Assets Totals
ASSETS							
Cash and investments	\$ 68,462,346	—	—	—	77,703,587	—	146,165,933
Accounts receivable, net	1,826,022	—	—	—	126,855	—	1,952,877
Interest receivable	435,739	—	—	—	539,936	—	975,675
Taxes receivable	8,038,726	—	—	—	—	—	8,038,726
Intergovernmental receivable	6,365,506	—	—	—	—	—	6,365,506
Inventory	—	—	—	—	374,948	—	374,948
Prepaid expenses	80,946	—	—	—	275,693	—	356,639
Restricted assets:							
Cash and investments	20,224,551	—	—	—	10,753,310	—	30,977,861
Interest receivable	49,314	—	—	—	3,833	—	53,147
Deferred bond issuance costs, net	—	—	—	291,193	5,528,857	—	5,820,050
Advances to other funds	17,137,709	—	—	—	—	—	17,137,709
Net pension assets	—	12,172,571	—	—	1,621,126	2,988,318	16,782,015
Capital assets, net	—	—	98,666,659	—	169,019,273	—	267,685,932
Total assets	<u>122,620,859</u>	<u>12,172,571</u>	<u>98,666,659</u>	<u>291,193</u>	<u>265,947,418</u>	<u>2,988,318</u>	<u>502,687,018</u>
LIABILITIES							
Accounts payable	1,877,889	—	—	—	1,341,027	—	3,218,916
Contracts payable	502,368	—	—	—	335,536	—	837,904
Accrued payroll	1,764,474	—	—	—	84,531	—	1,849,005
Interest payable	—	—	—	147,173	435,757	—	582,930
Current portion of long-term liabilities	—	—	—	—	10,021,669	—	10,021,669
Intergovernmental payables	8,645	—	—	—	41,359	—	50,004
Customer deposits	4,577,912	—	—	—	—	—	4,577,912
Deferred revenue	4,592,198	—	—	—	—	(4,332,721)	259,477
Long-term liabilities, net of current portion:							
Compensated absences	—	—	—	—	12,846,628	—	12,846,628
Outstanding claims	—	—	—	—	4,707,570	—	4,707,570
Revenue bonds	—	—	—	34,175,000	101,031,773	—	135,206,773
Original issue discount, net	—	—	—	—	3,714,345	—	3,714,345
Original issue premium, net	—	—	—	(251,176)	—	—	(251,176)
Deferred amount on refunding, net	—	—	—	—	(3,202,616)	—	(3,202,616)
Total liabilities	<u>13,323,486</u>	<u>—</u>	<u>—</u>	<u>34,070,997</u>	<u>131,357,579</u>	<u>(4,332,721)</u>	<u>174,419,341</u>
FUND BALANCES/NET ASSETS							
Fund balances:							
Reserved	26,102,863	—	—	—	—	(26,102,863)	—
Unreserved	83,194,510	—	—	—	—	(83,194,510)	—
Net assets:							
Invested in capital assets, net of related debt	—	—	98,666,659	(33,779,804)	68,261,711	27,218,373	160,366,939
Restricted	—	12,172,571	—	—	12,378,269	43,229,433	67,780,273
Unrestricted	—	—	—	—	53,949,859	46,170,606	100,120,465
Total fund balances/net assets	<u>\$ 109,297,373</u>	<u>12,172,571</u>	<u>98,666,659</u>	<u>(33,779,804)</u>	<u>134,589,839</u>	<u>7,321,039</u>	<u>328,267,677</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(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, and Infrastructure capital assets	\$ 138,565,008
Accumulated depreciation	<u>(39,898,349)</u>
Infrastructure capital assets, net	<u>\$ 98,666,659</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	\$ 34,175,000
Less: original issue discount (amortized over the life of the bonds to interest expense)	(251,176)
Less: deferred bond issuance costs (amortized over the life of the bonds to interest expense)	(291,193)
Plus: interest payable	<u>147,173</u>
Infrastructure long-term liabilities, net	<u>\$ 33,779,804</u>
3) Internal service funds are used by management to charge to individual user funds the costs of acquisition, construction, financing, maintenance and capital accumulation for the replacement of governmental capital assets (except for infrastructure and fine art assets – see #1 above); operations of the City’s computer, reprographics and cable TV operations, the City’s self-insurance programs and its employee benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Net assets total:	
Invested in capital assets, net of related debt	\$ 78,752,527
Restricted	1,622,034
Unrestricted	<u>54,215,278</u>
Internal service funds net assets	<u>\$ 134,589,839</u>

4) Certain reclassifications and eliminations are required to properly state governmental activities in the statement of net assets:	
– Pension contribution, is a use of current financial resources and an expenditure at the fund level, is deferred and recognized as a net pension asset on the Statement of Net assets	<u>2,988,318</u>
Net increase in pension assets	<u>2,988,318</u>
– Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	83,593
Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	1,816,751
Certain sales tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	<u>2,432,377</u>
Net reduction in deferred revenue	<u>4,332,721</u>
– Fund balances are reclassified and restated into three categories of net assets: invested in capital assets net of related debt, restricted and unrestricted.	
Fund balances, reserved	(26,102,863)
Fund balances, unreserved	(83,194,510)
Invested in capital assets, net of related debt	27,218,373
Net assets, restricted	43,229,433
Net assets, unrestricted	<u>46,170,606</u>
Net fund balance reclassifications	<u>7,321,039</u>
Net reclasses and eliminations	<u>\$ -</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(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	Net Pension	Infrastructure		Internal	Reclassifications	Statement of
	Governmental		Capital	Long-Term			
	Funds	Asset	Assets ⁵	Liabilities ⁶	Funds ⁷	Eliminations ⁸	Totals
Revenues:							
Program revenues:							
Charges for services	\$ 8,752,581	—	—	—	59,698,715	(26,439,480)	42,011,816
Operating grants and contributions	—	—	—	—	—	4,131,898	4,131,898
Capital grants and contributions	4,300,000	—	19,559,986	—	—	3,782,778	27,642,764
Licenses and permits	10,536,677	—	—	—	—	(10,536,677)	—
Fines, forfeitures and penalties	6,177,549	—	—	—	—	(6,177,549)	—
General revenues:							
Taxes	111,358,106	—	—	—	—	899,770	112,257,876
Intergovernmental	4,213,782	—	3,600,000	—	100,894	(7,914,676)	—
Investment earnings	7,107,586	—	—	—	3,174,069	(30,268)	10,251,387
Net change in fair value of investments	(448,507)	—	—	—	(608,468)	—	(1,056,975)
Gain (loss) on sale of capital assets	—	—	—	—	86,031	—	86,031
Miscellaneous	946,446	—	—	—	—	—	946,446
Transfers in	230,344	—	—	—	2,998,709	(3,220,259)	8,794
Total revenues and transfers in	<u>153,174,564</u>	<u>—</u>	<u>23,159,986</u>	<u>—</u>	<u>65,449,950</u>	<u>(45,504,463)</u>	<u>196,280,037</u>
Expenditures/expenses:							
General government	6,468,832	—	—	—	—	(2,722,667)	3,746,165
Public safety	72,360,587	—	—	—	—	2,700,575	75,061,162
Public service	15,043,236	—	—	—	—	(50,182)	14,993,054
Culture and recreation	35,369,733	—	—	—	—	4,305,813	39,675,546
Debt service:							
Interest	1,766,075	—	—	24,747	5,409,428	—	7,200,250
Finance charges	4,825	—	—	—	—	(4,825)	—
Capital outlay	2,140,614	—	—	—	—	(2,140,614)	—
Internal service fund operating expenses:							
Salaries and employee benefits	—	—	—	—	14,231,918	(14,231,918)	—
Maintenance and operation	—	—	—	—	18,785,034	(18,785,034)	—
Insurance premiums, settlements and provisions	—	—	—	—	3,756,137	(3,756,137)	—
Depreciation and amortization of net pension asset	—	1,247,866	2,740,469	—	8,516,017	(12,504,352)	—
Amortization of debt issue costs	—	—	—	—	349,670	(349,670)	—
Transfers out	2,989,915	—	—	—	230,344	(3,220,259)	—
Infrastructure and fine art assets completed and transferred	—	—	(1,396,987)	—	—	1,396,987	—
Total expenditures/expenses and transfers out	<u>136,143,817</u>	<u>1,247,866</u>	<u>1,343,482</u>	<u>24,747</u>	<u>51,278,548</u>	<u>(49,362,283)</u>	<u>140,676,177</u>
Change in fund balances/net assets	17,030,747	(1,247,866)	21,816,504	(24,747)	14,171,402	3,857,820	55,603,860
Fund balances/net assets, July 1	92,266,626	13,420,437	76,850,155	(33,755,057)	120,418,437	3,463,219	272,663,817
Fund balances/net assets, June 30	<u>\$ 109,297,373</u>	<u>12,172,571</u>	<u>98,666,659</u>	<u>(33,779,804)</u>	<u>134,589,839</u>	<u>7,321,039</u>	<u>328,267,677</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(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	\$ 2,140,614
Items not capitalized and reclassified	743,627
Infrastructure transferred from internal service funds	1,396,987
Depreciation expense	<u>2,740,469</u>
Excess of capital outlay expenditures over depreciation expense in the current period	\$ <u><u>7,021,697</u></u>

6) Bond issuance costs and original issue discount are expended when incurred in governmental funds, but are deferred and amortized over the life of the bonds in the statement of activities

	\$ <u><u>24,747</u></u>
--	-------------------------

7) Internal service funds are used by management to charge to individual user funds the costs of acquisition, construction, financing, maintenance and capital accumulation for the replacement of governmental capital assets (except for infrastructure and fine art assets – see #1 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><u>14,171,402</u></u>
--	-----------------------------

8) Certain reclassifications and eliminations are required to properly state governmental activities in the statement of activities:

- Certain receivables that do not provide current financial resources are not reported as revenues in the governmental funds:

Property taxes	\$ 1,816,751
Sales Tax	2,432,377
Interest	<u>83,593</u>
Net reduction in deferred revenue	<u>4,332,721</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	(1,625,689)
Sales taxes	(1,723,669)
Interest revenue	(113,861)
Net assets, beginning	<u>3,463,219</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	(43,153,706)
General government expenditures	3,997,639
Public safety expenditures	23,685,622
Public services expenditures	5,367,148
Culture and recreation expenditures	<u>10,103,297</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	16,714,226
Licenses and permits	(10,536,677)
Fines, forfeitures and penalties	<u>(6,177,549)</u>
Net effect of reclassification of certain revenues	<u>—</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(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	\$ 2,188,255
Capital grants and contributions	81,884
Intergovernmental revenues	<u>(2,270,139)</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	1,424,556
Public safety	28,059,413
Public service	5,577,926
Culture and recreation	14,565,216
Salaries and employee benefits	(14,231,918)
Maintenance and operation	(18,785,034)
Insurance premiums and settlements	(3,756,137)
Depreciation and amortization	<u>(12,854,022)</u>
Net effect of reclassification of internal service funds operating expenses	<u>—</u>
– Operating transfers within governmental activities are eliminated:	
Reduction in transfers in	(3,220,259)
Reduction in transfers out	<u>3,220,259</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:	
Public services expense	81,884
Culture and recreation expense	661,743
Capital outlay expense	<u>(743,627)</u>
Net effect of reclassification of capital outlay not capitalized	<u>—</u>

– Other reclassifications:	
Pension contribution that is deferred and ammortized in the Statement of Activities	<u>2,988,318</u>
Net effect of other reclassifications	<u>2,988,318</u>
Net reclassifications and eliminations	<u>\$ 7,321,039</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 reserved fund balances at year-end.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CASH AND INVESTMENTS CONTINUED

Supplemental Budget Appropriations and Adjustments

The budget at June 30, 2006 includes appropriations based on encumbrances outstanding and approved reappropriations at June 30, 2005 and excludes amounts reserved for encumbrances outstanding and approved reappropriations at June 30, 2006.

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	\$ 128,737,340	13,173,682
Reappropriation of prior year approved projects and expenditures	1,891,374	2,571,682
Additional appropriations for:		
Legal and professional services	—	—
Community support, tourism and promotions	408,690	—
Purchase of furniture and equipment	103,075	80,091
Various capital improvement projects	6,841,524	126,760
Miscellaneous programs	—	39,654
Adjustments and net transfers between funds	(426,028)	29,320
Encumbrances outstanding at year-end	(1,459,062)	(752,407)
Other reappropriations:		
Reappropriations by Fund to 2007	<u>(3,705,128)</u>	<u>(184,976)</u>
Final budget	<u>\$ 132,391,785</u>	<u>15,083,806</u>

B. Excess of Expenditures and Other Uses Over Appropriations

For the year ended June 30, 2006, there were no expenditures or other uses that exceeded appropriations.

C. Deficit Fund Equity

The Housing and Community Development Special Revenue Fund had a deficit fund balance of \$54. The deficit in this special revenue fund resulted from grant reimbursements received more than 60 days after year-end.

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>
• Securities of the U.S. government or its agencies	5 Years	25%	25% -Agency N/A- Treasury
• Certificates of deposit (or time deposits)	1 Year	N/A	\$100,000
• Negotiable certificates of deposit	3 Years	35%	N/A
• Bankers' acceptances	180 Days	15%	N/A
• Commercial paper	270 Days	25%	5%
• State Treasurer's Local Agency Investment Fund (LAIF)	On Demand	LAIF Maximum	N/A
• Corporate medium-term notes	3 Years	25%	5%
• Shares of money market funds	On Demand	50%	N/A

The City's cash and investments at June 30, 2006 are summarized as follows.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(4) CASH AND INVESTMENTS, CONTINUED

	Unrestricted Cash and Investments			Restricted Cash and Investments			
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total	Total
Major funds:							
General	\$ 47,134,307	—	47,134,307	—	—	—	47,134,307
Infrastructure Capital Projects	—	—	—	16,542,975	—	16,542,975	16,542,975
Water Enterprise	—	21,961,679	21,961,679	—	1,030,780	1,030,780	22,992,459
Parking Facilities Enterprise	—	5,040,352	5,040,352	—	800,067	800,067	5,840,419
Solid Waste Enterprise	—	6,587,790	6,587,790	—	-	—	6,587,790
Wastewater Enterprise	—	8,949,508	8,949,508	—	1,717,808	1,717,808	10,667,316
Stormwater Enterprise	—	3,482,586	3,482,586	—	—	—	3,482,586
	47,134,307	46,021,915	93,156,222	16,542,975	3,548,655	20,091,630	113,247,852
Nonmajor funds	21,328,039	—	21,328,039	3,681,576	—	3,681,576	25,009,615
Total fund type	68,462,346	46,021,915	114,484,261	20,224,551	3,548,655	23,773,206	138,257,467
Internal service funds	77,703,587	—	77,703,587	10,753,310	—	10,753,310	88,456,897
Total	\$ 146,165,933	46,021,915	192,187,848	30,977,861	3,548,655	34,526,516	226,714,364
Components of cash and investments:							
Cash in demand deposits			\$ (4,024,827)			—	(4,024,827)
Change and petty cash funds			19,558			—	19,558
Pooled investments			196,193,117			7,331,858	203,524,975
Investments with fiscal agents			—			27,194,658	27,194,658
Total cash and investments			\$ 192,187,848			34,526,516	226,714,364

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 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 – 3 years, corporate bonds – 3 years). Maturities are also limited for repurchase agreements (7 days), time certificates of deposit (1 year), negotiable certificates of deposit (3 years) 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, or debt agreements and the actual rating as of year end for each investment type.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(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, 2006, the carrying amount of the City's various demand deposit accounts totaled \$(4,024,827). At June 30, 2006, the carrying amount of cash illustrated a negative cash balance due to an outstanding check balance of \$8,247,406. This negative balance was eliminated in the following period. Bank balances totaled \$3,302,226, of which \$100,000 was covered by Federal depository insurance and \$3,202,226 was fully collateralized by investments held by the banks' 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 \$19,558 at June 30, 2006.

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:

<u>Issuer</u>		<u>Investment Type</u>		<u>Reported Amount</u>
Federal Home Bank	Loan	Federal Agency Securities		\$ 21,224,148
Federal National Mortgage Association	Mortgage	Federal Agency Securities		\$ 88,764,037
Federal Home Bank of Dallas	Loan	Federal Agency Securities		\$ 44,442,197

Investments over 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

June 30, 2006

(4) CASH AND INVESTMENTS, CONTINUED

	Fair Value	Investment Maturities				
		<1 Year	<2 Years	<3 Years	<4 Years	<5 Years
Pooled investments:						
U.S. Federal Agency securities	\$ 159,191,432	138,095,410	4,771,875	16,324,148	—	—
Money market mutual funds	16,906,025	16,906,025	—	—	—	—
State Treasurer's Local Agency Investment Fund	27,427,518	27,427,518	—	—	—	—
Total pooled investments	203,524,975	182,428,953	4,771,875	16,324,148	—	—
Investments held by fiscal agents:						
U.S. Treasury Securities	18,139,558	18,139,558	—	—	—	—
Money market mutual funds	9,055,100	9,055,100	—	—	—	—
Total investments held by fiscal agents	27,194,658	27,194,658	—	—	—	—
Total investments	\$ 230,719,633	209,623,611	4,771,875	16,324,148	—	—

	Minimum Legal Rating	Total	Exempt from Disclosure	Rating as of Year End				
				AAA	A+	A	A-	Not Rated
Pooled investments:								
U.S. Federal Agency securities	N/A	\$ 159,191,432	—	159,191,432	—	—	—	—
Money market mutual funds	AAA	16,906,025	—	16,906,025	—	—	—	—
State Treasurer's Local Agency Investment Fund	N/A	27,427,518	—	—	—	—	—	27,427,518
Total pooled investments		203,524,975	—	176,097,457	—	—	—	27,427,518
Investments held by fiscal agents:								
U.S. Treasury Securities	N/A	18,139,558	18,139,558	—	—	—	—	—
Money market mutual funds	AAA	9,055,100	—	9,055,100	—	—	—	—
Total investments held by fiscal agents		27,194,658	18,139,558	9,055,100	—	—	—	—
Total investments		\$ 230,719,633	18,139,558	185,152,557	—	—	—	27,427,518

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(4) CASH AND INVESTMENTS, CONTINUED

State Treasurer’s Local Agency Investment Fund

At June 30, 2006, the City had \$ 27,427,518 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, 2006, such investments represent 1.060% of the total PMIA portfolio of \$63.5 billion (cost basis). The PMIA does not invest in derivative products.

C. Restricted Cash and Investments

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

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

Restricted cash and investments comprised of:

Temporarily restricted	\$ 34,445,135
Permanently restricted	<u>81,381</u>
	<u>\$ 34,526,516</u>

Restricted Cash and Investments

June 30, 2006

<u>Debt Issues/Capital Projects/Endowments</u>	<u>Amount</u>
Governmental activities:	
Major fund – Infrastructure Capital Projects Fund – construction fund	\$ 16,542,975
Nonmajor funds:	
Infrastructure Debt Service Fund – reserve funds	3,443,031
Permanent Funds:	
Temporarily restricted:	
Buck Fund endowment	138,914
Burton Green Fund endowment	<u>18,250</u>
	<u>157,164</u>
Permanently restricted:	
Buck Fund endowment	34,641
Burton Green Fund endowment	<u>46,740</u>
	<u>81,381</u>
Total permanent funds	<u>238,545</u>
Total governmental funds	<u>20,224,551</u>
Capital Assets Internal Service Fund –	
1999 Lease Revenue Bonds construction funds	61,966
2003 Refunding Bonds construction funds	<u>10,691,344</u>
Total internal service funds	<u>10,753,310</u>
Total governmental activities	<u>30,977,861</u>
Business-type activities:	
Water Enterprise Fund:	
1998 Refunding Water Bonds reserve funds	1,030,750
2003 Refunding Bonds construction funds	<u>30</u>
Total Water Enterprise Fund	<u>1,030,780</u>
Parking Facilities Enterprise Fund –	
1999 Lease Revenue Bonds construction funds	43
2001 Lease Revenue Bonds construction funds	799,780
2003 Refunding Bonds construction funds	<u>244</u>
Total Parking Facilities Enterprise Fund	<u>800,067</u>
Wastewater Enterprise Fund:	
1998 Ref. Wastewater Bonds reserve funds	<u>1,717,808</u>
Total business-type activities	<u>3,548,655</u>
Total restricted cash and investments	\$ <u><u>34,526,516</u></u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(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

Receivables at June 30, 2006 for the City's individual major funds, and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are detailed below.

All receivables are expected to be collected within one year, except for delinquent property taxes and the note receivable from City Manager, Roderick J. Wood. (See note 11 for a more comprehensive description of this receivable.)

