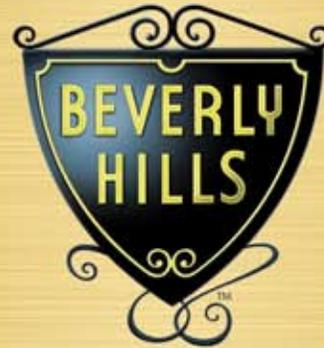


CITY OF BEVERLY HILLS, CALIFORNIA

FISCAL YEAR ENDED JUNE 30, 2011



COMPREHENSIVE ANNUAL FINANCIAL REPORT





CITY of BEVERLY HILLS
STATE of CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2011

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, 2011

Table of Contents

	<u>Statement/ Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Letter of Transmittal		1
Principal City Officials		11
City Organizational Chart		12
Administrative Services Department Organizational Chart		13
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting		14
FINANCIAL SECTION		
Independent Auditors' Report.....		15
Management's Discussion and Analysis (Unaudited).....		17
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	29
Statement of Activities	A-2	31
Fund Financial Statements:		
Balance Sheet – Governmental Funds	A-3	32
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets.....	A-4	33
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	A-5	34
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	A-6	35
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	A-7	36
Statement of Net Assets – Proprietary Funds	A-8	38
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	A-9	40
Statement of Cash Flows – Proprietary Funds	A-10	41
Notes to Basic Financial Statements:		
(1) Summary of Significant Accounting Policies		47
(2) Reconciliation of Government-wide and Fund Financial Statements		52
(3) Stewardship, Compliance and Accountability		57
(4) Cash and Investments		58
(5) Receivables and Deferred Revenues.....		63
(6) Interfund Receivables/Payables		65