<u>Accounts Receivable</u>	<u>General</u>	<u>Infra- structure</u>	<u>Nonmajor Govern- mental</u>	<u>Internal Service</u>	<u>Total</u>	
Governmental activities:						
Accounts	\$ 2,077,870	—	7,986	126,855	2,212,711	
Taxes	8,038,726	—	—	—	8,038,726	
Interest – unrestricted	297,885	—	137,854	539,936	975,675	
Intergovernmental	6,163,675	—	201,831	—	6,365,506	
Interest and other – restricted	—	34,900	14,414	3,833	53,147	
Gross receivables	16,578,156	34,900	362,085	670,624	17,645,765	
Less: allowance for uncollectibles	(259,834)	—	—	—	(259,834)	
Net receivables	\$ 16,318,322	34,900	362,085	670,624	17,385,931	
<u>Accounts Receivable</u>	<u>Water</u>	<u>Parking Facilities</u>	<u>Solid Waste</u>	<u>Waste- water</u>	<u>Storm- water</u>	<u>Total</u>
Business-type activities:						
Accounts	\$ 3,716,599	48,333	2,182,796	1,404,259	352,604	7,704,591
Interest – unrestricted	158,778	52,894	42,411	62,477	24,124	340,684
Interest and other – restricted	3,831	2,875	—	6,384	—	13,090
Gross receivables	3,879,208	104,102	2,225,207	1,473,120	376,728	8,058,365
Less: allowance for uncollectibles	(213,325)	—	(187,131)	(135,113)	(46,260)	(581,829)
Net receivables	\$ 3,665,883	104,102	2,038,076	1,338,007	330,468	7,476,536

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(5) RECEIVABLES AND DEFERRED 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, 2006, 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:				Prepaid monthly parking fees	\$ 219,455
Delinquent property taxes	\$ 1,816,751	—	1,816,751	Prepaid Post Office lease	695,543
Sales tax receivable	2,432,377	—	2,432,377		<u>914,997</u>
Interest receivable	83,593	—	83,593		
Contractor's Deposit	—	211,085	211,085		
Prepaid recreation services	—	48,392	48,392		
General fund total	<u>4,332,721</u>	<u>259,477</u>	<u>4,592,198</u>		
Infrastructure capital projects fund	5,968	—	5,968		
Other governmental funds	<u>26,386</u>	<u>—</u>	<u>26,386</u>		
Governmental funds total	<u>\$ 4,365,075</u>	<u>259,477</u>	<u>4,624,552</u>		

(6) INTERFUND RECEIVABLES/PAYABLES

Interfund receivable/payable balances at June 30, 2006 consist of the following:

- The Housing and Community Development and State Park Bonds Special Revenue Funds borrowed \$8,041, and \$192,753, respectively, from the General Fund to cover overdrafts of the cash and investment pool. These overdrafts resulted from timing differences on collection of grants receivable for the City's Community Development Block Grant and various park improvement grants.
- The General Fund advanced a total of \$17,137,709 to the Parking Enterprise Fund to cover D-Lot project expenditures. Total advances from the General Fund represent 51.7% of the \$34.1 million project cost. These advances will be repaid at 5.5% interest over a twenty-year period commencing 2004-05. As of June 30, 2006, the balance of these advances is \$17,338,503.

	<u>Interfund Payable</u>	<u>Interfund Receivable</u>
		<u>General Fund</u>
Housing and Community Development Fund	\$	8,041
State Park Bond Fund		192,753
Parking Enterprise Fund		<u>17,137,709</u>
Total	\$	<u>17,338,503</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(7) TRANSFERS

Following is a summary of transfers between funds during the year ended June 30, 2006:

Fund Transferred From	Fund Transferred To					Total
	Governmental					
	General	Information Technology	Policy, Admin Legal	Capital Assets	Infrastructure Debt Service Fund	
Governmental funds:						
General Fund:	—	2,000,000	937,378	52,537	1,655,081	4,644,996
Nonmajor governmental funds:						
Streets & Highways State Gas Tax SRF	31,629	—	—	—	—	31,629
Internal service funds :						
Information Technology	113,554	—	—	—	—	113,554
Reprographics	34,738	—	—	—	—	34,738
Cable TV	79,307	—	—	—	—	79,307
Liability Insurance	—	—	—	—	—	—
Workers' Compensation	—	—	—	—	—	—
Unemployment Insurance	2,745	—	—	—	—	2,745
Total internal service funds	230,344	—	—	—	—	230,344
Enterprise funds:						
Water Enterprise Fund	—	—	—	8,794	—	8,794
Total	261,973	2,000,000	937,378	61,331	1,655,081	4,915,763

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(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. On July 28, 2005, the City entered into a Cooperative Agreement with the State of California, Department of Transportation, regarding the relinquishment of Route 2 from Moreno Drive to Doheny Drive. The City accepted relinquishment of this portion of Route 2 for the amount of \$4,300,000 to provide for specific future City improvements and betterments in the form of roadway rehabilitation. The estimated land value of the relinquished property was \$19,568,780 at the date of relinquishment. Also, the estimated additions to infrastructure were \$3,600,000. Changes in capital assets for governmental activities for the year ended June 30, 2006 were as follows:

Governmental Activities	Beginning Balance	Acquisition and Construction/ Depreciation	Sales and Other Dispositions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 32,041,706	19,568,781	—	—	51,610,487
Fine Art Collection	1,119,390	—	—	—	1,119,390
Construction in progress	20,535,708	7,504,173	—	(19,043,198)	8,996,683
Total capital assets not being depreciated	<u>53,696,804</u>	<u>27,072,954</u>	<u>—</u>	<u>(19,043,198)</u>	<u>61,726,560</u>
Capital assets being depreciated:					
Buildings	152,188,247	—	(752,575)	—	151,435,672
Improvements other than buildings	26,261,617	—	(1,042)	64,882	26,325,457
Infrastructure	99,176,313	3,600,000	(1,602,417)	15,544,106	116,718,002
Machinery and equipment	45,352,007	3,509,857	(1,770,574)	3,434,210	50,525,500
Total capital assets being depreciated	<u>322,978,184</u>	<u>7,109,857</u>	<u>(4,126,608)</u>	<u>19,043,198</u>	<u>345,004,631</u>
Less accumulated depreciation for:					
Buildings	(50,989,035)	(3,541,102)	687,557	—	(53,842,580)
Improvements other than buildings	(8,889,412)	(761,835)	1,042	—	(9,650,205)
Infrastructure	(38,760,297)	(2,740,469)	1,602,417	—	(39,898,349)
Machinery and equipment	(33,211,007)	(4,213,080)	1,769,963	—	(35,654,124)
Total accumulated depreciation	<u>(131,849,751)</u>	<u>(11,256,486)</u>	<u>4,060,979</u>	<u>—</u>	<u>(139,045,258)</u>
Net capital assets being depreciated	<u>191,128,433</u>	<u>(4,146,629)</u>	<u>(65,629)</u>	<u>19,043,198</u>	<u>205,959,373</u>
Total net capital assets – governmental activities	<u>\$ 244,825,237</u>	<u>22,926,325</u>	<u>(65,629)</u>	<u>—</u>	<u>267,685,933</u>
General government	\$ 3,651,782				
Public safety	3,675,376				
Public service	2,501,191				
Culture and recreation	1,428,137				
Total depreciation expense – governmental activities	<u>\$ 11,256,486</u>				

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(8) CAPITAL ASSETS, CONTINUED

B. Capital Assets – Business-type Activities

Changes in capital assets for business-type activities for the year ended June 30, 2006 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	\$ 25,953,793	—	(8,794)	—	25,944,999
Construction in progress	9,102,081	5,216,263	(285,071)	(11,595,782)	2,437,491
Total capital assets not being depreciated	<u>35,055,874</u>	<u>5,216,263</u>	<u>(293,865)</u>	<u>(11,595,782)</u>	<u>28,382,490</u>
Capital assets being depreciated:					
Buildings	116,891,742	—	—	622,032	117,513,774
Utility systems	120,775,856	218,982	(1,949,449)	10,216,516	129,261,905
Improvements other than buildings	1,549,147	—	—	—	1,549,147
Machinery and equipment	7,723,377	242,044	—	401,636	8,367,057
Total capital assets being depreciated	<u>246,940,122</u>	<u>461,026</u>	<u>(1,949,449)</u>	<u>11,240,184</u>	<u>256,691,883</u>
Less accumulated depreciation for:					
Buildings	(49,596,951)	(4,517,479)	—	—	(54,114,430)
Utility systems	(39,673,589)	(3,249,818)	1,949,449	—	(40,973,958)
Improvements other than buildings	(941,968)	(55,452)	—	—	(997,420)
Machinery and equipment	(6,619,251)	(345,975)	—	—	(6,965,226)
Total accumulated depreciation	<u>(96,831,759)</u>	<u>(8,168,724)</u>	<u>1,949,449</u>	<u>—</u>	<u>(103,051,034)</u>
Net capital assets being depreciated	<u>150,108,363</u>	<u>(7,707,698)</u>	<u>—</u>	<u>11,240,184</u>	<u>153,640,849</u>
Total net capital assets – business-type activities	\$ <u>185,164,237</u>	\$ <u>(2,491,435)</u>	\$ <u>(293,865)</u>	\$ <u>(355,598)</u>	\$ <u>182,023,339</u>
Water	\$ 2,948,622				
Parking facilities	3,961,563				
Solid waste	15,128				
Wastewater	1,060,699				
Stormwater	182,712				
Total depreciation expense – business-type activities	\$ <u>8,168,724</u>				

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(8) CAPITAL ASSETS, CONTINUED

C. Capital Assets – Major Proprietary Funds:

Changes in capital assets for major proprietary funds for the year ended June 30, 2006 were as follows:

<u>Major Proprietary Funds</u>	<u>Beginning Balance</u>	<u>Acquisition and Construction/ Depreciation</u>	<u>Sales and Other Dispositions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Water Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 5,269,705	—	(8,794)	—	5,260,911
Construction in progress	8,467,484	803,844	—	(7,827,697)	1,443,631
Total capital assets not being depreciated	<u>13,737,189</u>	<u>803,844</u>	<u>(8,794)</u>	<u>(7,827,697)</u>	<u>6,704,542</u>
Capital assets being depreciated:					
Buildings	16,330,800	—	—	—	16,330,800
Utility systems	70,254,983	218,982	(1,570,004)	7,070,463	75,974,424
Improvements other than buildings	—	—	—	—	—
Machinery and equipment	4,266,085	—	—	401,636	4,667,721
Total capital assets being depreciated	<u>90,851,868</u>	<u>218,982</u>	<u>(1,570,004)</u>	<u>7,472,099</u>	<u>96,972,945</u>
Less accumulated depreciation for:					
Buildings	(2,765,468)	(744,265)	—	—	(3,509,733)
Utility systems	(26,646,867)	(2,011,537)	1,570,004	—	(27,088,400)
Improvements other than buildings	—	—	—	—	—
Machinery and equipment	(3,466,164)	(192,820)	—	—	(3,658,984)
Total accumulated depreciation	<u>(32,878,499)</u>	<u>(2,948,622)</u>	<u>1,570,004</u>	<u>—</u>	<u>(34,257,117)</u>
Net capital assets being depreciated	<u>57,973,369</u>	<u>(2,729,640)</u>	<u>—</u>	<u>7,472,099</u>	<u>62,715,828</u>
Total net capital assets – Water Enterprise Fund	<u>\$ 71,710,558</u>	<u>(1,925,796)</u>	<u>(8,794)</u>	<u>(355,598)</u>	<u>69,420,370</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(8) CAPITAL ASSETS, CONTINUED

<u>Major Proprietary Funds</u>	<u>Beginning Balance</u>	<u>Acquisition and Construction/ Depreciation</u>	<u>Sales and Other Dispositions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Parking Facilities Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 11,975,088	—	—	—	11,975,088
Construction in progress	634,597	1,264,686	(285,071)	(622,032)	992,180
Total capital assets not being depreciated	<u>12,609,685</u>	<u>1,264,686</u>	<u>(285,071)</u>	<u>(622,032)</u>	<u>12,967,268</u>
Capital assets being depreciated:					
Buildings	100,560,942	—	—	622,032	101,182,974
Improvements other than buildings	1,549,147	—	—	—	1,549,147
Machinery and equipment	2,944,774	—	—	—	2,944,774
Total capital assets being depreciated	<u>105,054,863</u>	<u>—</u>	<u>—</u>	<u>622,032</u>	<u>105,676,895</u>
Less accumulated depreciation for:					
Buildings	(46,831,482)	(3,773,214)	—	—	(50,604,696)
Improvements other than buildings	(941,968)	(55,452)	—	—	(997,420)
Machinery and equipment	(2,650,057)	(132,897)	—	—	(2,782,954)
Total accumulated depreciation	<u>(50,423,507)</u>	<u>(3,961,563)</u>	<u>—</u>	<u>—</u>	<u>(54,385,070)</u>
Net capital assets being depreciated	<u>54,631,356</u>	<u>(3,961,563)</u>	<u>—</u>	<u>622,032</u>	<u>51,291,825</u>
Total net capital assets – Parking Fac. Enterprise Fund	\$ <u>67,241,041</u>	<u>(2,696,877)</u>	<u>(285,071)</u>	<u>—</u>	<u>64,259,093</u>
Solid Waste Enterprise Fund:					
Capital assets being depreciated:					
Machinery and equipment	\$ 209,400	242,044	—	—	451,444
Total capital assets being depreciated	<u>209,400</u>	<u>242,044</u>	<u>—</u>	<u>—</u>	<u>451,444</u>
Less accumulated depreciation for:					
Machinery and equipment	(209,400)	(15,128)	—	—	(224,528)
Total accumulated depreciation	<u>(209,400)</u>	<u>(15,128)</u>	<u>—</u>	<u>—</u>	<u>(224,528)</u>
Net capital assets being depreciated	<u>—</u>	<u>226,916</u>	<u>—</u>	<u>—</u>	<u>226,916</u>
Total net capital assets – Solid Waste Enterprise Fund	\$ <u>—</u>	<u>226,916</u>	<u>—</u>	<u>—</u>	<u>226,916</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(8) CAPITAL ASSETS, CONTINUED

<u>Major Proprietary Funds</u>	<u>Beginning Balance</u>	<u>Acquisition and Construction/ Depreciation</u>	<u>Sales and Other Dispositions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Wastewater Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 8,709,000	—	—	—	8,709,000
Construction in progress	—	3,147,733	—	(3,146,053)	1,680
Total capital assets not being depreciated	<u>8,709,000</u>	<u>3,147,733</u>	<u>—</u>	<u>(3,146,053)</u>	<u>8,710,680</u>
Capital assets being depreciated:					
Utility systems	40,680,447	—	—	3,146,053	43,826,500
Improvements other than buildings	—	—	—	—	—
Machinery and equipment	295,442	—	—	—	295,442
Total capital assets being depreciated	<u>40,975,889</u>	<u>—</u>	<u>—</u>	<u>3,146,053</u>	<u>44,121,942</u>
Less accumulated depreciation for:					
Utility systems	(7,762,795)	(1,056,337)	—	—	(8,819,132)
Improvements other than buildings	—	—	—	—	—
Machinery and equipment	(288,899)	(4,362)	—	—	(293,261)
Total accumulated depreciation	<u>(8,051,694)</u>	<u>(1,060,699)</u>	<u>—</u>	<u>—</u>	<u>(9,112,393)</u>
Net capital assets being depreciated	<u>32,924,195</u>	<u>(1,060,699)</u>	<u>—</u>	<u>3,146,053</u>	<u>35,009,549</u>
Total net capital assets – Wastewater Enterprise Fund	<u>\$ 41,633,195</u>	<u>2,087,034</u>	<u>—</u>	<u>—</u>	<u>43,720,229</u>
Stormwater Enterprise Fund:					
Capital assets not being depreciated:					
Construction in progress	\$ —	—	—	—	—
Total capital assets not being depreciated	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Capital assets being depreciated:					
Utility systems	9,840,426	—	(379,445)	—	9,460,981
Machinery and equipment	7,676	—	—	—	7,676
Total capital assets being depreciated	<u>9,848,102</u>	<u>—</u>	<u>(379,445)</u>	<u>—</u>	<u>9,468,657</u>
Less accumulated depreciation for:					
Utility systems	(5,263,927)	(181,944)	379,445	—	(5,066,426)
Machinery and equipment	(4,732)	(768)	—	—	(5,500)
Total accumulated depreciation	<u>(5,268,659)</u>	<u>(182,712)</u>	<u>379,445</u>	<u>—</u>	<u>(5,071,926)</u>
Net capital assets being depreciated	<u>4,579,443</u>	<u>(182,712)</u>	<u>—</u>	<u>—</u>	<u>4,396,731</u>
Total net capital assets – Stormwater Enterprise Fund	<u>\$ 4,579,443</u>	<u>(182,712)</u>	<u>—</u>	<u>—</u>	<u>4,396,731</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(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, 2006:

	<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	\$ 144,681,765	—	(4,654,162)	140,027,603	4,820,830
Plus (less) deferred amounts for:					
Original issue premiums	4,070,564	—	(356,219)	3,714,345	—
Original issue discounts	(262,637)	—	11,461	(251,176)	—
Refundings	(3,490,226)	—	287,610	(3,202,616)	—
Total bonds payable	<u>144,999,466</u>	<u>—</u>	<u>(4,711,310)</u>	<u>140,288,156</u>	<u>4,820,830</u>
Compensated absences	12,180,481	5,337,135	(3,706,079)	13,811,537	964,909
Claims payable	<u>9,506,269</u>	<u>2,085,113</u>	<u>(2,647,882)</u>	<u>8,943,500</u>	<u>4,235,930</u>
Long-term liabilities of governmental activities	<u>166,686,216</u>	<u>7,422,248</u>	<u>(11,065,271)</u>	<u>163,043,193</u>	<u>10,021,669</u>
Business-type activities:					
Revenue bonds payable	70,423,235	—	(4,055,838)	66,367,397	4,249,170
Plus (less) deferred amounts for:					
Original issue premiums	1,830,576	—	(180,964)	1,649,612	—
Original issue discounts	(72,106)	—	4,262	(67,844)	—
Refundings	(4,131,200)	—	345,635	(3,785,565)	—
Total bonds payable	<u>68,050,505</u>	<u>—</u>	<u>(3,886,905)</u>	<u>64,163,600</u>	<u>4,249,170</u>
Capital leases payable	19,855,335	—	(639,494)	19,215,841	678,937
Compensated absences	<u>569,852</u>	<u>190,292</u>	<u>(160,819)</u>	<u>599,325</u>	<u>41,870</u>
Long-term liabilities of business-type activities	<u>88,475,692</u>	<u>190,292</u>	<u>(4,687,218)</u>	<u>83,978,766</u>	<u>4,969,977</u>
Total long-term liabilities	<u>\$ 255,161,908</u>	<u>7,612,540</u>	<u>(15,752,489)</u>	<u>247,021,959</u>	<u>14,991,646</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(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, 2006 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>General Fund –</i>					
Compensated absences	\$ —	—	—	—	—
<i>Infrastructure capital assets-related:</i>					
Revenue bonds payable	34,175,000	—	—	34,175,000	—
Less deferred amounts for:					
Original issue discounts	(262,637)	—	11,461	(251,176)	—
Total bonds payable	<u>33,912,363</u>	<u>—</u>	<u>11,461</u>	<u>33,923,824</u>	<u>—</u>
<i>Internal service funds:</i>					
Revenue bonds payable	110,506,765	—	(4,654,162)	105,852,603	4,820,830
Plus (less) deferred amounts for:					
Original issue premiums	4,070,564	—	(356,219)	3,714,345	—
Original issue discounts	—	—	—	—	—
Refundings	(3,490,226)	—	287,610	(3,202,616)	—
Total bonds payable	<u>111,087,103</u>	<u>—</u>	<u>(4,722,771)</u>	<u>106,364,332</u>	<u>4,820,830</u>
Compensated absences	12,180,481	5,337,135	(3,706,079)	13,811,537	964,909
Claims payable	9,506,269	2,085,113	(2,647,882)	8,943,500	4,235,930
Total internal service funds	<u>132,773,853</u>	<u>7,422,248</u>	<u>(11,076,732)</u>	<u>129,119,369</u>	<u>10,021,669</u>
<i>Other governmental funds –</i>					
Compensated absences	—	—	—	—	—
Long-term liabilities of governmental activities	\$ <u>166,686,216</u>	<u>7,422,248</u>	<u>(11,065,271)</u>	<u>163,043,193</u>	<u>10,021,669</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(9) LONG-TERM LIABILITIES, CONTINUED

Changes in the long-term liabilities of business-type activities for the year ended June 30, 2006 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>Water Enterprise Fund:</i>					
Revenue bonds payable	\$ 14,417,842	—	(659,646)	13,758,196	695,764
Plus (less) deferred amounts for:					
Original issue premiums	179,297	—	(18,081)	161,216	—
Original issue discounts	(47,004)	—	2,778	(44,226)	—
Refundings	(857,641)	—	58,464	(799,177)	—
Total bonds payable	<u>13,692,494</u>	<u>—</u>	<u>(616,485)</u>	<u>13,076,009</u>	<u>695,764</u>
Capital leases payable	19,855,335	—	(639,494)	19,215,841	678,937
Compensated absences	188,595	46,606	(49,760)	185,441	12,955
Total Water Enterprise Fund	<u>33,736,424</u>	<u>46,606</u>	<u>(1,305,739)</u>	<u>32,477,291</u>	<u>1,387,656</u>
<i>Parking Facilities Enterprise Fund:</i>					
Revenue bonds payable	36,335,393	—	(2,596,192)	33,739,201	2,718,406
Plus (less) deferred amounts for:					
Original issue premiums	1,651,279	—	(162,883)	1,488,396	—
Original issue discounts	—	—	—	—	—
Refundings	(2,118,309)	—	218,880	(1,899,429)	—
Total bonds payable	<u>35,868,363</u>	<u>—</u>	<u>(2,540,195)</u>	<u>33,328,168</u>	<u>2,718,406</u>
Compensated absences	81,981	18,526	(21,264)	79,243	5,536
Total Parking Facilities Enterprise Fund	<u>35,950,344</u>	<u>18,526</u>	<u>(2,561,459)</u>	<u>33,407,411</u>	<u>2,723,942</u>
<i>Solid Waste Enterprise Fund –</i>					
Compensated absences	<u>142,436</u>	<u>81,005</u>	<u>(47,272)</u>	<u>176,169</u>	<u>12,308</u>
<i>Wastewater Enterprise Fund:</i>					
Revenue bonds payable	19,670,000	—	(800,000)	18,870,000	835,000
Less deferred amounts for:					
Original issue discounts	(25,102)	—	1,484	(23,618)	—
Refundings	(1,155,250)	—	68,291	(1,086,959)	—
Total bonds payable	<u>18,489,648</u>	<u>—</u>	<u>(730,225)</u>	<u>17,759,423</u>	<u>835,000</u>
Compensated absences	95,365	25,069	(25,479)	94,955	6,634
Total Wastewater Enterprise Fund	<u>18,585,013</u>	<u>25,069</u>	<u>(755,704)</u>	<u>17,854,378</u>	<u>841,634</u>
<i>Stormwater Enterprise Fund –</i>					
Compensated absences	<u>61,475</u>	<u>19,086</u>	<u>(17,044)</u>	<u>63,517</u>	<u>4,437</u>
Long-term liabilities of business-type activities	\$ <u>88,475,692</u>	<u>190,292</u>	<u>(4,687,218)</u>	<u>83,978,766</u>	<u>4,969,977</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(9) LONG-TERM LIABILITIES, CONTINUED

C. Bonds Payable

The City's bonds were issued primarily to finance or refinance capital facilities. The 1998 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, 2006 is as follows:

Debt Issue	Govern- mental Activities	Business- type Activities	Total
Revenue bonds:			
1998 Refunding Water	—	11,290,000	11,290,000
1998 Refunding Wastewater	—	18,870,000	18,870,000
1998 Lease Revenue	34,175,000	—	34,175,000
1999 Refunding Lease	71,914,908	6,280,092	78,195,000
2001 Refunding Lease	—	7,255,000	7,255,000
2003 Refunding Lease	33,937,695	22,672,305	56,610,000
Original issue premium	3,714,345	1,649,612	5,363,957
Original issue discount	(251,176)	(67,844)	(319,020)
Deferred amount on refunding	(3,202,616)	(3,785,565)	(6,988,181)
Total revenue bonds	<u>140,288,156</u>	<u>64,163,600</u>	<u>204,451,756</u>
Total bonds	<u>\$ 140,288,156</u>	<u>64,163,600</u>	<u>204,451,756</u>

A description of individual bond issues follows:

Revenue Bonds

1998 Refunding Water Bonds – \$14,760,000 Public Financing Authority, Water Revenue Refunding Bonds, Series 1998A, issued September 1998, are due in annual installments ranging from \$350,000 to \$975,000 through June 1, 2022, with interest rates ranging from 4.00% to 7.00% payable semi-annually 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 September 1, 1998. The City's obligation to make installment payments is solely payable from and secured by a pledge of net revenues of the Water Enterprise Fund. The City is required to remain in compliance with specified reserve and revenue parameters as set forth in

the bond's official statement. As of June 30, 2006, the City was in compliance with the reserve requirement, but was not in compliance with the revenue requirement. The requirement has been met in the following year.

	\$ 11,290,000
Less original issue discount	(44,226)
Less deferred amount on refunding	<u>(631,833)</u>
Net Bonds outstanding	<u>10,613,941</u>

1998 Refunding Wastewater Bonds – \$24,650,000

Public Financing Authority, Wastewater Revenue Refunding Bonds, Series 1998A, issued September 1998, are due in annual installments ranging from \$575,000 to \$1,625,000 through June 1, 2022, with interest rates ranging from 4.00% to 7.00% 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 September 1, 1998. 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.

	\$ 18,870,000
Less original issue discount	(23,618)
Less deferred amount on refunding	<u>(1,086,959)</u>
Net Bonds outstanding	<u>17,759,423</u>

1998 Lease Revenue Bonds – \$34,175,000

Public Financing Authority, Lease Revenue Bonds, 1998 Series A, were issued in July 1998 with \$11,245,000, 5.00% term bonds due June 1, 2023 and \$22,930,000, 5.25% term bonds due June 1, 2028. Bonds maturing on June 1, 2023 are subject to mandatory redemption in part by lot prior to maturity on June 1, 2021 and on each June 1 thereafter until maturity, from required sinking fund payments. Bonds maturing on June 1, 2028 are subject to mandatory redemption in part by lot on June 1, 2024 and each June 1 thereafter until maturing, from required sinking fund payments. The Bonds are special obligations of the Public Financing Authority secured by and payable solely from rent payments from the City pursuant to a lease agreement.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(9) LONG-TERM LIABILITIES, CONTINUED

Less original issue discount	\$34,175,000
Net Bonds outstanding	<u>(251,176)</u>
	<u>33,923,824</u>

1999 Refunding Lease Revenue Bonds – \$92,425,000

Public Financing Authority, Lease Revenue Bonds, 1999 Refunding Series A, issued March 1999, are due in annual installments ranging from \$355,000 to \$12,785,000 through June 1, 2020, with interest rates ranging from 4.00% to 5.125% payable semi-annually June 1 and December 1. The Bonds are special obligations of the Public Financing Authority secured by and payable solely from rent payments from the City pursuant to a lease agreement. The 1999 Refunding Lease Revenue Bonds were issued to refund bonds originally issued for multiple purposes, so the principal has been allocated and is accounted for in the appropriate City funds (enterprise and internal service funds). The following is a schedule of the allocation of the 1999 Lease Revenue Bonds, net of original issue premium and deferred amount on refunding, by fund at June 30, 2006:

Capital Assets Fund	\$71,914,908
Parking Facilities Fund	<u>6,280,092</u>
	\$ 78,195,000
Plus initial issue premium	1,628,401
Less deferred amount on refunding	<u>(1,931,111)</u>
Net Bonds outstanding	<u>77,892,290</u>

2001 Refunding Lease Revenue Bonds – \$10,680,000

Public Financing Authority, Lease Revenue Bonds, 2001 Refunding Series A, issued December 2001, are due in annual installments ranging from \$815,000 to \$1,155,000 through June 1, 2013, with interest rates ranging from 3.00% to 4.13% payable semiannually June 1 and December 1. The bonds are special limited obligations of the Public Financing Authority and are primarily payable from lease payments from the City pursuant to a lease agreement dated December 1, 2001.

Plus original issue premium	37,931
Less deferred amount on refunding	<u>(373,385)</u>
Net Bonds outstanding	<u>6,919,546</u>

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

Public Financing Authority, Lease Revenue Bonds, 2003 Refunding Series A, issued March 2003, are due in annual installments ranging from \$2,285,000 to \$9,870,000 through June 1, 2015, with interest rates ranging from 3.00% to 5.25% payable semi-annually June 1 and December 1. Bonds maturing on or after June 1, 2014 are subject to optional redemption in part, without premium, from prepayments of base rental payments on or after June 1, 2014. The Bonds are special limited obligations of the Public Financing Authority and are payable solely from rent payments from the City pursuant to a lease agreement. The 2003 Refunding LRBs were issued to advance refunding the 1993 Refunding LRBs, which were in turn issued for multiple purposes so the principal has been allocated and is accounted for in the appropriate City funds (enterprise and internal service funds). The following is a schedule of the allocation of the 2003 Refunding LRBs, net of premium, by fund at June 30, 2006:

Capital Assets Fund	\$33,937,695
Parking Facilities Fund	20,204,109
Water Enterprise Fund	<u>2,468,196</u>
	\$ 56,610,000
Plus original issue premium	3,697,625
Less deferred amount on refunding	<u>(2,964,894)</u>
Net bonds outstanding	<u>57,342,731</u>

Total bonds outstanding \$ 193,837,814

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(9) LONG-TERM LIABILITIES, CONTINUED

Annual Debt Service Requirements to Maturity

Fiscal Year	Revenue Bonds				Total		Total Debt Service
	Governmental Activities		Business-type Activities		Principal	Interest	
	Principal	Interest	Principal	Interest			
2007	\$ 4,820,830	6,995,156	4,249,170	3,065,307	9,070,000	10,060,463	19,130,463
2008	5,715,718	6,802,323	3,719,282	2,898,655	9,435,000	9,700,978	19,135,978
2009	6,037,268	6,573,694	3,762,732	2,753,859	9,800,000	9,327,553	19,127,553
2010	6,321,111	6,265,996	3,948,889	2,590,705	10,270,000	8,856,701	19,126,701
2011	5,326,011	5,951,369	5,433,989	2,421,784	10,760,000	8,373,153	19,133,153
2012-2016	33,918,952	25,664,602	27,511,048	7,964,525	61,430,000	33,629,127	95,059,127
2017-2021	47,277,713	14,570,583	15,142,287	2,781,273	62,420,000	17,351,856	79,771,856
2022-2026	20,730,000	5,938,113	2,600,000	123,500	23,330,000	6,061,613	29,391,613
2027-2029	9,880,000	784,613	—	—	9,880,000	784,613	10,664,613
Total minimum debt service payments	\$ 140,027,603	<u>79,546,449</u>	66,367,397	<u>24,599,608</u>	206,395,000	<u>104,146,057</u>	310,541,056
Unamortized portion of:							
Original issue premium	3,714,345		1,649,612		5,363,957		5,363,957
Original issue discount	(251,176)		(67,844)		(319,020)		(319,020)
Deferred amount on refunding	<u>(3,202,616)</u>		<u>(3,785,565)</u>		<u>(6,988,181)</u>		<u>(6,988,181)</u>
Net total bonded debt outstanding	\$ <u>140,288,156</u>		<u>64,163,600</u>		<u>204,451,756</u>		<u>308,597,812</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, 2006, consisting of cash and investments, include the following:

	<u>Requirement</u>	<u>Balance</u>
1998 Refunding Water	\$ 865,074	1,030,780
1998 Refunding Wastewater	1,446,324	1,717,808
1998 Lease Revenue	3,417,500	3,443,031

D. Capital Leases

During FY2003, the City completed construction on the Public Works Facility (PWF), a 31,500 sq. ft. two-story facility in the City's Industrial Area which now houses all of the public works and utility employees and workshops, and the Water Treatment Plant (WTP), a facility to treat the City's well water designed to reduce the City's dependency on water purchased from the Metropolitan Water District by 20%. These facilities, both accounted for in the Water Enterprise Fund, were constructed under a design-build-operate-finance lease arrangement with Earth Tech, Inc. The 20-year capital leases include interest at 6% and early buy-out options any time after the first five years. The capitalized value of the PWF is \$10.98 million and the WTP is \$10.12 million. Additional tenant improvements related to the PWF total \$2.79 million. The future minimum payments at June 30, 2006 under these capital leases are as follows:

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(9) LONG-TERM LIABILITIES, CONTINUED

	<u>Public Works Facility</u>		<u>Water Treatment Plant</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 352,012	591,759	326,925	542,723
2008	373,723	570,047	347,089	522,559
2009	396,773	546,997	368,497	501,151
2010	421,245	522,525	391,225	478,424
2011	447,227	496,543	415,355	454,292
2012-2016	2,685,533	2,039,317	2,494,146	1,854,094
2017-2021	3,622,381	1,096,469	3,364,229	984,011
2022-2023	1,723,345	106,520	1,486,137	86,477
	<u>\$ 10,022,239</u>	<u>5,970,177</u>	<u>9,193,603</u>	<u>5,423,731</u>

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Vacation leave:			
Current:			
Internal service	\$ 792,263	—	792,263
Enterprise	—	50,528	50,528
Long-term	3,892,198	248,230	4,140,428
Total vacation leave	<u>4,684,461</u>	<u>298,757</u>	<u>4,983,218</u>
Vested sick leave:			
Current:			
Internal service	158,760	—	158,760
Enterprise	—	5,228	5,228
Long-term	8,968,316	295,339	9,263,655
Total vested sick leave	<u>9,127,076</u>	<u>300,567</u>	<u>9,427,643</u>
Total compensated absences	<u>\$ 13,811,536</u>	<u>599,325</u>	<u>14,410,861</u>

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, 2006 are as follows:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Total</u>
Current	\$ 72,478	1,966,880	20,262	2,059,620
Long-term	2,897,105	4,549,544	—	7,446,649
	<u>\$ 2,969,583</u>	<u>6,516,424</u>	<u>20,262</u>	<u>9,506,269</u>

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 governmental funds are reported in the Employee Benefits Internal Service Fund. Compensated absences consist of the following at June 30, 2006:

G. No Commitment Debt

In December 2002, the Community Facilities District 2002-A (Business Triangle) of the City of Beverly Hills (Community Facilities District) issued \$16,215,000 of Special Tax Bonds, Series 2002. These bonds were issued by the Community Facilities District, a special assessment district within the Business Triangle of the City, the location of world famous retail businesses and hotels. The net proceeds of these bonds together with a contribution from the City of approximately \$2.7 million, is being used to fund a \$15 million Urban Design Program within the City's Business Triangle. This program will provide for pedestrian and other infrastructure improvements which will be owned and maintained by the City upon completion of the project. The Community Facility District Bonds, payable solely from net special assessments levied on taxable properties within the District, are not obligations of the City, but rather are limited obligations of the Community Facilities District. Accordingly, these bonds are not included in the accompanying basic financial statements. At June 30, 2006, the outstanding principal amount of the bonds were \$15,825,000.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(9) LONG-TERM LIABILITIES, CONTINUED

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 un-issued. As of June 30, 2005, 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, 2006, the entire authorization of \$3,750,000 remains un-issued, 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 administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions, as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

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

The benefit is payable monthly for life, in the amount of 3% at age 50 and over for safety employees, and in an amount that varies from 2.000% at age 50 to a maximum of 2.500% at age 55 and over for non-safety employees, of the employees' single highest year's salary for each year of credited service. The maximum benefit for safety employees is 90% of their final salary; there is no maximum for miscellaneous employees. The Plan also provides death and disability benefits.

Funding Policy

Active full-time plan members in the Plan are required to contribute 8%, for miscellaneous employees, and 9%, for safety employees, of their annual covered salary. The City makes such employee contributions for all safety employees and for members of the executive, executive management and confidential bargaining units on their behalf and for their account. For the remaining full-time bargaining groups the City contributes 7% of their annual covered salary on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2006 was 24.928% for safety members and 7.782% 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, 2006, the City's annual pension cost and actual contributions were \$7,584,186 for the safety employees and \$3,421,123 for miscellaneous employees. The City also contributed \$1,867,981 on behalf of the safety employees and \$1,836,009 on behalf of miscellaneous employees. Miscellaneous full and part-time employees directly contributed \$522,572. Total contributions were \$15,231,874. The required contribution for the year ended June 30, 2006 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members (from 4.27% to 11.59% for safety members), and (c) 3.75% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.50%. The actuarial value of the Plan's assets was 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. Initial unfunded liabilities are amortized over a

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

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

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 an open 13-year period, which results in an amortization of 10% 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, 2004 (for 2005-06 employer rates), the average remaining amortization periods were 8 and 32 years for miscellaneous and safety members, respectively.

Three-Year Trend Information for the Plan

Fiscal Year ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Overpayment)
2006	\$ 7,859,894	140%	(17,645,415)
2005	6,022,889	341	(14,500,000)
2004	1,598,800	100	—

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 30 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. 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.

The City of Beverly Hills and its City Manager, Roderick J. Wood, entered into an employment contract that provided a home loan of up to \$1.5 million dollars for the purchase of a primary residence within the city limits of Beverly Hills. The loan provided funding to purchase the home and upgrades and remodeling up to the total authorized loan amount of \$1.5 million. The loan period is 40 years with an interest rate of 2.5% per annum. At June 30, 2006 the outstanding principal balance of the loan was \$1,455,923, contained within the General Fund receivables (note 5).

(12) POST EMPLOYMENT HEALTH CARE BENEFITS

In addition to the pension benefits described in note 10, the City provides post-retirement health care benefits in accordance with employees' respective compensation plans. The provisions of the compensation plans are negotiated with formally recognized bargaining units and groups not formally recognized and are adopted by City Council action.

The City is currently enrolled in various health care plans administered by the California Public Employees Retirement System (PERS). The City pays retirees' PERS health care premiums to the following limits as stipulated in the compensation plans:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

After December 1, 1988

\$270/month

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

- 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 on or after age 60 with 20 or more years of service and up to \$75 with 15 to 20 years of service.
- 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 \$16/month.
- 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 PERSCare 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 PERSCare 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.

- 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 their service group on or after July 1, 1997 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.

- Confidential employees:

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

The above postretirement health benefits are financed on a pay-as-you-go basis. The City currently provides these benefits to an average of 153 participants at a cost of \$1,036,205 for the year ended June 30, 2006. Additionally, for those retirees and their covered family members who no longer qualify for the benefits detailed above, but who choose to maintain coverage, the City contributed \$48.40 per month from January 1, 2005 through December 31, 2005, and \$64.60 per month thereafter. The City currently provides this benefit to 74 participants at a cost of \$50,342 for the year ended June 30, 2006.

(13) COMMITMENTS AND CONTINGENCIES

A. Litigation and Claims

Several lawsuits and claims, arising in the normal course of City operations, and one large claim concerning alleged toxic torts that have occurred within the City, were pending against the City at June 30, 2006. The City believes there are adequate legal defenses to these actions and the City does not anticipate any material adverse effects on the financial position of the City from the disposition of these lawsuits and claims. As of June 30, 2006, the City is not able to state whether an outcome unfavorable to the City is either probable or remote, nor provide an estimate of

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(13) COMMITMENTS AND CONTINGENCIES, CONTINUED

the amount or range of potential loss in the event of an unfavorable outcome.

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, 2006 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, 2006	Future Budgeted
Street Resurfacing	\$ 150,480	6,000,000
Operations Service Center	3,191,990	14,000,000
Reservoir Projects	496,285	7,385,000
Radio System Upgrade	367,759	2,100,000
City Hall Master Plan	760,643	7,440,000
Community Telecommunications	—	1,800,000
Coldwater Canyon reservoir upgrades	—	21,500,000
Water main and hydrant replacement	883,608	16,704,000
Hyperion Plant	—	15,000,000
"D-Lot" parking and retail	—	1,087,256
"T-Lot" Parking & Public Gardens	1,285,910	34,352,549
Traffic signal installation	175,000	2,539,000
	<u>\$ 7,311,675</u>	<u>129,907,805</u>

On September 2, 2004, the City entered into a development agreement with Beverly Hills Luxury Hotel, LLC (the Developer). The Parking Authority of the City of Beverly Hills is the fee owner of certain land located in the City. The Developer will be using that land in order to execute the construction of a specific development plan. The specific development plan area contains a unique blend of public and private ownership. The plan calls for an integrated hotel and public gardens development with subterranean parking facilities. Since the Developer is performing all of the construction, the Parking Authority agreed that at closing it would pay to the escrow agent an amount of \$32,330,000. This deposit is for the purpose of reimbursing the Developer, in part, for the costs and expenses that have been and will be incurred by the Developer in designing, developing and constructing the garage, the gardens and the gardens building shell.

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 \$7,925,000 for each year of the term of the agreement. Payments are made at the beginning of each quarter throughout the year.

Future minimum lease payments receivable under property leases at June 30, 2006 are as follows:

Fiscal Year Ending June 30	Governmental	Business-type
2006	\$ 193,242	6,815,036
2007	112,923	6,493,415
2008	83,507	5,627,205
2009	83,507	5,146,927
2010	67,943	4,302,470
2011-2015	155,160	7,569,692
2016-2020	—	42,420
2021-2025	—	42,420
2026-2030	—	42,420
2031-2035	—	42,420
2036-2040	—	42,420
2041-2043	—	25,452
	<u>\$ 696,283</u>	<u>36,192,296</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2006

(13) COMMITMENTS AND CONTINGENCIES, CONTINUED

Future minimum lease payments payable for equipment and property leases at June 30, 2006 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental</u>	<u>Business-type</u>
2007	\$ 8,346,833	—
2008	8,584,583	—
2009	8,829,466	—
2010	421,833	—
2011	421,833	—
	<u>\$ 26,604,548</u>	<u>—</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Required Supplementary Information – Schedule of Funding Progress of the City’s Defined Benefit Pension Plans

Year ended June 30, 2006

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 STATUS 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
2005	\$ 226,086,680	202,219,706	23,866,974	89.443%	\$ 20,459,675	116.654%
2004	209,598,010	185,609,157	23,988,853	88.555	18,806,176	127.558
2003	200,439,820	177,378,413	23,061,407	88.495	18,146,974	127.081
2002	194,082,159	176,672,000	17,410,159	91.029	17,572,021	99.079
2001	183,111,282	190,157,538	(7,046,256)	103.848	16,896,486	(41.702)
2000	173,426,238	186,336,129	(12,909,891)	107.444	16,512,226	(78.184)
1999	144,228,835	163,584,943	(19,356,108)	113.420	15,665,935	(123.555)
1998	132,565,779	145,156,868	(12,591,089)	109.498	14,387,898	(87.512)
1997	119,140,130	124,461,016	(5,320,886)	104.466	14,269,005	(37.290)

FUNDED STATUS 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
2005	\$ 160,678,895	156,120,317	4,558,578	97.163%	\$ 30,467,728	14.962%
2004	145,826,663	135,044,808	10,781,855	92.606	30,169,690	35.737
2003	137,232,316	130,907,323	6,324,993	95.391	29,760,662	21.253
2002	116,880,116	132,048,639	(15,168,523)	112.978	28,134,395	(53.915)
2001	109,287,931	143,257,149	(33,969,218)	131.082	27,210,550	(124.838)
2000	102,414,098	141,380,981	(38,966,883)	138.048	25,832,054	(150.847)
1999	87,642,035	124,387,791	(36,745,756)	141.927	24,319,472	(151.096)
1998	83,141,329	111,406,984	(28,265,655)	133.997	22,492,348	(125.668)
1997	77,322,702	94,885,718	(17,563,016)	122.714	21,146,172	(83.055)

See accompanying independent auditors’ report.



ADDITIONAL FINANCIAL INFORMATION



This section of the CAFR provides information on each individual fund and component unit not already provided in the basic financial statements, as well as combining statements to support each column of the basic financial statements. This section includes the:

- Nonmajor Governmental Funds:
 - Combining Balance Sheet
 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
- Internal Service Funds:
 - Combining Statement of Net Assets
 - Combining Statement of Revenues, Expenses and Changes in Net Assets
 - Combining Statement of Cash Flows
- Infrastructure Capital Projects Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
- Capital Assets Used in the Operation of Governmental Funds:
 - Comparative Schedule by Source
 - Schedule by Function and Activity
 - Schedule of Changes by Function and Activity



NONMAJOR GOVERNMENTAL FUNDS



This section of the CAFR provides information on each individual governmental fund, except for those major governmental funds reported in the basic financial statements: the General Fund and the Infrastructure Capital Project Fund. This section includes the following special revenue, debt service and permanent funds

Special Revenue Funds

Streets and Highways State Gas Tax Special Revenue Fund

This fund accounts for gas tax revenues and their restricted assets as specified by the California Streets and Highways Code. The City uses these funds primarily for street resurfacing.

Bikeway Grant Special Revenue Fund

As authorized by Senate Bill 821 (1976), the fund accounts for expenditures for the development of bicycle and pedestrian facilities. Such expenditures are made from distributions from the Los Angeles County Local Transportation Fund. The City of Beverly Hills annual allocation is of an amount not to be cost effective for annual use on qualified projects. Annual allocations are accumulated over several years and are used when it becomes cost effective to do so. Funds are distributed to the City only after completion of the project. This process is the reason for the sporadic activity of this fund.

Housing and Community Development Special Revenue Fund

Created by a reimbursable contract between the City and the County of Los Angeles under the provisions of the Housing and Community Development Act, this fund accounts for certain expenditures to meet the housing and public service needs of the City's low- and moderate-income households.

In-Lieu Parking District Special Revenue Fund

Created by action of the City Council, this fund accounts for fees received in-lieu of providing certain parking areas within the district by certain commercial users. Such funds received are to be used exclusively for the purpose of acquiring, developing, operating and maintaining off-street parking facilities to serve the In-Lieu Parking District.

Parks and Recreation Facilities Special Revenue Fund

Created by Council action, this fund accounts for construction assessments to be used for acquisition and development of parks and recreation facilities as authorized by the State of California Quimby Act.

Metropolitan Transportation Authority (MTA) Special Revenue Fund

This fund accounts for a special-projects grant to upgrade and synchronize signals controlling traffic on major thoroughfares within the City. The Los Angeles County Metropolitan Transportation Authority administers this grant, an extension of Proposition Local Transit Assistance (see below).

Proposition A Local Transit Assistance Special Revenue Fund

The State electorate approved a one-half cent sales tax to be used for local transit purposes. This fund accounts for the receipt of this tax and its restricted uses. These monies presently are used to provide a "free ride" mini-bus service in the City's central business district, a senior citizen bus shuttle, and bus pass and taxi coupon programs for the elderly.

Proposition C Local Transit Assistance Special Revenue Fund

Similar to Proposition A (see above), this fund is also funded by a voter-approved one-half cent sales tax. Scope of use of funds is wider than Proposition A and includes, in addition to transit services, efforts to reduce traffic congestion, improve air quality, improve the condition of streets and freeways, and reduce foreign oil dependence.

Fine Art Special Revenue Fund

Created by action of the City Council, this fund accounts for payments received in-lieu of providing fine art ornamentation in the construction or reconstruction of commercial structures. The payments received are to be used solely for the acquisition, improvement and maintenance of fine art ornamentation in applicable structures as determined by the Fine Art Committee.

Seized and Forfeited Property Special Revenue Fund

In accordance with California's Assets/Forfeiture Law, this fund accounts for assets seized during illegal activities and forfeited to law enforcement agencies. Such forfeited funds are to be used to augment the budget of the Police Department and cannot supplant operational expenditures.

Air Quality Improvement Special Revenue Fund

Created by the State Assembly Bill 2766, this fund accounts for funds collected from motor vehicle registration fees to be used to improve air quality by reducing air pollution.

State Park Bond Grant Special Revenue Fund

Authorized by the California Wildlife, Central and Park Land Conservation Act of 1988 and the Community Parklands Act of 1986, this fund accounts for the acquisition and/or development, rehabilitation of lands and/or facilities for recreational and/or historical purposes within the City's jurisdiction. During periods between awards of grants, fund amounts and activities are de minimis.

Roberti-Z'Berg Urban Block Grant Special Revenue Fund

This fund accounts for a State grant authorized by the Roberti-Z'Berg Urban Open Space and Recreation Program. The grant funds are to be used for acquiring lands and for developing facilities to meet urban needs.

Law Enforcement Grant Special Revenue Fund

This fund accounts for transactions authorized by the Federal Omnibus Fiscal Year 1996 Appropriations Act (Public Law 104-134) as the Local Law Enforcement Block Grant to reduce crime and improve public safety. With related objectives, this fund also accounts for the transactions of 1996-97 State budget package AB 3229 (Citizens Option for Public Safety or "COPS" Allocation).

Inmate Welfare Special Revenue Fund

The City of Beverly Hills Police Department maintains temporary jail facilities for which the State of California Board of Corrections sets minimum standards. One of these standards requires the City of Beverly Hills to separately account for certain funds derived from the incarcerated individuals and to use these funds for the benefit of the inmates. Effective July 1, 1997, the City initiated the required accounting by creating the inmate Welfare Fund.

Debt Service Fund

Infrastructure Debt Service Fund

This fund was established to account for the accumulation of resources for the payment of principal and interest of the 1998 Lease Revenue Bonds.

Permanent Funds

Buck

This fund was created to account for three endowments provided to the City by Mr. Charles Webber Buck. The earnings from the invested endowment principal are to be used for the purpose of the City library, City parks and the City's worthy and indigent individuals.

Burton Green

Created by Council resolution, this fund accounts for the interest from the endowment principal provided by the Burton E. Green Foundation. These earnings are to be used for scholarship awards.

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2006

	Special Revenue Funds							
	Streets and Highways State Gas Tax	Bikeway Grant	Housing and Community Development	In-Lieu Parking District	Parks and Recreation Facilities	Metropolitan Transportation Authority	Prop. A Local Transit Assistance	Prop. C Local Transit Assistance
Assets								
Cash and investments	\$ 1,345,939	—	—	925,515	14,320,855	—	1,754,555	1,423,346
Accounts receivable, net	—	—	7,986	—	—	—	—	—
Interest receivable	8,027	—	—	5,097	94,026	—	12,531	7,509
Intergovernmental receivables	107,758	—	82,825	—	—	—	—	—
Restricted assets:								
Cash and investments	—	—	—	—	—	—	—	—
Interest receivable	—	—	—	—	—	—	—	—
Total assets	\$ 1,461,724	—	90,811	930,612	14,414,881	—	1,767,086	1,430,855
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ —	—	82,824	—	89,873	—	20,663	31,357
Contracts payable	125,368	—	—	—	—	—	—	—
Accrued payroll	—	—	—	—	—	—	1,525	1,225
Interfund payables	—	—	8,041	—	—	—	—	—
Intergovernmental payables	—	—	—	—	—	—	—	—
Customer deposits	—	—	—	—	—	—	—	—
Deferred revenue	1,536	—	—	976	17,997	—	2,399	1,437
Total liabilities	126,904	—	90,865	976	107,870	—	24,587	34,019
Fund balances (deficit):								
Reserved for:								
Encumbrances	514,566	—	—	—	541,895	—	—	—
Debt service	—	—	—	—	—	—	—	—
Endowment or Trust Agreement	—	—	—	—	—	—	—	—
Unreserved – undesignated	820,254	—	(54)	929,636	13,765,116	—	1,742,499	1,396,836
Total fund balances	1,334,820	—	(54)	929,636	14,307,011	—	1,742,499	1,396,836
Total liabilities and fund balances	\$ 1,461,724	—	90,811	930,612	14,414,881	—	1,767,086	1,430,855

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet, Continued

Nonmajor Governmental Funds

June 30, 2006

Special Revenue Funds

	Fine Art	Seized and Forfeited Property	Air Quality Improvement	State Park Bond	Roberti-Z'berg Urban Block Grant	Law Enforcement Grants	Inmate Welfare	Total
Assets								
Cash and investments	\$ 1,064,072	135,781	236,431	—	—	8,282	12,297	21,227,073
Accounts receivable, net	—	—	—	—	—	—	—	7,986
Interest receivable	6,967	897	1,500	—	—	540	81	137,175
Intergovernmental receivables	—	—	11,248	—	—	—	—	201,831
Restricted assets:								
Cash and investments	—	—	—	—	—	—	—	—
Interest receivable	—	—	—	—	—	—	—	—
Total assets	\$ 1,071,039	136,678	249,179	—	—	8,822	12,378	21,574,065
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ —	—	—	—	—	—	—	224,717
Contracts payable	—	—	—	—	—	—	—	125,368
Accrued payroll	—	—	—	—	—	7,381	—	10,131
Interfund payables	—	—	—	192,753	—	—	—	200,794
Intergovernmental payables	—	—	—	—	—	48	—	48
Customer deposits	548,460	—	—	—	—	—	—	548,460
Deferred revenue	1,334	172	287	—	—	103	15	26,256
Total liabilities	549,794	172	287	192,753	—	7,532	15	1,135,774
Fund balances:								
Reserved for:								
Encumbrances	—	—	—	—	—	213,088	—	1,269,549
Debt service	—	—	—	—	—	—	—	—
Endowment or Trust Agreement	—	—	—	—	—	—	—	—
Unreserved – undesignated	521,245	136,506	248,892	(192,753)	—	(211,798)	12,363	19,168,742
Total fund balances	521,245	136,506	248,892	(192,753)	—	1,290	12,363	20,438,291
Total liabilities and fund balances	\$ 1,071,039	136,678	249,179	—	—	8,822	12,378	21,574,065

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet, Continued

Nonmajor Governmental Funds

June 30, 2006

	<u>Debt Service</u>	<u>Permanent Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Infra- structure</u>	<u>Buck</u>	<u>Burton Green</u>	<u>Total</u>	
Assets					
Cash and investments	\$ 100,966	—	—	—	21,328,039
Accounts receivable, net	—	—	—	—	7,986
Interest receivable	679	—	—	—	137,854
Intergovernmental receivables	—	—	—	—	201,831
Restricted assets:					
Cash and investments	3,443,031	173,555	64,990	238,545	3,681,576
Interest receivable	12,796	1,166	452	1,618	14,414
Total assets	<u>\$ 3,557,472</u>	<u>174,721</u>	<u>65,442</u>	<u>240,163</u>	<u>25,371,700</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ —	—	—	—	224,717
Contracts payable	—	—	—	—	125,368
Accrued payroll	—	—	—	—	10,131
Interfund payables	—	—	—	—	200,794
Intergovernmental payables	—	—	—	—	48
Customer deposits	—	—	—	—	548,460
Deferred revenue	130	—	—	—	26,386
Total liabilities	<u>130</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,135,904</u>
Fund balances:					
Reserved for:					
Encumbrances	—	—	—	—	1,269,549
Debt service	3,557,342	—	—	—	3,557,342
Endowment or Trust					
Agreement	—	34,641	46,740	81,381	81,381
Unreserved – undesignated	—	140,080	18,702	158,782	19,327,524
Total fund balances	<u>3,557,342</u>	<u>174,721</u>	<u>65,442</u>	<u>240,163</u>	<u>24,235,796</u>
Total liabilities and fund balances	<u>\$ 3,557,472</u>	<u>174,721</u>	<u>65,442</u>	<u>240,163</u>	<u>25,371,700</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	Special Revenue Funds							Prop. C Local Transit Assistance
	Streets and Highways State Gas Tax	Bikeway Grant	Housing and Community Development	In-Lieu Parking District	Parks and Recreation Facilities	Metropolitan Transportation Authority	Prop. A Local Transit Assistance	
Revenues:								
Taxes other than property	\$ —	—	—	460,127	1,835,810	—	—	—
Intergovernmental	810,744	—	254,274	—	—	—	719,967	494,941
Charges for Services	—	—	—	—	—	—	44,050	13,136
Use of money and property	38,073	—	—	22,067	494,009	—	66,581	38,136
Net change in fair value of investments	(8,224)	—	—	(4,731)	(114,751)	—	(15,461)	(8,784)
Total revenues	840,593	—	254,274	477,463	2,215,068	—	815,137	537,429
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	—	—	253,810	—	—	—	768,754	102,333
Culture and recreation	—	—	—	—	212,771	—	—	—
Debt service:								
Capital outlay	220,894	—	—	—	653,443	—	—	—
Total expenditures	220,894	—	253,810	—	866,214	—	768,754	102,333
Excess (deficiency) of rev- enues over expenditures	619,699	—	464	477,463	1,348,854	—	46,383	435,096
Other financing sources (uses):								
Transfers out	(31,629)	—	—	—	—	—	—	—
Total other financing sources (uses)	(31,629)	—	—	—	—	—	—	—
Net change in fund balances	588,070	—	464	477,463	1,348,854	—	46,383	435,096
Fund balances (deficit), July 1	746,750	—	(518)	452,173	12,958,157	—	1,696,116	961,740
Fund balances (deficit), June 30	\$ 1,334,820	—	(54)	929,636	14,307,011	—	1,742,499	1,396,836

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	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	\$ 119,416	—	—	—	—	—	—	2,415,353
Intergovernmental	—	33,724	44,134	—	—	123,795	—	2,481,579
Charges for Services	—	—	—	—	—	—	—	57,186
Use of money and property	36,220	4,419	7,595	—	—	4,285	951	712,336
Net change in fair value of investments	(8,314)	(958)	(1,725)	—	—	(859)	(101)	(163,908)
Total revenues	147,322	37,185	50,004	—	—	127,221	850	5,502,546
Expenditures:								
Current:								
Public safety	—	—	—	—	—	243,083	—	243,083
Public service	—	—	—	—	—	—	—	1,124,897
Culture and recreation	—	—	—	—	—	—	—	212,771
Debt service:								
Capital outlay	8,300	—	—	—	—	—	—	882,637
Total expenditures	8,300	—	—	—	—	243,083	—	2,463,388
Excess (deficiency) of revenues over expenditures	139,022	37,185	50,004	—	—	(115,862)	850	3,039,158
Other financing sources (uses):								
Transfers out	—	—	—	—	—	—	—	(31,629)
Total other financing sources (uses)	—	—	—	—	—	—	—	(31,629)
Special item, pension contribution	—	—	—	—	—	—	—	—
Net change in fund balances	139,022	37,185	50,004	—	—	(115,862)	850	3,007,529
Fund balances (deficit), July 1	382,223	99,321	198,888	(192,753)	—	117,152	11,513	17,430,762
Fund balances (deficit), June 30	\$ 521,245	136,506	248,892	(192,753)	—	1,290	12,363	20,438,291

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	<u>Debt Service</u>	<u>Permanent Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Infra- structure</u>	<u>Buck</u>	<u>Burton Green</u>	<u>Total</u>	
Revenues:					
Taxes other than property	\$ —	—	—	—	2,415,353
Intergovernmental	—	—	—	—	2,481,579
Charges for Services	—	—	—	—	57,186
Use of money and property	132,062	6,190	2,434	8,624	853,022
Net change in fair value of investments	(889)	(1,474)	(582)	(2,056)	(166,853)
Total revenues	<u>131,173</u>	<u>4,716</u>	<u>1,852</u>	<u>6,568</u>	<u>5,640,287</u>
Expenditures:					
Current:					
Public safety	—	—	—	—	243,083
Public service	—	—	4,000	4,000	1,128,897
Culture and recreation	—	—	—	—	212,771
Debt service:					
Interest	1,766,075	—	—	—	1,766,075
Finance charges	4,825	—	—	—	4,825
Capital outlay	—	—	—	—	882,637
Total expenditures	<u>1,770,900</u>	<u>—</u>	<u>4,000</u>	<u>4,000</u>	<u>4,238,288</u>
Excess (deficiency) of rev- enues over expenditures	<u>(1,639,727)</u>	<u>4,716</u>	<u>(2,148)</u>	<u>2,568</u>	<u>1,401,999</u>
Other financing sources (uses):					
Transfers in	1,655,081	—	—	—	1,655,081
Transfers out	—	—	—	—	(31,629)
Total other financing sources (uses)	<u>1,655,081</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,623,452</u>
Net change in fund balances	<u>15,354</u>	<u>4,716</u>	<u>(2,148)</u>	<u>2,568</u>	<u>3,025,451</u>
Fund balances, July 1	<u>3,541,988</u>	<u>170,005</u>	<u>67,590</u>	<u>237,595</u>	<u>21,210,345</u>
Fund balances (deficit), June 30	\$ <u>3,557,342</u>	<u>174,721</u>	<u>65,442</u>	<u>240,163</u>	<u>24,235,796</u>

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	Special Revenue Funds							
	Streets and Highways State Gas Tax				Bikeway Grant			
	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	\$ —	—	—	—	—	—	—	—
Intergovernmental	627,000	627,000	810,744	183,744	—	—	—	—
Charges for Services	—	—	—	—	—	—	—	—
Use of money and property	257,309	257,309	38,073	(219,236)	—	—	—	—
Net change in fair value of investments	—	—	(8,224)	(8,224)	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	<u>884,309</u>	<u>884,309</u>	<u>840,593</u>	<u>(43,716)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures:								
Capital outlay	<u>1,031,000</u>	<u>1,710,040</u>	<u>220,894</u>	<u>(1,489,146)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>1,031,000</u>	<u>1,710,040</u>	<u>220,894</u>	<u>(1,489,146)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(146,691)</u>	<u>(825,731)</u>	<u>619,699</u>	<u>1,445,430</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources (uses):								
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(31,629)</u>	<u>25,629</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>(31,629)</u>	<u>25,629</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>(152,691)</u>	<u>(831,731)</u>	<u>588,070</u>	<u>1,419,801</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances (deficit), July 1	<u>623,061</u>	<u>(912,305)</u>	<u>746,750</u>	<u>1,659,055</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances (deficit), June 30	<u>\$ 470,370</u>	<u>(1,744,036)</u>	<u>1,334,820</u>	<u>3,078,856</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

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	Special Revenue Funds							
	Housing and Community Development				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	\$ —	—	—	—	675,000	675,000	460,127	(214,873)
Intergovernmental	268,597	268,597	254,274	(14,323)	—	—	—	—
Charges for Services	—	—	—	—	—	—	—	—
Use of money and property	—	—	—	—	94,747	94,747	22,067	(72,680)
Net increase in fair value of investments	—	—	—	—	—	—	(4,731)	(4,731)
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	<u>268,597</u>	<u>268,597</u>	<u>254,274</u>	<u>(14,323)</u>	<u>769,747</u>	<u>769,747</u>	<u>477,463</u>	<u>(292,284)</u>
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	283,990	283,990	253,810	(30,180)	1,000,000	1,000,000	—	(1,000,000)
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—	—	—
Total expenditures	<u>283,990</u>	<u>283,990</u>	<u>253,810</u>	<u>(30,180)</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>—</u>	<u>(1,000,000)</u>
Excess (deficiency) of revenues over expenditures	<u>(15,393)</u>	<u>(15,393)</u>	<u>464</u>	<u>15,857</u>	<u>(230,253)</u>	<u>(230,253)</u>	<u>477,463</u>	<u>(1,292,284)</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	—	—	—	—	(1,000,000)	(1,000,000)	—	(1,000,000)
Total other financing sources (uses)	—	—	—	—	(1,000,000)	(1,000,000)	—	(1,000,000)
Net change in fund balances	<u>(15,393)</u>	<u>(15,393)</u>	<u>464</u>	<u>15,857</u>	<u>(1,230,253)</u>	<u>(1,230,253)</u>	<u>477,463</u>	<u>(292,284)</u>
Fund balances (deficit), July 1	<u>69,853</u>	<u>96,390</u>	<u>(518)</u>	<u>(69,608)</u>	<u>147,350</u>	<u>147,350</u>	<u>452,173</u>	<u>304,823</u>
Fund balances (deficit), June 30	\$ <u>54,460</u>	<u>80,997</u>	<u>(54)</u>	<u>(53,751)</u>	<u>(1,082,903)</u>	<u>(1,082,903)</u>	<u>929,636</u>	<u>12,539</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	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	\$ 3,844,629	3,844,629	1,835,810	(2,008,819)	—	—	—	—
Use of money and property	281,246	281,246	494,009	212,763	—	—	—	—
Net change in fair value of investments	—	—	(114,751)	(114,751)	—	—	—	—
Total revenues	<u>4,125,875</u>	<u>4,125,875</u>	<u>2,215,068</u>	<u>(1,910,807)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures:								
Current:								
Culture and recreation	—	—	212,771	212,771	—	—	—	—
Capital outlay	<u>12,994,550</u>	<u>13,067,917</u>	<u>653,443</u>	<u>(12,414,474)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>12,994,550</u>	<u>13,067,917</u>	<u>866,214</u>	<u>(12,201,703)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(8,868,675)</u>	<u>(8,942,042)</u>	<u>1,348,854</u>	<u>10,290,896</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources (uses):								
Transfers out	<u>(7,000,000)</u>	<u>(7,000,000)</u>	<u>—</u>	<u>(7,000,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(7,000,000)</u>	<u>(7,000,000)</u>	<u>—</u>	<u>7,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>(15,868,675)</u>	<u>(15,942,042)</u>	<u>1,348,854</u>	<u>17,290,896</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances (deficit), July 1	<u>3,911,816</u>	<u>3,675,227</u>	<u>12,958,157</u>	<u>9,282,930</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances (deficit), June 30	<u>\$ (11,956,859)</u>	<u>(12,266,815)</u>	<u>14,307,011</u>	<u>26,573,826</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

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	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	537,284	537,284	719,967	182,683	395,295	395,295	494,941	99,646
Charges for Services	78,000	78,000	44,050	(33,950)	13,500	13,500	13,136	(364)
Use of money and property	35,077	35,076	66,581	31,505	15,852	15,852	38,136	22,284
Net change in fair value of investments	—	—	(15,461)	(15,461)	—	—	(8,784)	(8,784)
Total revenues	<u>650,361</u>	<u>650,360</u>	<u>815,137</u>	<u>164,777</u>	<u>424,647</u>	<u>424,647</u>	<u>537,429</u>	<u>112,782</u>
Expenditures:								
Current:								
Public service	<u>769,747</u>	<u>769,747</u>	<u>768,754</u>	<u>(993)</u>	<u>446,337</u>	<u>446,337</u>	<u>102,333</u>	<u>(344,004)</u>
Total expenditures	<u>769,747</u>	<u>769,747</u>	<u>768,754</u>	<u>(993)</u>	<u>446,337</u>	<u>446,337</u>	<u>102,333</u>	<u>(344,004)</u>
Excess (deficiency) of revenues over expenditures	<u>(119,386)</u>	<u>(119,387)</u>	<u>46,383</u>	<u>165,770</u>	<u>(21,690)</u>	<u>(21,690)</u>	<u>435,096</u>	<u>456,786</u>
Net change in fund balances	<u>(119,386)</u>	<u>(119,387)</u>	<u>46,383</u>	<u>165,770</u>	<u>(21,690)</u>	<u>(21,690)</u>	<u>435,096</u>	<u>456,786</u>
Fund balances (deficit), July 1	<u>1,517,854</u>	<u>1,584,991</u>	<u>1,696,116</u>	<u>111,125</u>	<u>677,892</u>	<u>669,295</u>	<u>961,740</u>	<u>292,445</u>
Fund balances (deficit), June 30	<u>\$ 1,398,468</u>	<u>1,465,604</u>	<u>1,742,499</u>	<u>276,895</u>	<u>656,202</u>	<u>647,605</u>	<u>1,396,836</u>	<u>749,231</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	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	\$ 50,000	50,000	119,416	69,416	—	—	—	—
Intergovernmental	—	—	—	—	—	—	33,724	33,724
Use of money and property	5,000	5,000	36,220	31,220	—	—	4,419	4,419
Net change in fair value of investments	—	—	(8,314)	(8,314)	—	—	(958)	(958)
Total revenues	55,000	55,000	147,322	92,322	—	—	37,185	37,185
Expenditures:								
Capital outlay	—	20,000	8,300	(11,700)	—	—	—	—
Total expenditures	—	20,000	8,300	(11,700)	—	—	—	—
Excess (deficiency) of revenues over expenditures	55,000	35,000	139,022	104,022	—	—	37,185	37,185
Net change in fund balances	55,000	35,000	139,022	104,022	—	—	37,185	37,185
Fund balances (deficit), July 1	232,021	232,021	382,223	150,202	160,981	78,108	99,321	21,213
Fund balances (deficit), June 30	\$ 287,021	267,021	521,245	254,224	160,981	78,108	136,506	58,398

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	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	—	—	44,134	44,134	—	—	—	—
Use of money and property	—	—	7,595	7,595	—	—	—	—
Net change in fair value of investments	—	—	(1,725)	(1,725)	—	—	—	—
Total revenues	—	—	50,004	50,004	—	—	—	—
Total expenditures	—	—	—	—	—	—	—	—
Excess (deficiency) of revenues over expenditures	—	—	50,004	50,004	—	—	—	—
Net change in fund balances	—	—	50,004	50,004	—	—	—	—
Fund balances (deficit), July 1	198,888	166,647	198,888	32,241	(192,753)	(224,650)	(192,753)	31,897
Fund balances (deficit), June 30	<u>\$ 198,888</u>	<u>166,647</u>	<u>248,892</u>	<u>82,245</u>	<u>(192,753)</u>	<u>(224,650)</u>	<u>(192,753)</u>	<u>31,897</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	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	—	—	—	—	266,055	561,069	123,795	(437,274)
Use of money and property	—	—	—	—	20,000	20,000	4,285	(15,715)
Net change in fair value of investments	—	—	—	—	—	—	(859)	(859)
Total revenues	—	—	—	—	286,055	581,069	127,221	(453,848)
Expenditures:								
Current:								
Public safety	—	—	—	—	236,219	613,725	243,083	(370,642)
Total expenditures	—	—	—	—	236,219	613,725	243,083	(370,642)
Excess (deficiency) of revenues over expenditures	—	—	—	—	49,836	(32,656)	(115,862)	(83,206)
Other financing sources (uses):								
Transfers in	—	—	—	—	15,014	—	—	—
Transfers out	—	—	—	—	(15,014)	—	—	—
Total other financing sources (uses)	—	—	—	—	—	—	—	—
Net change in fund balances	—	—	—	—	49,836	(32,656)	(115,862)	(83,206)
Fund balances (deficit), July 1	—	—	—	—	230,927	94,582	117,152	22,570
Fund balances (deficit), June 30	\$ —	—	—	—	280,763	61,926	1,290	(60,636)

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	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	\$ —	—	—	—	4,569,629	4,569,629	2,415,353	(2,154,276)
Intergovernmental	—	—	—	—	2,094,231	2,389,245	2,481,579	92,334
Charges for Services	—	—	—	—	91,500	91,500	57,186	(34,314)
Use of money and property	1,500	1,500	951	(549)	710,731	710,730	712,336	1,606
Net change in fair value of investments	—	—	(101)	(101)	—	—	(163,908)	(163,908)
Total revenues	1,500	1,500	850	(650)	7,466,091	7,761,104	5,502,546	(2,258,558)
Expenditures:								
Current:								
Public safety	645	645	—	(645)	236,864	614,370	243,083	(371,287)
Public service	—	—	—	—	2,500,075	2,500,075	1,124,897	(1,375,178)
Culture and recreation	—	—	—	—	—	—	212,771	212,771
Capital outlay	—	—	—	—	14,025,550	14,797,958	882,637	(13,915,321)
Total expenditures	645	645	—	(645)	16,762,489	17,912,403	2,463,388	(15,449,015)
Excess (deficiency) of revenues over expenditures	855	855	850	(5)	(9,296,398)	(10,151,299)	3,039,158	13,190,457
Other financing sources (uses):								
Transfers in	—	—	—	—	15,014	—	—	—
Transfers out	—	—	—	—	(8,021,014)	(8,006,000)	(31,629)	(7,974,371)
Total other financing sources (uses)	—	—	—	—	(8,006,000)	(8,006,000)	(31,629)	(7,974,371)
Net change in fund balances	855	855	850	(5)	(17,302,398)	(18,157,299)	3,007,529	5,216,086
Fund balances (deficit), July 1	11,156	11,156	11,513	357	7,589,046	5,618,812	17,430,762	11,811,950
Fund balances (deficit), June 30	\$ 12,011	12,011	12,363	352	(9,713,352)	(12,538,487)	20,438,291	17,028,036

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	Debt Service Fund				Permanent Funds			
	Infrastructure				Buck			
	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	155,047	155,047	132,062	(22,985)	—	—	6,190	6,190
Net change in fair value of investments	—	—	(889)	(889)	—	—	(1,474)	(1,474)
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	<u>155,047</u>	<u>155,047</u>	<u>131,173</u>	<u>(23,874)</u>	<u>—</u>	<u>—</u>	<u>4,716</u>	<u>4,716</u>
Expenditures:								
Debt service:								
Interest	1,766,075	1,766,075	1,766,075	—	—	—	—	—
Finance charges	5,150	5,150	4,825	(325)	—	—	—	—
Capital outlay	—	—	—	—	—	—	—	—
Total expenditures	<u>1,771,225</u>	<u>1,771,225</u>	<u>1,770,900</u>	<u>(325)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(1,616,178)</u>	<u>(1,616,178)</u>	<u>(1,639,727)</u>	<u>(23,549)</u>	<u>—</u>	<u>—</u>	<u>4,716</u>	<u>4,716</u>
Other financing sources (uses):								
Transfers in	1,707,691	1,707,691	1,655,081	(52,610)	—	—	—	—
Total other financing sources (uses)	<u>1,707,691</u>	<u>1,707,691</u>	<u>1,655,081</u>	<u>(52,610)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	91,513	91,513	15,354	(76,159)	—	—	4,716	4,716
Fund balances (deficit), July 1	<u>3,893,443</u>	<u>3,893,443</u>	<u>3,541,988</u>	<u>(351,455)</u>	<u>166,348</u>	<u>166,348</u>	<u>170,005</u>	<u>3,657</u>
Fund balances (deficit), June 30	<u>\$ 3,984,956</u>	<u>3,984,956</u>	<u>3,557,342</u>	<u>(427,614)</u>	<u>166,348</u>	<u>166,348</u>	<u>174,721</u>	<u>8,373</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	Permanent Funds							
	Burton Green			Variance with Final Budget – Over (Under)	Total			Variance with Final Budget – Over (Under)
	Budgeted Amounts		Actual Amounts		Budgeted Amounts		Actual Amounts	
Original	Final	Original		Final				
Revenues:								
Use of money and property	—	—	2,434	2,434	—	—	8,624	8,624
Net change in fair value of investments	—	—	(582)	(582)	—	—	(2,056)	(2,056)
Total revenues	—	—	1,852	1,852	—	—	6,568	6,568
Expenditures:								
Current:								
Public service	—	—	4,000	4,000	—	—	4,000	4,000
Total expenditures	—	—	4,000	4,000	—	—	4,000	4,000
Excess (deficiency) of revenues over expenditures	—	—	(2,148)	(2,148)	—	—	2,568	2,568
Net change in fund balances	—	—	(2,148)	(2,148)	—	—	2,568	2,568
Fund balances (deficit), July 1	70,040	70,040	67,590	(2,450)	236,388	236,388	237,595	1,207
Fund balances (deficit), June 30	\$ 70,040	70,040	65,442	(4,598)	236,388	236,388	240,163	3,775

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2006

	Total Nonmajor Governmental Funds			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final		
Revenues:				
Taxes other than property	\$ 4,569,629	4,569,629	2,415,353	(2,154,276)
Intergovernmental	2,094,231	2,389,245	2,481,579	92,334
Charges for Services	91,500	91,500	57,186	(34,314)
Use of money and property	865,778	865,777	853,022	(12,755)
Net change in fair value of investments	—	—	(166,853)	(166,853)
Total revenues	<u>7,621,138</u>	<u>7,916,151</u>	<u>5,640,287</u>	<u>(2,275,864)</u>
Expenditures:				
Current:				
Public safety	236,864	614,370	243,083	(371,287)
Public service	2,500,075	2,500,075	1,128,897	(1,371,178)
Culture and recreation	—	—	212,771	212,771
Debt service:				
Interest	1,766,075	1,766,075	1,766,075	—
Finance charges	5,150	5,150	4,825	(325)
Capital outlay	<u>14,025,550</u>	<u>14,797,958</u>	<u>882,637</u>	<u>(13,915,321)</u>
Total expenditures	<u>18,533,714</u>	<u>19,683,628</u>	<u>4,238,288</u>	<u>(15,445,340)</u>
Excess (deficiency) of revenues over expenditures	<u>(10,912,576)</u>	<u>(11,767,477)</u>	<u>1,401,999</u>	<u>13,169,476</u>
Other financing sources (uses):				
Transfers in	1,722,705	1,707,691	1,655,081	(52,610)
Transfers out	<u>(8,021,014)</u>	<u>(8,006,000)</u>	<u>(31,629)</u>	<u>(7,974,371)</u>
Total other financing sources (uses)	<u>(6,298,309)</u>	<u>(6,298,309)</u>	<u>1,623,452</u>	<u>7,921,761</u>
Net change in fund balances	<u>(17,210,885)</u>	<u>(18,065,786)</u>	<u>3,025,451</u>	<u>21,091,237</u>
Fund balances (deficit), July 1	<u>11,718,877</u>	<u>9,748,643</u>	<u>21,210,345</u>	<u>11,461,702</u>
Fund balances (deficit), June 30	<u>\$ (5,492,008)</u>	<u>(8,317,143)</u>	<u>24,235,796</u>	<u>32,552,939</u>

See accompanying independent auditors' report.



INTERNAL SERVICE FUNDS



This section of the CAFR provides information on each individual internal service fund. Internal service funds are used by the City to centralize certain services and then allocate the cost of those services to the user departments on a cost reimbursement basis. User fund charges from internal service funds with capital assets typically consist of two components: a maintenance/service component and a capital replacement component. User fund charges from self-insurance internal service funds generally are based on claims experience of the user department. This section includes the following internal service funds:

Information Technology Internal Service Fund

This fund was created to properly allocate computer services to user departments. User fund charges are based on an allocation formula derived from programming time and computer usage. Long-term liabilities, including interfund loans and revenue bonds, payable from user department charges, are issued from time to time to finance the acquisition and construction of information technology facilities and equipment.

Capital Assets Internal Service Fund

Activities pertaining to the acquisition, construction, financing, maintenance and operation of the City's capital assets (excluding enterprise fund assets, infrastructure assets and the City's fine art collection), as well as capital accumulation for the replacement and upgrade of those capital assets, is accounted for in this fund. Long-term liabilities, including interfund loans and revenue bonds, payable from user department charges, are issued from time to time to finance the acquisition and construction of the City's non-enterprise capital facilities and equipment.

Reprographics Internal Service Fund

Activities pertaining to in-house printing, metered postage and the issuance of office supplies to various departments are accounted for in this fund.

Cable Television Internal Service Fund

This fund accounts for the cost of cable television equipment, program development and other services, which are allocated to the user departments for television coverage of City Council meetings, board and commission meetings, special City events, and various other archival and promotional purposes.

Liability Insurance Internal Service Fund

The City is self-insured for the first \$500,000 of each liability claim. This fund accounts for these self-insured claims and excess insurance premiums, and charges user departments based on claims experience. In addition to oversight by the City's Risk Manager, the City has contracted with an independent adjuster to monitor liability claims on an individual basis. Liability claims in excess of \$1,000,000 up to \$26,000,000 combined single limit occurrence are covered by excess insurance.

Workers' Compensation Internal Service Fund

The City is self-insured for all workers' compensation claims. This fund accounts for these self-insured claims and their charge to

user departments. In addition to oversight by the City's Risk Manager, the City has contracted with an independent adjuster to monitor workers' compensation claims on an individual basis. Administration of this fund adheres to regulations imposed by the State of California concerning workers' compensation programs.

Unemployment Insurance Internal Service Fund

The City provides unemployment benefits to terminated employees through a reimbursable payment schedule with the State Employment Development Department. This fund accounts for such payments and is funded by charging the departments that employed the claimants for paid benefits.

Employee Benefits Internal Service Fund

This fund accounts for the estimated allocated departmental charges from which employee benefits (health, dental, life, vision and other insurance coverages) are made. The City is self-insured for dental claims; other coverages are through group plans. The long-term portion of governmental fund compensated absences liability is also accounted for in this fund. Net increases in this liability are charged to the user funds; decreases in the net liability are included in the reserve balance.

Policy, Administration, and Legal Internal Service Fund

This fund includes the departments of Policy and Management, Administrative Services, and Legal (City Attorney's Office). These departments provide services to all departments, similar to the other Internal Service Funds. In order to fully capture the cost for the newly implemented program budget, the cost of these services were incorporated into an Internal Service Fund and then spread to the various City departments.



CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Net Assets

Internal Service Funds

June 30, 2006

	<u>Information Technology</u>	<u>Capital Assets</u>	<u>Repro- graphics</u>	<u>Cable TV</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Employee Benefits</u>	<u>Administration, Policy & Legal</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS											
Current assets:											
Cash and investments	\$ 5,011,774	40,384,094	1,155,105	2,952,233	6,332,666	9,913,670	129,120	11,524,914	300,011	—	77,703,587
Accounts Receivable	—	—	—	126,855	—	—	—	—	—	—	126,855
Interest receivable	28,764	300,918	8,510	20,065	40,334	64,530	689	71,456	4,670	—	539,936
Interfund receivable	—	—	—	—	—	—	—	—	—	—	—
Inventory	—	374,948	—	—	—	—	—	—	—	—	374,948
Prepaid expenses	—	—	8,743	—	264,941	—	—	—	2,009	—	275,693
Total current assets	<u>5,040,538</u>	<u>41,059,960</u>	<u>1,172,358</u>	<u>3,099,153</u>	<u>6,637,941</u>	<u>9,978,200</u>	<u>129,809</u>	<u>11,596,370</u>	<u>306,690</u>	<u>—</u>	<u>79,021,019</u>
Noncurrent assets:											
Restricted assets:											
Cash and investments	—	10,753,310	—	—	—	—	—	—	—	—	10,753,310
Interest and other receivables	—	3,833	—	—	—	—	—	—	—	—	3,833
Total restricted assets	<u>—</u>	<u>10,757,143</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,757,143</u>
Deferred bond issuance costs, net	—	5,528,857	—	—	—	—	—	—	—	—	5,528,857
Net pension assets	186,258	292,022	42,539	32,235	—	—	—	—	1,068,072	—	1,621,126
Total other noncurrent assets	<u>186,258</u>	<u>5,820,879</u>	<u>42,539</u>	<u>32,235</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,068,072</u>	<u>—</u>	<u>7,149,983</u>
Capital assets:											
Land	—	32,050,499	—	—	—	—	—	—	—	—	32,050,499
Buildings	3,336,544	148,099,128	—	—	—	—	—	—	—	—	151,435,672
Improvements other than buildings	—	26,325,458	—	—	—	—	—	—	—	—	26,325,458
Machinery and equipment	28,033,428	21,567,555	69,335	855,183	—	—	—	—	—	—	50,525,501
	31,369,972	228,042,640	69,335	855,183	—	—	—	—	—	—	260,337,130
Less accumulated depreciation	(23,928,282)	(74,439,137)	(68,863)	(710,628)	—	—	—	—	—	—	(99,146,910)
Construction in progress	2,514,183	5,314,870	—	—	—	—	—	—	—	—	7,829,053
Total capital assets, net	<u>9,955,873</u>	<u>158,918,373</u>	<u>472</u>	<u>144,555</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>169,019,273</u>
Total noncurrent assets	<u>10,142,131</u>	<u>175,496,395</u>	<u>43,011</u>	<u>176,790</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,068,072</u>	<u>—</u>	<u>186,926,399</u>
Total assets	<u>15,182,669</u>	<u>216,556,355</u>	<u>1,215,369</u>	<u>3,275,943</u>	<u>6,637,941</u>	<u>9,978,200</u>	<u>129,809</u>	<u>11,596,370</u>	<u>1,374,762</u>	<u>—</u>	<u>265,947,418</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Net Assets, Continued

Internal Service Funds

June 30, 2006

	<u>Information Technology</u>	<u>Capital Assets</u>	<u>Repro- graphics</u>	<u>Cable TV</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Employee Benefits</u>	<u>Administration, Policy & Legal</u>	<u>Eliminations</u>	<u>Total</u>
LIABILITIES											
Current liabilities:											
Accounts payable	\$ 336,899	437,042	61,210	101	76,562	—	—	68,514	360,699	—	1,341,027
Contracts payable	57,313	148,902	—	—	1,588	1,588	—	—	126,145	—	335,536
Accrued payroll	21,947	45,360	10,135	7,089	—	—	—	—	—	—	84,531
Interest payable	—	435,757	—	—	—	—	—	—	—	—	435,757
Current portion of:											
Compensated absences	12,209	34,023	7,716	1,778	983	983	—	829,921	77,296	—	964,909
Outstanding claims	—	—	—	—	2,239,148	1,965,472	31,310	—	—	—	4,235,930
Revenue bonds	—	4,820,830	—	—	—	—	—	—	—	—	4,820,830
Interfund payable	—	—	—	—	—	—	—	—	—	—	—
Intergovernmental payable	1,170	5,223	27	—	—	—	34,808	—	131	—	41,359
Total current liabilities	<u>429,538</u>	<u>5,927,137</u>	<u>79,088</u>	<u>8,968</u>	<u>2,318,281</u>	<u>1,968,043</u>	<u>66,118</u>	<u>898,435</u>	<u>564,271</u>	<u>—</u>	<u>12,259,879</u>
Long-term liabilities (net of current portion):											
Compensated absences	162,548	452,976	102,734	23,670	13,082	13,082	—	11,049,435	1,029,101	—	12,846,628
Outstanding claims	—	—	—	—	377,906	4,329,664	—	—	—	—	4,707,570
Revenue bonds	—	101,031,773	—	—	—	—	—	—	—	—	101,031,773
Original issue premium, net	—	3,714,345	—	—	—	—	—	—	—	—	3,714,345
Deferred amount on refunding, net	—	(3,202,616)	—	—	—	—	—	—	—	—	(3,202,616)
Total long-term liabilities	<u>162,548</u>	<u>101,996,478</u>	<u>102,734</u>	<u>23,670</u>	<u>390,988</u>	<u>4,342,746</u>	<u>—</u>	<u>11,049,435</u>	<u>1,029,101</u>	<u>—</u>	<u>119,097,700</u>
Total liabilities	<u>592,086</u>	<u>107,923,615</u>	<u>181,822</u>	<u>32,638</u>	<u>2,709,269</u>	<u>6,310,789</u>	<u>66,118</u>	<u>11,947,870</u>	<u>1,593,372</u>	<u>—</u>	<u>131,357,579</u>
NET ASSETS											
Invested in capital assets, net of related debt	10,033,786	68,573,714	472	144,555	—	—	—	—	—	—	78,752,527
Restricted for:											
Debt service	—	908	—	—	—	—	—	—	—	—	908
Net pension asset	186,258	292,022	42,539	32,235	—	—	—	—	1,068,072	—	1,621,126
Construction of capital assets	—	—	—	—	—	—	—	—	—	—	—
Unrestricted	<u>4,370,539</u>	<u>39,766,096</u>	<u>990,536</u>	<u>3,066,515</u>	<u>3,928,672</u>	<u>3,667,411</u>	<u>63,691</u>	<u>(351,500)</u>	<u>(1,286,682)</u>	<u>—</u>	<u>54,215,278</u>
Total net assets (deficit)	<u>\$ 14,590,583</u>	<u>108,632,740</u>	<u>1,033,547</u>	<u>3,243,305</u>	<u>3,928,672</u>	<u>3,667,411</u>	<u>63,691</u>	<u>(351,500)</u>	<u>(218,610)</u>	<u>—</u>	<u>134,589,839</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Internal Service Funds
Year Ended June 30, 2006

	<u>Information Technology</u>	<u>Capital Assets</u>	<u>Repro- graphics</u>	<u>Cable TV</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Employee Benefits</u>	<u>Administration, Policy & Legal</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues –											
Sales, service charges and fees	\$ 7,115,644	26,860,489	1,523,902	1,205,053	4,044,900	3,625,995	125,238	6,747,704	18,241,743	(9,791,953)	59,698,715
Operating expenses:											
Salaries and employee benefits	1,343,379	3,028,106	649,149	382,912	119,663	127,636	—	303,620	9,843,028	(1,565,575)	14,231,918
Maintenance and operation	2,652,976	7,160,537	954,919	397,109	264,806	84,489	—	5,921,434	9,575,142	(8,226,378)	18,785,034
Insurance premiums, settlements and provisions	—	—	—	—	2,084,314	1,535,537	136,286	—	—	—	3,756,137
Depreciation	3,002,883	5,485,202	2,013	25,919	—	—	—	—	—	—	8,516,017
Amortization of issuance costs	—	349,670	—	—	—	—	—	—	—	—	349,670
Total operating expenses	6,999,238	16,023,515	1,606,081	805,940	2,468,783	1,747,662	136,286	6,225,054	19,418,170	(9,791,953)	45,638,776
Operating income (loss)	116,406	10,836,974	(82,179)	399,113	1,576,117	1,878,333	(11,048)	522,650	(1,176,427)	—	14,059,939
Nonoperating revenues (expenses):											
Investment revenue	144,590	1,958,911	45,100	103,289	200,105	325,672	3,637	379,186	22,070	(8,491)	3,174,069
Net change in fair value of investments	(31,035)	(330,216)	(10,362)	(23,981)	(46,417)	(73,605)	(892)	(90,330)	(1,630)	—	(608,468)
Interest expense	(8,491)	(5,409,428)	—	—	—	—	—	—	—	8,491	(5,409,428)
Intergovernmental revenue	—	100,894	—	—	—	—	—	—	—	—	100,894
Gain on sale of capital assets	—	86,031	—	—	—	—	—	—	—	—	86,031
Contribution in aid of construction	—	—	—	—	—	—	—	—	—	—	—
Other revenue	—	—	—	—	—	—	—	—	—	—	—
Total nonoperating revenues (expenses)	105,064	(3,593,808)	34,738	79,308	153,688	252,067	2,745	288,856	20,440	—	(2,656,902)
Income (loss) before contributions and operating transfers	221,470	7,243,166	(47,441)	478,421	1,729,805	2,130,400	(8,303)	811,506	(1,155,987)	—	11,403,037
Transfers in	2,000,000	61,331	—	—	—	—	—	—	937,378	—	2,998,709
Transfers out	(113,554)	—	(34,738)	(79,307)	—	—	(2,745)	—	—	—	(230,344)
Change in net assets	2,107,916	7,304,497	(82,179)	399,114	1,729,805	2,130,400	(11,048)	811,506	(218,609)	—	14,171,402
Net assets (deficit), July 1	12,482,667	101,328,243	1,115,726	2,844,191	2,198,867	1,537,011	74,738	(1,163,006)	—	—	120,418,437
Net assets (deficit), June 30	\$ 14,590,583	108,632,740	1,033,547	3,243,305	3,928,672	3,667,411	63,690	(351,500)	(218,609)	—	134,589,839

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2006

	<u>Information Technology</u>	<u>Capital Assets</u>	<u>Repro- graphics</u>	<u>Cable TV</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Employee Benefits</u>	<u>Policy, Adm, Legal</u>	<u>Total</u>
Cash flows from operating activities:										
Cash received from customers	\$ 7,115,644	26,860,489	1,523,902	1,078,198	4,044,900	3,625,995	125,238	7,804,239	18,241,743	70,420,348
Cash payments to employees for services	(1,323,665)	(2,896,098)	(593,879)	(373,898)	(104,010)	(111,983)	—	—	(8,610,487)	(14,014,020)
Cash payments for goods and services	(2,627,449)	(7,283,405)	(907,705)	(397,328)	—	—	—	(6,909,455)	(9,223,277)	(27,348,619)
Cash payments for insurance premiums, settle- ments and claims	—	—	—	—	(2,673,353)	(1,841,314)	(90,430)	—	—	(4,605,097)
Net cash provided by operating activities	<u>3,164,530</u>	<u>16,680,986</u>	<u>22,318</u>	<u>306,972</u>	<u>1,267,537</u>	<u>1,672,698</u>	<u>34,808</u>	<u>894,784</u>	<u>407,979</u>	<u>24,452,612</u>
Cash flows from noncapital financing activities –										
Payment for unfunded liabilities	(22,791)	(35,733)	(5,204)	(3,945)	—	—	—	—	(1,068,072)	(1,135,745)
Transfers in	—	162,225	—	—	—	—	—	—	—	162,225
Transfers out	(113,554)	—	(34,738)	(79,307)	—	—	(2,745)	—	—	(230,344)
Net cash (used in) noncapital financing activities	<u>(136,345)</u>	<u>126,492</u>	<u>(39,942)</u>	<u>(83,252)</u>	<u>—</u>	<u>—</u>	<u>(2,745)</u>	<u>—</u>	<u>(1,068,072)</u>	<u>(1,203,864)</u>
Cash flows from capital financing activities:										
Proceeds from sale of property	—	86,031	—	—	—	—	—	—	—	86,031
Acquisition and construction of capital assets	(3,009,052)	(5,880,413)	—	(20,802)	—	—	—	—	6,956	(8,903,311)
Capital contributions received	2,000,000	—	—	—	—	—	—	—	937,378	2,937,378
Principal received (paid) on interfund advance	(330,000)	330,000	—	—	—	—	—	—	—	—
Interest received (paid) on interfund advance	(9,274)	390,701	—	—	—	—	—	—	—	381,427
Principal payments on debt	—	(4,654,162)	—	—	—	—	—	—	—	(4,654,162)
Interest payments on debt	—	(5,425,824)	—	—	—	—	—	—	—	(5,425,824)
Net cash (used in) capital financing activities	<u>(1,348,326)</u>	<u>(15,153,667)</u>	<u>—</u>	<u>(20,802)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>944,334</u>	<u>(15,578,461)</u>
Cash flows from investing activities –										
Earnings on investments	<u>110,257</u>	<u>1,166,057</u>	<u>34,620</u>	<u>77,641</u>	<u>146,131</u>	<u>241,588</u>	<u>2,742</u>	<u>288,279</u>	<u>15,770</u>	<u>2,083,085</u>
Net increase (decrease) in cash and cash equivalents	<u>1,790,116</u>	<u>2,819,868</u>	<u>16,996</u>	<u>280,559</u>	<u>1,413,668</u>	<u>1,914,286</u>	<u>34,805</u>	<u>1,183,063</u>	<u>300,011</u>	<u>9,753,372</u>
Cash and cash equivalents, July 1	<u>3,221,658</u>	<u>37,564,226</u>	<u>1,138,109</u>	<u>2,671,674</u>	<u>4,918,998</u>	<u>7,999,384</u>	<u>94,315</u>	<u>10,341,851</u>	<u>—</u>	<u>67,950,215</u>
Cash and cash equivalents, June 30	\$ <u>5,011,774</u>	\$ <u>40,384,094</u>	\$ <u>1,155,105</u>	\$ <u>2,952,233</u>	\$ <u>6,332,666</u>	\$ <u>9,913,670</u>	\$ <u>129,120</u>	\$ <u>11,524,914</u>	\$ <u>300,011</u>	\$ <u>77,703,587</u>
Cash and investments	\$ 5,011,774	40,384,094	1,155,105	2,952,233	6,332,666	9,913,670	129,120	11,524,914	300,011	77,703,587
Restricted cash and investments	—	10,753,310	—	—	—	—	—	—	—	10,753,310
Total cash and investments	<u>5,011,774</u>	<u>51,137,404</u>	<u>1,155,105</u>	<u>2,952,233</u>	<u>6,332,666</u>	<u>9,913,670</u>	<u>129,120</u>	<u>11,524,914</u>	<u>300,011</u>	<u>88,456,897</u>
Less nonpooled investments	<u>—</u>	<u>(10,753,310)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,753,310)</u>
Cash and cash equivalents	\$ <u>5,011,774</u>	\$ <u>40,384,094</u>	\$ <u>1,155,105</u>	\$ <u>2,952,233</u>	\$ <u>6,332,666</u>	\$ <u>9,913,670</u>	\$ <u>129,120</u>	\$ <u>11,524,914</u>	\$ <u>300,011</u>	\$ <u>77,703,587</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Cash Flows, Continued

Internal Service Funds

Year Ended June 30, 2006

	<u>Information Technology</u>	<u>Capital Assets</u>	<u>Repro- graphics</u>	<u>Cable TV</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Employee Benefits</u>	<u>Policy, Adm, Legal</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:										
Operating income (loss)	\$ 116,406	10,836,974	(82,179)	399,113	1,576,117	1,878,333	(11,048)	522,650	(1,176,427)	14,059,939
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:										
Depreciation	3,002,883	5,485,202	2,013	25,919	—	—	—	—	—	8,516,017
Amortization of issuance costs	—	349,670	—	—	—	—	—	—	—	349,670
Changes in assets and liabilities:										
Decrease in restricted cash	—	3,700	—	—	—	—	—	—	—	3,700
Increase in receivables	—	—	—	(126,855)	—	—	—	—	—	(126,855)
Increase in inventory	—	(90,303)	—	—	—	—	—	—	—	(90,303)
Decrease in prepaid expenses	—	—	(5,194)	—	(30,173)	—	—	—	(2,009)	(37,376)
Increase (decrease) in accounts payable	25,222	(41,114)	52,407	(219)	(18,094)	—	—	68,514	353,743	440,459
Increase (decrease) in intergovernmental payable	305	4,848	—	—	—	—	34,808	—	131	40,092
Increase (decrease) in accrued payroll	1,247	13,648	5,848	2,357	1,588	1,588	—	—	126,145	152,421
Increase (decrease) in accrued compensated absences	18,467	118,361	49,423	6,657	14,065	14,065	—	303,620	1,106,396	1,631,054
Increase (decrease) in outstanding claims	—	—	—	—	(275,966)	(221,288)	11,048	—	—	(486,206)
Total adjustments	3,048,124	5,844,012	104,497	(92,141)	(308,580)	(205,635)	45,856	372,134	1,584,406	10,392,673
Net cash provided by operating activities	\$ <u>3,164,530</u>	<u>16,680,986</u>	<u>22,318</u>	<u>306,972</u>	<u>1,267,537</u>	<u>1,672,698</u>	<u>34,808</u>	<u>894,784</u>	<u>407,979</u>	<u>24,452,612</u>
Significant noncash investing and financing activity:										
– Amortization of bond issuance costs, premiums, discounts and deferred amounts on refunding (note 9)	\$ —	349,670	—	—	—	—	—	—	—	349,670
– Change in fair value of nonpooled investments	—	21,341	—	—	—	—	—	—	—	21,341





INFRASTRUCTURE CAPITAL PROJECTS FUND

This section of the CAFR provides additional information regarding the budget and actual comparison of the Infrastructure Capital Projects Fund. Although this fund is considered a major governmental fund, only budget and actual comparisons of the General Fund and major special revenue funds are presented as basic financial statements.



CITY OF BEVERLY HILLS, CALIFORNIA

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

Infrastructure Capital Projects Fund

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final		
Revenues:				
Use of money and property	—	—	680,783	680,783
Net increase in fair value of investments	—	—	(17,477)	(17,477)
Contribution in aid of construction	—	—	4,300,000	4,300,000
Miscellaneous	—	—	6,834	6,834
Total revenues	—	—	4,970,140	4,970,140
Expenditures:				
Current – public service	—	—	—	—
Capital outlay	490,000	18,462,993	1,257,300	(17,205,693)
Total expenditures	490,000	18,462,993	1,257,300	(17,205,693)
Deficiency of revenues over expenditures	(490,000)	(18,462,993)	3,712,840	22,175,833
Other financing sources	—	—	—	—
Deficiency of revenues and other sources over expenditures	(490,000)	(18,462,993)	3,712,840	22,175,833
Fund balance, July 1	12,292,425	12,292,425	12,292,425	—
Fund balance, June 30	\$ 11,802,425	(6,170,568)	16,005,265	22,175,833





CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

This section of the CAFR provides additional information regarding the infrastructure and fine art capital assets used in the City's governmental fund operations. These assets are reported only in the governmental activities column of the government-wide Statement of Net Assets. In addition to the information about such assets provided in the notes to the basic financial statements, this section provides information on the source of funding for the assets, the function and activity to which the assets are charged and changes in such assets by function and activity.



CITY OF BEVERLY HILLS, CALIFORNIA

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

June 30, 2006 with comparative amounts for June 30, 2005

	<u>2006</u>	<u>2005</u>
Governmental funds capital assets by type, function and activity:		
Land	\$ 19,559,986	—
Construction in progress	<u>1,167,630</u>	<u>15,314,749</u>
Infrastructure	116,718,002	99,176,313
Less accumulated depreciation	<u>(39,898,349)</u>	<u>(38,760,297)</u>
Net infrastructure assets – public works – streets and subdrains	76,819,653	60,416,016
Fine Art Collection – general government – art and culture	<u>1,119,390</u>	<u>1,119,390</u>
Total governmental funds capital assets	\$ <u><u>98,666,659</u></u>	\$ <u><u>76,850,155</u></u>
Investments in governmental capital assets by source:		
1998 Lease Revenue Bonds	\$ 37,173,905	33,248,498
Capital projects general revenues	35,543,204	37,083,064
General Fund revenues	20,142,786	815,190
Special revenue funds revenues	<u>5,806,765</u>	<u>5,703,403</u>
Total investment in governmental capital assets by source	\$ <u><u>98,666,659</u></u>	\$ <u><u>76,850,155</u></u>

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

CITY OF BEVERLY HILLS, CALIFORNIA

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

June 30, 2006

<u>Function and Activity</u>	<u>Construction in Progress</u>	<u>Infrastructure</u>	<u>Fine Art Collection</u>	<u>Land</u>	<u>Total</u>
General government - land	\$ —	—	—	19,559,986	19,559,986
Construction in progress	1,167,630	—	—	—	1,167,630
General government – art and culture	—	—	1,119,390	—	1,119,390
Public works – streets and subdrains	—	76,819,653	—	—	76,819,653
Total	\$ <u>1,167,630</u>	<u>76,819,653</u>	<u>1,119,390</u>	<u>19,559,986</u>	<u>98,666,659</u>

CITY OF BEVERLY HILLS, CALIFORNIA

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

Year Ended June 30, 2006

<u>Function and Activity</u>	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance June 30, 2006</u>
Land	\$ —	19,559,986	—	—	19,559,986
Construction in progress	15,314,749	1,396,987	—	(15,544,106)	1,167,630
General government –					
Art and culture – fine art collection	1,119,390	—	—	—	1,119,390
Total general government	1,119,390	—	—	—	1,119,390
Public works:					
Street and subdrain:					
Infrastructure	99,176,313	3,600,000	(1,602,417)	15,544,106	116,718,002
Less accumulated depreciation	(38,760,297)	(2,740,469)	1,602,417	—	(39,898,349)
Total public works	60,416,016	859,531	—	15,544,106	76,819,653
Total	\$ 76,850,155	21,816,504	—	—	98,666,659





STATISTICAL SECTION (UNAUDITED)

The statistical section provides mostly trend data and nonfinancial information useful in assessing the City's financial condition. Because of the special character of the data presented in this section, the statistical section does not come within the scope of the independent audit.



CITY OF BEVERLY HILLS, CALIFORNIA

Net Assets by Component

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

	Fiscal Year ¹									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental Activities										
Invested in capital assets, net of related debt	-	-	-	-	\$74,236,952	\$87,124,580	\$90,099,003	\$99,347,030	\$134,615,771	\$170,857,755
Restricted	-	-	-	-	73,324,963	60,288,794	39,327,127	48,645,518	47,305,578	57,024,038
Unrestricted	-	-	-	-	77,981,395	86,636,302	105,473,162	106,416,210	90,742,468	100,385,884
Total governmental activities net assets	-	-	-	-	225,543,310	234,049,676	234,899,292	254,408,758	272,663,817	328,267,677
Business-type Activities										
Invested in capital assets, net of related debt	-	-	-	-	43,805,961	52,451,937	72,030,679	81,381,640	99,448,107	84,137,521
Restricted	-	-	-	-	13,404,438	13,267,746	3,553,994	3,497,160	3,341,717	3,446,471
Unrestricted	-	-	-	-	46,056,434	45,712,937	45,504,872	37,260,239	25,584,985	43,025,422
Total business-type activities net assets	-	-	-	-	103,266,833	111,432,620	121,089,545	122,139,039	128,374,809	130,609,414
Primary Government										
Invested in capital assets, net of related debt	-	-	-	-	118,042,913	139,576,517	162,129,682	180,728,670	234,063,878	254,995,276
Restricted	-	-	-	-	86,729,401	73,556,540	42,881,121	52,142,678	50,647,295	60,470,509
Unrestricted	-	-	-	-	124,037,829	132,349,239	150,978,034	143,676,449	116,327,453	143,411,306
Total primary government net assets	-	-	-	-	328,810,143	345,482,296	355,988,837	376,547,797	401,038,626	458,877,091

1. Such information is not available for years prior to Fiscal Year 2001.

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Assets

Last Ten Fiscal Years

(Accrual basis of accounting)

(Unaudited)

Expenses	Fiscal Year ¹									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental Activities:										
General Government	\$ -	\$ -	\$ -	\$ -	\$ 14,677,744	\$ 15,233,544	\$ 16,612,650	\$ 17,060,296	\$ 16,860,217	\$ (3,746,165)
Public Safety	-	-	-	-	42,736,731	46,927,534	50,467,538	53,964,163	60,706,720	(75,061,162)
Public Service	-	-	-	-	10,484,736	12,235,436	14,098,820	14,145,177	13,973,670	(14,993,054)
Culture and Recreation	-	-	-	-	28,955,431	34,499,747	34,093,337	34,503,604	34,855,959	(39,675,546)
Interest on long-term debt	-	-	-	-	8,486,029	8,338,292	8,112,750	7,874,136	7,380,629	(7,200,250)
Total governmental activities expenses	-	-	-	-	105,340,671	117,234,553	123,385,095	127,547,376	133,777,195	(140,676,177)
Business-type Activities:										
Water	-	-	-	-	13,709,473	14,059,928	15,139,918	20,047,179	17,522,958	(19,724,346)
Parking	-	-	-	-	10,315,601	11,151,044	11,899,951	10,657,245	12,852,588	(13,438,609)
Solid-waste	-	-	-	-	4,277,840	8,384,540	9,096,548	9,705,225	10,686,276	(10,312,744)
Wastewater	-	-	-	-	5,906,691	5,318,642	4,435,872	4,929,043	3,957,544	(5,436,889)
Stormwater	-	-	-	-	1,315,677	1,463,552	1,627,994	1,923,141	1,558,291	(2,165,250)
Total business-type activities expenses	-	-	-	-	35,525,282	40,377,706	42,200,283	47,261,833	46,577,657	(51,077,838)
Total primary government expenses	-	-	-	-	140,865,953	157,612,259	165,585,378	174,809,209	180,354,852	(191,754,015)

1. Such information is not available for years prior to Fiscal Year 2001.

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Assets Continued

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

	Fiscal Year ¹									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ -	\$ -	\$ -	\$ -	\$ 516,180	\$ 5,592,429	\$ 6,014,375	\$ 5,718,636	\$ 8,585,134	\$ 1,880,850
Public Safety	-	-	-	-	7,500,859	7,715,870	8,871,402	10,628,062	10,374,135	17,392,742
Public Service	-	-	-	-	5,739,310	7,335,819	7,848,207	8,053,012	8,646,841	17,058,816
Culture and Recreation	-	-	-	-	2,307,087	2,709,933	3,418,883	3,702,268	3,362,647	5,679,408
Operating grants and contributions	-	-	-	-	1,718,728	1,564,700	1,895,037	2,076,083	1,933,510	2,188,255
Capital grants and contributions	-	-	-	-	1,540,904	1,064,604	203,578	11,127,637	3,255,196	27,642,764
Total governmental activities program revenue	-	-	-	-	19,323,068	25,983,355	28,251,482	41,305,698	36,157,463	71,842,835
Business-type Activities:										
Charges for services:										
Water	-	-	-	-	15,102,613	15,175,703	15,429,217	17,389,245	17,066,774	17,809,880
Parking	-	-	-	-	11,520,605	11,370,208	11,363,546	10,097,567	10,893,544	12,772,987
Solid Waste	-	-	-	-	5,491,062	8,212,357	9,264,620	10,569,402	11,156,033	11,796,598
Wastewater	-	-	-	-	6,076,174	6,531,029	6,528,102	7,871,955	7,356,176	7,604,664
Stormwater	-	-	-	-	1,761,193	1,763,126	1,760,311	1,762,746	1,748,528	1,804,169
Operating grants and contributions	-	-	-	-	-	33,218	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenue	-	-	-	-	39,951,647	43,085,641	44,345,796	47,690,915	48,221,055	51,788,298
Total Primary Government Program Revenue	-	-	-	-	59,274,715	69,068,996	72,597,278	88,996,613	84,378,518	123,631,133
Net (expense) revenue										
Governmental Activities	-	-	-	-	(86,017,603)	(91,251,198)	(95,133,613)	(86,241,678)	(97,619,732)	(68,833,342)
Business-type Activities	-	-	-	-	4,426,365	2,707,935	2,145,513	429,082	1,643,398	710,460
Total Primary government net expense	-	-	-	-	(81,591,238)	(88,543,263)	(92,988,100)	(85,812,596)	(95,976,334)	(68,122,882)

¹ Such information is not available for years prior to Fiscal Year 2001.

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Assets Continued

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

	Fiscal Year ¹									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets:										
Governmental Activities:										
Taxes:										
Business	\$ -	\$ -	\$ -	\$ -	\$ 23,412,688	\$ 24,976,171	\$ 26,925,080	\$ 27,303,220	\$ 28,188,103	\$ 31,634,820
Property	-	-	-	-	19,519,465	20,910,263	21,939,489	23,766,694	25,726,587	29,053,621
Sales	-	-	-	-	19,110,044	18,070,898	18,496,094	19,945,850	22,577,220	24,817,499
Transient Occupancy	-	-	-	-	17,817,850	14,648,226	14,799,776	16,683,673	19,263,710	22,842,265
Other	-	-	-	-	4,378,018	2,559,155	3,191,878	5,010,222	4,793,930	3,909,671
Grants and Contributions not restricted to specific program	-	-	-	-	2,255,624	2,851,607	3,150,585	2,500,228	1,345,997	1,943,643
Unrestricted investment earnings	-	-	-	-	13,535,699	11,108,942	9,734,466	7,912,553	8,574,015	10,251,387
Net change in fair value of investments	-	-	-	-	2,231,698	1,235,374	103,542	(2,983,022)	(1,000,699)	(1,056,975)
Salary abatement	-	-	-	-	3,972,905	-	-	-	-	-
Pers credit	-	-	-	-	1,863,514	1,946,640	2,165,337	2,154,131	-	-
All street meters	-	-	-	-	-	-	-	2,257,223	-	-
Gain on sale of capital assets	-	-	-	-	32,744	161,146	42,974	20,005	1,958,607	86,031
Miscellaneous	-	-	-	-	1,801,139	567,519	617,816	1,180,367	1,118,830	946,446
Restatements	-	-	-	-	-	-	-	3,328,491	-	-
Transfers	-	-	-	-	10,136,773	721,623	(5,183,808)	-	-	8,794
Total Governmental Activities:	-	-	-	-	120,068,161	99,757,564	95,983,229	109,079,635	112,546,300	124,437,202
Business-type Activities:										
Unrestricted investment earnings	-	-	-	-	3,639,523	3,059,933	2,037,601	1,597,597	1,578,276	1,900,660
Net change in fair value of investments	-	-	-	-	1,244,507	708,468	200,825	(1,245,713)	(451,046)	(411,843)
Gain on sale of capital assets	-	-	-	-	34,365	37,865	39,990	-	-	-
Miscellaneous	-	-	-	-	67,461	-	49,188	268,528	66,715	44,122
Restatements	-	-	-	-	-	-	-	3,398,427	-	-
Transfers	-	-	-	-	-	(721,623)	5,183,808	-	-	(8,794)
Total Business-type Activities:	-	-	-	-	4,985,856	3,084,643	7,511,412	4,018,839	1,193,945	1,524,145
Total Primary Government:	-	-	-	-	125,054,017	102,842,207	103,494,641	113,098,474	113,740,245	125,961,347
Change in Net Assets										
Governmental Activities	-	-	-	-	34,050,558	8,506,366	849,616	22,837,957	14,926,568	55,603,860
Business-type Activities	-	-	-	-	9,412,221	5,792,578	9,656,925	4,447,921	2,837,343	2,234,605
Total Primary Government:	-	-	-	-	43,462,779	14,298,944	10,506,541	27,285,878	17,763,911	57,838,465

1. Such information is not available for years prior to Fiscal Year 2001.

CITY OF BEVERLY HILLS, CALIFORNIA

Fund Balances of Governmental Funds

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

	Fiscal Year ¹									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 1,268,788	\$ 7,399,194	\$ 16,897,631	\$ 16,824,428	\$ 19,613,934	\$ 18,677,717
Unreserved	-	-	-	-	44,028,480	43,405,486	40,182,755	46,637,118	39,149,922	50,378,595
Total General Fund	-	-	-	-	45,297,268	50,804,680	57,080,386	63,461,546	58,763,856	69,056,312
Capital Projects Fund										
Reserved	-	-	-	-	-	-	15,505,809	15,505,809	8,141,312	2,516,874
Unreserved	-	-	-	-	35,215,339	25,557,848	5,955,987	3,372,897	4,151,113	13,488,391
Total Capital Projects Fund	-	-	-	-	35,215,339	25,557,848	21,461,796	18,878,706	12,292,425	16,005,265
All other governmental funds										
Reserved	-	-	-	-	5,875,304	5,120,988	6,495,625	6,181,146	4,375,776	4,908,272
Unreserved, reported in:										
Special revenue funds	-	-	-	-	21,893,748	18,924,503	11,452,115	13,269,678	16,678,355	19,168,742
Permanent funds	-	-	-	-	140,746	150,535	156,420	155,007	156,214	158,782
Total all other governmental funds	-	-	-	-	27,909,798	24,196,026	18,104,160	19,605,831	21,210,345	24,235,796

1. Such information is not available for years prior to Fiscal Year 2001.

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Fund Balances of Governmental Funds

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

	Fiscal Year ¹									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 84,560,161	\$ 81,099,662	\$ 85,468,000	\$ 92,630,838	\$ 99,689,948	\$ 111,358,106
Licenses and Permits	-	-	-	-	6,321,690	5,443,584	6,364,895	8,131,835	8,010,556	10,536,677
Intergovernmental	-	-	-	-	4,495,987	5,072,804	5,249,200	5,061,331	3,427,136	4,213,782
Charges for Services	-	-	-	-	4,242,925	8,477,614	8,739,671	9,304,335	12,006,613	8,752,581
Fines, forfeitures and penalties	-	-	-	-	5,097,418	5,012,130	4,731,482	4,508,502	4,962,465	6,177,549
Use of money and property	-	-	-	-	9,920,957	8,389,863	7,752,047	5,789,525	6,366,557	7,107,586
Net change in fair value of investments	-	-	-	-	1,003,028	525,051	(130,270)	(1,399,763)	(406,404)	(448,507)
Salary abatement	-	-	-	-	3,972,905	-	-	-	-	-
All street meters	-	-	-	-	-	-	-	2,257,223	-	-
Contribution in aid of construction	-	-	-	-	-	-	-	8,686,829	3,086,159	4,300,000
Miscellaneous	-	-	-	-	2,765,354	2,514,159	2,783,153	2,680,718	1,118,830	946,446
Total Revenues	-	-	-	-	122,380,425	116,534,867	120,958,178	137,651,373	138,261,860	152,944,220
Expenditures										
Current										
General government	-	-	-	-	17,016,307	17,700,643	14,697,979	16,148,980	16,682,422	6,468,832
Public Safety	-	-	-	-	45,541,266	48,174,155	49,456,957	53,441,949	59,500,871	72,360,587
Public Service	-	-	-	-	11,348,941	15,031,337	15,625,877	16,964,454	16,017,702	15,043,236
Culture and Recreation	-	-	-	-	25,805,963	33,559,704	30,550,748	30,426,938	30,695,540	35,369,733
Debt Service										
Interest	-	-	-	-	1,766,075	1,766,075	1,766,075	1,766,075	1,766,075	1,766,075
Finance Charges	-	-	-	-	4,000	3,850	4,350	3,875	4,125	4,825
Capital outlay	-	-	-	-	-	9,768,219	8,033,379	13,540,353	12,840,014	2,140,614
Total Expenditures	-	-	-	-	101,482,552	126,003,983	120,135,365	132,292,624	137,506,749	133,153,902
Excess of revenues over expenditures	-	-	-	-	20,897,873	(9,469,116)	822,813	5,358,749	755,111	19,790,318
Other financing sources (uses)										
Transfers in	-	-	-	-	20,637,480	5,211,671	448,783	99,027	429,230	230,344
Transfers out	-	-	-	-	(27,722,793)	(3,606,406)	(5,183,808)	(158,035)	(64,723)	(2,989,915)
Total other financing sources (uses)	-	-	-	-	(7,085,313)	1,605,265	(4,735,025)	(59,008)	364,507	(2,759,571)
Special Item, pension contribution	-	-	-	-	-	-	-	-	(13,420,437)	-
Restatement	-	-	-	-	-	-	-	2,621,362	-	-
Net change in fund balances	-	-	-	-	13,812,560	(7,863,851)	(3,912,212)	7,921,103	(12,300,819)	17,030,747
Debt service as a percentage of noncapital expenditures	-	-	-	-	1.74%	1.52%	1.58%	1.49%	1.42%	1.35%

1. Such information is not available for years prior to Fiscal Year 2001.

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 ²	Total Direct Classification A Base Tax Rate ¹	Total Direct Classification A Additional Tax Rate ¹
2006	1,110,923	1,088,021	97.94%	207.39	0.04345
2005	1,195,093	1,177,781	98.55%	197.07	0.04128
2004	1,185,094	1,169,135	98.65%	193.81	0.04060
2003	1,214,580	1,204,494	99.17%	187.60	0.03930
2002	1,192,573	1,180,681	99.00%	183.15	0.03836
2001	1,172,100	1,163,013	99.22%	176.40	0.03695
2000	1,061,770	1,056,976	99.55%	172.49	0.03613
1999	-	-	N/A	169.64	0.03553
1998	-	-	N/A	167.22	0.03502
1997 ³	-	-	N/A	163.00	71.00

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

2. Such information is not available for Fiscal Years 1997 through 1999.

3. For Fiscal Year 1997, the tax rate structures for the classifications listed below were as follows:

Classification A - Business Services

- License plus first employee.....\$163.00
- Each additional employee.....\$ 71.00

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 ²	Total Revenue Classification B Minimum Tax Rate ¹	Total Revenue Classification B Additional Tax Rate ¹
2006	3,510,620	3,488,038	99.36%	75.00	0.00125
2005	3,256,101	3,247,327	99.73%	75.00	0.00125
2004	3,034,898	3,029,840	99.83%	75.00	0.00125
2003	2,890,044	2,881,423	99.70%	75.00	0.00125
2002	2,955,269	2,934,122	99.28%	75.00	0.00125
2001	2,983,354	2,975,164	99.73%	75.00	0.00125
2000	3,125,130	3,116,483	99.72%	75.00	0.00125
1999	-	-	N/A	75.00	0.00125
1998	-	-	N/A	75.00	0.00125
1997	-	-	N/A	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

2. Such information is not available for Fiscal Years 1997 through 1999.

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 ²	Total Revenue Classification C Base Tax Rate ¹	Total Revenue Classification C Professional Payroll Tax Rate ¹	Total Revenue Classification C Non-Professional Payroll Tax Rate ¹
2006	4,117,922	4,022,750	97.69%	1,152.81	0.55424	0.11134
2005	4,085,790	4,011,585	98.18%	1,095.41	0.52664	0.10580
2004	4,056,169	3,995,910	98.51%	1,077.31	0.51794	0.10405
2003	4,052,604	4,004,914	98.82%	1,042.79	0.50135	0.10071
2002	3,929,097	3,885,775	98.90%	1,018.05	0.48945	0.09832
2001	3,756,392	3,739,625	99.55%	980.50	0.47140	0.09470
2000	3,506,739	3,490,495	99.54%	958.79	0.46096	0.09260
1999	-	-	N/A	942.95	0.45334	0.09107
1998	-	-	N/A	929.47	0.44686	0.08977
1997	-	-	N/A	906.00	0.43558	182.00

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
 - Each hour of non-professional employee payroll

2. Such information is not available for Fiscal Years 1997 through 1999.

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 ²	Total Revenue Classification D Minimum Tax Rate ¹	Total Revenue Classification D Additional Tax Rate ¹
2006	316,780	316,780	100.00%	255.00	0.0030
2005	205,933	205,933	100.00%	255.00	0.0030
2004	195,540	195,540	100.00%	255.00	0.0030
2003	193,238	193,238	100.00%	255.00	0.0030
2002	208,388	208,388	100.00%	255.00	0.0030
2001	212,696	212,696	100.00%	255.00	0.0030
2000	171,226	171,226	100.00%	255.00	0.0030
1999	-	-	N/A	255.00	0.0030
1998	-	-	N/A	255.00	0.0030
1997 ³	-	-	N/A	250.00	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

2. Such information is not available for Fiscal Years 1997 through 1999.

3. For Fiscal Year 1997, the tax rate structures for the classifications listed below were as follows:

Classification D - Used Car Sales
 -Minimum Tax
 -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 E Tax Due	Total Revenue Classification E Tax Paid	Total Revenue Classification E Percentage Paid ²	Total Revenue Classification E Tax Rate ¹	Total Revenue Classification F Tax Due	Total Revenue Classification F Tax Paid	Total Revenue Classification F Percentage Paid ²	Total Revenue Classification F Tax Rate ¹
2006	3,612,397	3,590,766	99.40%	0.0120	10,512,617	10,414,647	99.07%	0.02350
2005	3,264,531	3,261,926	99.92%	0.0120	10,481,624	10,421,110	99.42%	0.02350
2004	3,019,859	3,019,646	99.99%	0.0120	10,073,178	10,027,327	99.54%	0.02350
2003	2,930,346	2,929,104	99.96%	0.0120	9,756,471	9,755,242	99.99%	0.02350
2002	2,989,834	2,989,360	99.98%	0.0120	9,670,243	9,643,987	99.73%	0.02350
2001	3,182,568	3,181,881	99.98%	0.0120	8,863,393	8,863,393	100.00%	0.02350
2000	2,873,795	2,867,047	99.77%	0.0120	8,404,803	8,375,748	99.65%	0.02350
1999	-	-	N/A	0.0120	-	-	N/A	0.02350
1998	-	-	N/A	0.0120	-	-	N/A	0.02350
1997	-	-	N/A	0.0120	-	-	N/A	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

2. Such information is not available for Fiscal Years 1997 through 1999.

CITY OF BEVERLY HILLS, CALIFORNIA
Revenue Bases and Rates of Business Tax
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 ²	Total Revenue Classification G Tax Rate ¹	Total Revenue Classification G1 Tax Due	Total Revenue Classification G1 Tax Paid	Total Revenue Classification G1 ³ Percentage Paid	Total Revenue Classification G1 ³ Tax Rate ¹
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%	0.00100
2004	4,883,326	4,633,712	94.89%	0.00350	-	-	N/A	N/A
2003	4,628,555	4,464,970	96.47%	0.00350	-	-	N/A	N/A
2002	4,553,941	4,551,257	99.94%	0.00350	-	-	N/A	N/A
2001	4,257,879	4,232,159	99.40%	0.00350	-	-	N/A	N/A
2000	3,602,582	3,601,267	99.96%	0.00350	-	-	N/A	N/A
1999	-	-	N/A	0.00350	-	-	N/A	N/A
1998	-	-	N/A	0.00350	-	-	N/A	N/A
1997	-	-	N/A	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. Such information is not available for Fiscal Years 1997 through 1999.

3. 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
 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 ²	Total Revenue Classification O.1 Minimum Tax Rate ¹	Total Revenue Classification O.1 Additional Tax Rate ¹
2006	114,881	114,881	100.00%	1,696.12	0.12
2005	110,942	110,942	100.00%	1,611.67	0.11
2004	118,460	118,460	100.00%	1,585.04	0.11
2003	125,905	125,905	100.00%	1,534.25	0.11
2002	128,707	128,707	100.00%	1,497.85	0.11
2001	118,123	118,123	100.00%	1,442.60	0.10
2000	19,126	19,126	100.00%	1,410.66	0.10
1999	-	-	N/A	1,387.35	0.10
1998	-	-	N/A	1,367.52	0.10
1997	-	-	N/A	1,333.00	0.10

1. Business Tax Classifications and associated rate structures:

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

2. Such information is not available for Fiscal Years 1997 through 1999.

CITY OF BEVERLY HILLS, CALIFORNIA
 Revenue Bases and Rates of Business Tax
 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 ²	Total Revenue Classification O.2 Minimum Tax Rate ¹	Total Revenue Classification O.2 Additional Tax Rate ¹
2006	69,999	69,999	100.00%	3,406.96	0.32
2005	62,179	62,179	100.00%	3,235.43	0.31
2004	51,539	51,539	100.00%	3,181.97	0.30
2003	70,621	70,621	100.00%	3,080.02	0.29
2002	75,004	75,004	100.00%	3,006.95	0.29
2001	68,786	68,786	100.00%	2,896.04	0.28
2000	180,375	180,375	100.00%	2,831.91	0.27
1999	-	-	N/A	2,785.12	0.27
1998	-	-	N/A	2,745.27	0.27
1997	-	-	N/A	2,676.00	0.26

1. Business Tax Classifications and associated rate structures:

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

2. Such information is not available for Fiscal Years 1997 through 1999.

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Business Tax Payers³

June 30, 2006

(Unaudited)

Rank	2006 Taxpayer¹	1999 Taxpayer²
1	B.W. Hotel LLC	B.W. Hotel LLC
2	Creative Artists Agency, LLC.	Oasis West Realty LLC
3	Sajahtera, INC. DBA The B.H HOTEL	Creative Artists Agency, LLC
4	Canyon Capital Advisors, LLC	Sajahtera, INC. DBA The B.H HOTEL
5	Oasis West Realty LLC	Wilshire Rodeo Fee LLC
6	Peninsula Beverly Hills	Peninsula Beverly Hills
7	Wilshire Rodeo Fee LLC	Two Rodeo Dr.
8	United Talent Agency INC.	International Creative Management
9	International Creative Management	Morris Agency, WM
10	NRT INC	Maple Plaza, LTD

1. The amounts of business tax have not been disclosed due to the City's practice of confidentiality.
2. The amounts of business tax have not been disclosed due to the City's practice of confidentiality. Due to the Y2K system update, information earlier than 1999 is not available.
3. 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	Secured Taxes				Unsecured Taxes			
	Total Levy	Collections	Delinquency ¹		Total Levy	Collections	Delinquency ¹ (Delinquencies Collected)	
			Amount	Percent			Amount	Percent
2006	\$ 25,332,035	22,650,471	2,681,564	10.59%	1,223,537	1,236,965	(13,428)	-1.10%
2005	23,053,582	21,930,784	1,122,798	4.87	1,210,988	1,208,802	2,186	0.18
2004	21,401,458	20,446,150	955,308	4.46	1,257,766	1,224,093	33,673	2.68
2003	20,079,300	19,285,914	793,386	3.95	1,296,475	1,202,994	93,481	7.21
2002	19,006,555	18,030,992	975,563	5.13	1,296,903	1,170,601	126,302	9.74
2001	17,678,108	16,776,158	901,950	5.10	1,197,378	1,164,422	32,956	2.75
2000	16,932,000	15,878,000	1,054,000	6.22	1,087,000	1,078,000	9,000	0.83
1999	15,574,000	14,828,000	746,000	4.79	995,000	935,000	60,000	6.03
1998	13,988,000	13,228,000	760,000	5.43	946,000	943,000	3,000	0.32
1997	14,401,000	12,978,000	1,423,000	9.88	925,000	900,000	25,000	2.70

1. Delinquency amounts obtained from the Los Angeles County Auditor-Controller's Office.

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
2006	\$ 14,966,672,240	424,717,447	36,086,400	15,355,303,287	15,391,389,687	99.77%
2005	13,678,028,419	438,688,276	36,335,600	14,080,381,095	14,116,716,695	99.74
2004	12,797,945,339	398,885,451	36,197,000	13,160,633,790	13,196,830,790	99.73
2003	12,045,395,152	409,001,238	36,428,000	12,417,968,390	12,454,396,390	99.71
2002	11,458,425,101	418,296,255	36,436,400	11,840,284,956	11,876,721,356	99.69
2001	10,562,377,726	414,388,951	36,727,600	10,940,039,077	10,976,766,677	99.67
2000	9,803,770,000	372,665,000	37,047,000	10,139,388,000	10,176,435,000	99.64
1999	8,734,770,000	350,126,000	37,377,000	9,047,519,000	9,084,896,000	99.59
1998	8,411,686,000	308,970,000	37,604,000	8,683,052,000	8,720,656,000	99.57
1997	8,392,848,000	315,121,000	37,605,000	8,670,364,000	8,707,969,000	99.57

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

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					Total	
	General Fund (Base) ²	Retirement Benefits for Public Safety Personnel	Total	Beverly Hills Unified	Los Angeles Unified	Los Angeles Community College ³	General	Flood Control District	Sanitation District No. 4	School Services ³	Metropolitan Water District		West Mosquito Abatement District ³
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	—	—	0.0061	—	1.1776
2003	1.0000	0.0064	1.0064	0.0678	0.0369	0.0146	0.0010	0.0009	0.0010	—	0.0067	—	1.1353
2002	1.0000	0.0064	1.0064	0.0420	0.0481	0.0160	0.0011	0.0011	0.0010	—	0.0077	—	1.1234
2001	1.0000	0.0079	1.0079	0.0448	0.0276	—	0.0013	0.0016	0.0013	—	0.0088	—	1.0933
2000	1.0000	0.0143	1.0143	0.0492	0.0315	—	0.0014	0.0018	0.0016	—	0.0089	—	1.1087
1999	1.0000	0.0208	1.0208	0.0644	0.0247	—	0.0015	0.0020	0.0015	—	0.0089	—	1.1238
1998	1.0000	0.0096	1.0096	0.0130	0.0120	—	0.0016	0.0022	0.0023	—	0.0089	—	1.0496
1997	1.0000	0.0151	1.0151	0.0125	0.0033	—	0.0016	0.0020	0.0022	—	0.0089	—	1.0456

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 1 and Sections 39308, 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		
2006	\$ 33,486,667	978,209,602	178,652,749	1,973,711,974	76,289,600	275,723	1,785,859,454	47,266,926	641,561
2005	30,871,967	913,999,954	179,854,125	1,819,799,380	72,120,621	250,145	1,638,404,110	50,158,693	613,289
2004	29,440,970	806,245,366	172,145,440	1,690,927,359	68,658,901	233,828	1,532,895,593	45,823,845	579,904
2003	27,774,098	647,868,189	143,792,343	1,575,523,696	66,870,275	220,548	1,435,656,696	50,337,656	552,379
2002	23,460,661	640,376,246	133,106,930	1,493,979,343	64,124,699	271,372	1,359,151,316	51,936,338	518,550
2001	21,932,717	547,594,140	81,656,970	1,395,631,981	62,138,839	258,052	1,278,737,970	53,288,297	485,297
2000	20,717,000	526,564,000	77,066,000	1,305,263,000	59,024,000	244,000	1,212,694,000	49,790,000	449,000
1999	19,601,000	480,349,000	72,589,000	1,232,911,000	56,316,000	219,000	1,154,981,000	46,002,000	410,000
1998	14,476,000	439,845,000	70,384,000	1,189,353,000	55,308,000	235,000	1,135,412,000	43,744,000	399,000
1997	14,378,000	418,476,000	69,603,000	1,170,828,000	53,699,000	232,000	1,133,258,000	42,820,000	409,000

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. See note 3 to Exhibit S-8. Levies do not include direct assessments and allocations from special augmentation fund.

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Property Taxpayers¹

Year Ended June 30, 2006

(Unaudited)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>
Arden Realty Limited Partnership	Office buildings	\$ 205,680,663	1.30%
Sajahtera, Inc.	Hotel	182,000,000	1.15
Maple Plaza LP	Office buildings	176,700,000	1.11
B W Hotel LLC	Hotel	153,903,730	0.97
Douglas Emmet 2000 LLC	Office buildings	151,519,647	0.96
Rodeo Owner Corporation	Shopping center	151,392,630	0.96
Beverly Wilshire Owner	Office buildings/bank	130,000,000	0.82
Oasis West Realty LLC	Office buildings	128,296,926	0.81
Wilshire Rodeo Fee LLC	Office buildings/shopping center	113,220,000	0.71
Wilshire LLC	Office buildings/pharmacy	90,222,035	0.57
Total of principal property taxpayers		1,482,935,631	9.36
All other property taxpayers		14,365,182,354	90.64
Total		<u>\$ 15,848,117,985</u>	100.00%

1. Source – Los Angeles County Tax Assessor

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
	Revenue Bonds	Revenue Bonds	Capital Leases			
2006 ¹	\$ 140,288,157	\$ 64,163,600	\$ 19,215,841	\$ 223,667,598	-	\$ -
2005 ¹	144,999,466	68,050,505	19,855,335	232,905,306	-	-
2004 ¹	149,528,882	71,794,305	20,457,678	241,780,865	-	-
2003 ¹	153,630,608	75,235,792	23,311,857	252,178,257	23.0278%	8,140
2002 ¹	150,509,035	81,627,111	-	232,136,146	21.7724%	7,591
2001 ¹	153,971,982	74,045,224	-	228,017,206	21.1307%	7,268
2000 ²	253,072,000	-	-	253,072,000	-	4,452
1999 ²	259,689,000	-	-	259,689,000	-	4,504
1998 ²	218,803,000	-	-	218,803,000	-	3,239
1997 ²	223,586,000	-	-	223,586,000	-	3,388

1. Source - U.S. Department of Commerce, Bureau of Economic Analysis. For fiscal years 2006-2004, the information on percentage of personal income and per capita income is unavailable.

2. Fiscal Year 2000-1997 data are from the City of Beverly Hills Fiscal Year 2000 Comprehensive Annual Financial Report. Information for 2000-1997, percentage of personal income, is not available.

CITY OF BEVERLY HILLS, CALIFORNIA

Computation of Direct and Overlapping Debt

June 30, 2006

(Unaudited)

<u>Jurisdiction</u>	<u>Gross Debt¹</u>	<u>Net Assessed Valuation²</u>	<u>Amount of Gross Debt Applicable to the City³</u>		<u>Gross Debt Applicable to the City</u>
			<u>Direct</u>	<u>Overlapping</u>	
City of Beverly Hills	\$ 140,288,156	15,355,303,287	140,288,156	1,402,882	100.000%
Beverly Hills Unified School District	146,994,380	15,321,203,859	—	146,625,424	99.749
Los Angeles Unified School District	6,093,283,350	360,763,600,337	—	1,340,522	0.022
Los Angeles Community College District	694,705,000	446,794,214,012	—	25,849,973	3.721
County of Los Angeles	2,360,233,944	835,901,667,777	—	49,234,480	2.086
Los Angeles County Flood Control District	127,840,000	788,682,692,045	—	2,702,538	2.114
County Sanitation District No. 4 Authority	3,975,468	Direct Assessment	—	111,154	2.796
Mountains Recreation/Conservation Authority	13,925,000	Direct Assessment	—	111	0.001
	<u>\$ 9,581,245,298</u>		<u>140,288,156</u>	<u>227,267,084</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 – Taxpayers’ Guide compiled by the Los Angeles County Auditor-Controller’s Office.
3. Source – California Municipal Statistics, Inc.

CITY OF BEVERLY HILLS, CALIFORNIA

Legal Debt Margin Information

Last Ten Fiscal Years
(Unaudited)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 326,549	\$ 327,025	\$ 340,684	\$ 381,616	\$ 411,628,750	\$ 445,377,051	\$ 467,039,865	\$ 494,881,155	\$ 529,376,876	\$ 577,177,113
Total net debt applicable to limit	374	187	-	-	-	-	-	-	-	-
Legal debt margin	326,175	326,838	340,684	381,616	411,628,750	445,377,051	467,039,865	494,881,155	529,376,876	577,177,113
Total net debt applicable to the limit as a percentage of debt limit	0.11%	0.06%	-	-	-	-	-	-	-	-

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed valuations:

Net assessed value	15,355,303,287
Add back exempt real property	<u>36,086,400</u>
Total assessed value	<u><u>15,391,389,687</u></u>

Legal debt margin:

Debt limitation (3.75% of total assessed value)	577,177,113
Debt applicable to limitation:	
Total long-term liabilities	248,920,224
Amounts to be paid from:	
Water revenue	32,291,851
Parking revenue	33,328,168
Wastewater revenue	17,759,423
Unearned Revenue	695,543
Deferred Credit from sale-leaseback transactions	1,202,721
Other lease revenue bonds	140,288,156
Compensated absences	14,410,862
Outstanding claims	<u>8,943,500</u>
Total long-term liabilities excluded from computation	<u>248,920,224</u>
Total debt applicable to limit	<u>—</u>
Legal debt margin	<u><u>577,177,113</u></u>

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 Service	(D) Total General Government Expenditures	(E) Total Governmental Activities Expenses	Ratio of Debt Service to General Governmental Expenditures (A)/(D)	Ratio of Govern- mental Activities Debt Service to General Govern- mental Expenses Plus Principal (C)/[(B)+(E)]
	Principal	Interest		Principal (B)	Interest					
2006	—	1,766,075	1,766,075	4,654,162	5,429,350	11,849,587	134,003,203	140,676,177	1.32%	8.15%
2005	\$ —	1,766,075	1,766,075	4,472,268	5,610,429	11,848,772	124,731,458	133,777,195	1.42	8.57
2004	—	1,769,950	1,769,950	4,044,580	6,104,186	11,918,716	118,910,306	127,547,376	1.49	9.06
2003	—	1,770,425	1,770,425	1,848,571	6,342,325	9,961,321	117,285,794	123,385,095	1.51	7.95
2002	—	1,769,925	1,769,925	3,501,380	6,568,367	11,839,672	119,842,170	117,234,553	1.48	9.81
2001	—	1,770,075	1,770,075	3,345,856	6,715,954	11,831,885	129,205,345	105,340,671	1.37	10.89
2000	—	1,769,975	1,769,975	3,271,200	6,865,414	11,906,589	126,949,909	99,744,199	1.39	11.56
1999	1,701,000	7,687,000	9,388,000	—	—	9,388,000	198,743,000	—	4.72	n/a
1998	2,182,000	7,640,000	9,822,000	—	—	9,822,000	103,520,000	—	9.49	n/a
1997	1,924,000	7,727,000	9,651,000	—	—	9,651,000	94,235,000	—	10.24	n/a
1996	1,537,000	7,809,000	9,346,000	—	—	9,346,000	88,698,000	—	10.54	n/a

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 General Bonded Debt Outstanding

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Per Capita ¹
	Principal	Interest	Principal	Interest		
2006	\$ 6,420,238	7,091,662	2,780,837	1,882,432	18,175,169	-
2005	4,472,269	5,384,700	3,007,102	1,818,017	14,682,088	408
2004	4,044,580	7,499,719	2,425,420	1,957,097	15,926,816	539
2003	1,848,570	7,686,546	976,430	2,323,925	12,835,471	162
2002	3,501,379	7,899,223	1,628,621	2,648,184	15,677,407	482
2001	3,345,856	8,046,960	2,139,144	2,870,787	16,402,747	556
2000	3,271,201	9,231,060	2,048,799	2,969,008	17,520,068	577
1999	1,701,386	15,815,465	2,027,614	3,168,576	22,713,041	741
1998	2,181,702	7,640,110	2,012,298	3,318,874	15,152,984	445
1997	1,924,167	7,727,434	1,898,833	3,438,887	14,989,321	445

1. Source - U.S. Department of Commerce, Bureau of Economic Analysis. The per capita information is not available for the City of Beverly Hills for the fiscal year 2006.

CITY OF BEVERLY HILLS, CALIFORNIA

Water Enterprise Fund Long-Term Debt Coverage

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Water Enterprise Fund Operations			Water Enterprise Long-Term Debt Service Requirements ³			Coverage
	Gross Revenues ¹	Expenses Net of Depreciation and Interest ²	Net Revenue Available for Debt Service	Principal	Interest	Total	
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	4,799,566	460,000	560,448	1,020,448	4.70
2004	17,789,695	15,267,461	2,522,234	680,000	579,581	1,259,581	2.00
2003	16,594,748	12,436,800	4,157,948	655,000	607,548	1,262,548	3.29
2002	16,879,558	11,651,056	5,228,502	910,000	647,361	1,557,361	3.36
2001	17,419,512	11,533,840	5,885,672	850,000	698,123	1,548,123	3.80
2000	17,073,628	11,096,191	5,977,437	815,000	748,599	1,563,599	3.82
1999	16,355,000	11,547,000	4,808,000	980,000	830,620	1,810,620	2.66
1998	16,028,000	10,527,000	5,501,000	680,000	936,094	1,616,094	3.40
1997	16,666,000	10,838,000	5,828,000	665,000	970,097	1,635,097	3.56

1. Includes operating and nonoperating revenues. Amounts exclude operating transfers in and contributions from other funds (and capital contributions and residual equity transfers in prior to FY2000).
2. Includes operating expenses less depreciation and amortization, plus nonoperating expenses less interest expense. Amounts exclude operating transfers out and contributions to other funds (and residual equity transfers out prior to FY2000).
3. Amounts exclude compensated absences.

CITY OF BEVERLY HILLS, CALIFORNIA

Wastewater Enterprise Fund Long-Term Debt Coverage

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Wastewater Enterprise Fund Operations			Wastewater Enterprise Long-Term Debt Service Requirements ³			Coverage
	Gross Revenues ¹	Expenses Net of Depreciation and Interest ²	Net Revenue Available for Debt Service	Principal	Interest	Total	
2006	\$ 7,917,174	3,395,872	4,521,302	800,000	899,721	1,699,721	2.66
2005	7,549,042	1,949,560	5,599,482	775,000	930,721	1,705,721	3.28
2004	7,928,519	2,933,966	4,994,553	745,000	958,038	1,703,038	2.93
2003	6,764,202	2,473,840	4,290,362	700,000	994,209	1,694,209	2.53
2002	6,886,113	3,367,825	3,518,288	660,000	1,039,621	1,699,621	2.07
2001	6,592,540	4,082,274	2,510,266	615,000	1,082,934	1,697,934	1.48
2000	5,479,165	4,644,676	833,489	575,000	1,123,417	1,698,417	0.49
1999	5,466,000	826,000	4,640,000	910,000	1,217,095	2,127,095	2.18
1998	4,965,000	2,621,000	2,344,000	440,000	1,348,132	1,788,132	1.31
1997	5,400,000	3,070,000	2,330,000	425,000	1,367,405	1,792,405	1.30

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	Personal Income ³	Per Capita Personal Income ³	Unemployment Rate ⁴
2006	35,813	\$ -	\$ -	\$ -	3.30%
2005	35,754	-	-	-	3.40%
2004	35,648	-	-	-	4.20%
2003	35,353	-	1,095,101,685	30,979	4.50%
2002	34,880	-	1,066,193,126	30,581	4.40%
2001	34,403	-	1,079,078,411	31,371	3.70%
2000	35,096	70,945	1,026,623,111	-	3.50%
1999	34,398	-	-	-	-
1998	33,992	-	-	-	-
1997	33,628	-	-	-	-

1. Source - State of California Department of Finance. Years 2001-2006 reflect the year 2000 Benchmark that corrects for census omissions and geo-coding errors.

2. Source - Census of Population and Housing, U.S. Bureau of the Census; 2000 Census. The median household income information is not available for years 2006-2001 and 1999-1997.

3 Source - U.S. Department of Commerce, Bureau of Economic Analysis. Personal income information is not available for years 2006-2004 and 1999-1997. The per capita personal income information is not available for years 2006-2004 and 2000-1997.

4 Source - State of California Employment Development Department. Rates for years 1999-1997 are not available for the City of Beverly Hills. These rates are not seasonally adjusted.

CITY OF BEVERLY HILLS, CALIFORNIA

Demographic Statistical Data

June 30, 2006

(Unaudited)

Percent of Population in Various Age Groups ¹:

Age	1960	1970	1980	1990	2000
0-9	7.7%	7.3%	5.8%	7.7%	9.1%
10-19	12.1	13.2	13.4	9.9	12.9
20-34	13.1	14.8	18.9	21.2	18.4
35-44	13.7	11.6	13.2	15.9	15.2
55-64	17.7	17.0	13.8	11.3	11.0
65+	16.4	19.9	21.2	20.3	17.6
Median age:	47.0	46.9	43.9	42.5	41.3

Population Distribution by Race (2000 Census) ¹:

	Total	Percent
White	28,736	85.06%
Asian	2,383	7.05
African American	597	1.77
Native American	43	0.13
Two or more races	1,507	4.46
Other	518	1.53
	<u>33,784</u>	<u>100.00%</u>

Average income levels (2000 Census) ¹:

	Households	Families
Median	\$ 70,945	102,611

Household Size (1990 Census) ¹:

Household	Households	Percent
1	5,548	38.10%
2	4,741	32.60
3	1,739	11.90
4	1,498	10.30
5	710	4.90
6+	328	2.20
	<u>14,564</u>	<u>100.00%</u>

Housing Units (Estimated July 2006) ¹: 16,860

Housing Units (2000 Census) ¹:

	Total	Percent
Single	5,664	35.72%
Multiple	10,163	64.10
Mobile	28	0.18
	<u>15,855</u>	<u>100.00%</u>

Median value of owner-occupied units (2000 Census) ¹: \$1,000,000+

School Enrollment:

BHUSD (K-12) ³ :	5,125
All schools (Nursery - 12) (2000 Census) ¹ :	6,141

1. Source – Census of Population and Housing, U.S. Bureau of the Census
2. Source – State of California Department of Finance
3. Source – Beverly Hills Unified School District

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Employers

Current Year and Nine Years Ago²
(Unaudited)

Employer	2004 ¹			1997		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Beverly Hills	1,042	1	2.2%	—	—	—
Beverly Hills Unified School District	642	2	1.4%	—	—	—
Regent Beverly Wilshire Hotel	620	3	1.3%	—	—	—
Beverly Hilton Hotel	599	4	1.3%	—	—	—
Beverly Hills Hotel	500	5	1.1%	—	—	—
William Morris Agency, Inc.	500	6	1.1%	—	—	—
Saks Fifth Avenue	460	7	1.0%	—	—	—
Neiman Marcus Group, Inc.	450	8	1.0%	—	—	—
Creative Artists Agency	425	9	0.9%	—	—	—
Peninsula Beverly Hills Hotel	400	10	0.9%	—	—	—
Total	5,638		12.2%	—		—
All others:	40,081		87.80%	—		—
Total	45,719		100%	—		—

1. Source - Dun & Bradstreet, Info USA, Burr Consulting. The most recent period in which such information is available was Fiscal Year 2004.

2. The information for the top 10 employers for the City of Beverly Hills for Fiscal Years 2006 and 1997 are not available

CITY OF BEVERLY HILLS, CALIFORNIA

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years
(Unaudited)

Function	Full-time Equivalent Employees ¹									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government	-	-	-	-	94.51	93.05	93.78	90.15	89.02	97.63
Public Safety	-	-	-	-	413.57	429.31	434.91	426.16	422.27	393.72
Public Service	-	-	-	-	262.20	277.39	269.08	254.88	246.93	263.51
Culture and Recreation	-	-	-	-	199.24	201.42	211.41	207.46	194.8	163.94
Total	-	-	-	-	969.52	1,001.17	1,009.18	978.65	953.02	918.80

1. Such information is not available for years prior to Fiscal Year 2001.

CITY OF BEVERLY HILLS, CALIFORNIA

Operating Indicators

Current Year and Nine Years Ago11

(Unaudited)

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Business licenses issued ¹	13,155	12,910	13,370	12,073	8,498	11,751	11,884	11,488	11,620	11,620
Public Safety										
Police										
Physical arrests ²	425	332	279	969	276	221	275	221	1,272	—
Traffic violations:										
Signed Citations ²	14,713	12,582	15,107	13,651	13,541	11,912	13,376	14,598	9,737	—
Non-Moving Citations ²	—	—	—	—	—	—	—	—	7,311	—
Parking Citations ³	—	—	—	—	—	—	—	120,852	109,189	132,578
Calls For Service by Patrol ²	52,798	52,910	—	56,735	55,620	57,851	61,393	51,856	48,111	—
Fire ⁴										
Number of calls answered	—	—	—	—	—	—	—	—	—	5,187
Building and Safety										
Inspections ⁵	—	—	—	14,693	16,498	16,893	17,956	17,979	15,146	10,642
Building permits issued	2,500	2,780	2,506	2,508	2,352	2,228	2,319	2,447	2,743	—
Public Service										
Street resurfacing (miles)	—	—	—	—	—	—	—	—	—	1
Potholes repaired ⁶	—	—	—	—	—	—	—	—	—	678
New water connections	19	18	32	35	15	9	10	7	23	31
Water main breaks ⁷	—	—	—	27	25	17	29	25	20	29
Gallons of water (average daily consumption in millions)	13.00	13.00	12.06	12.58	12.44	11.75	10.30	10.30	10.30	10.30
Culture and Recreation										
Number of children participating in library programs ⁸	14,247	—	17,407	17,400	15,386	18,574	19,912	16,889	13,667	17,305
Total enrollment in City offered classes ⁹	—	—	—	—	—	—	—	8,787	11,094	13,041
Total participating art show artists	410	421	433	436	433	449	462	467	476	471

1. The information of the number of business licenses issued in fiscal year 2006 is not available.

2. Based on Calendar Year. Information for the number of physical arrests, signed citations, and calls for service by patrol for fiscal year 2006 are not available. Information for the number of non-moving citations for fiscal years 1997-2004 is not available.

3. Source - ACS State and Local Solutions, a parking citation collection service provided for the City of Beverly Hills. The information for parking citations during the fiscal years 2003-1997 is not available.

4. Information for the number of calls answered during fiscal years 1997-2005 is not available.

5. Based on a calendar year. Information for prior years 1999-1997 is not available.

6. Information for the number of potholes repaired for the fiscal years 2005-1997 are not available.

7. Information for the number of water main breaks for the fiscal years 1999-1997 is not available.

8. Information for the number of children participating in library programs in 1998 is unavailable.

9. Fiscal years 1997 and 1998 are estimations of participating art show artists.

10. Information for the number of students enrolled in City offered classes for fiscal years 2003-1997 is not available.

11. Source- Various City Departments

CITY OF BEVERLY HILLS, CALIFORNIA

Capital Asset Statistics by Function

Last Ten Fiscal Years²
(Unaudited)

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	40	40	40	40	40	40	40	40	43	43
Fire										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Fire Trucks ¹	—	—	—	—	—	—	—	—	—	16
Public Service										
Miles of streets (all paved)	102	102	102	102	102	102	102	102	102	109
Miles of alleys (all paved)	41	41	41	41	41	41	41	41	41	41
Street lights	5483	5483	5683	5683	5683	5683	5683	5683	5683	5017
Alley lights	854	854	858	858	858	858	858	858	858	858
Traffic Signalized intersections	94	94	94	94	94	94	94	94	94	95
Parking meters (on street)	2746	2746	2770	2770	2770	2770	2770	2770	2770	2762
Water mains (miles)	184	184	184	184	171	171	171	171	171	171
Meters in service	10182	10524	10510	10264	10656	10728	10728	10728	10728	10728
Fire hydrants	1236	1080	1084	1084	1200	1200	1200	1200	1200	1200
Sanitary sewers (miles)	96	96	96	96	96	96	96	96	96	96
Storm drains (miles)	84	84	84	84	84	84	84	84	84	84
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. The information for the number of fire trucks for fiscal years 1997-2005 are not available.

2. Source- Various City Departments



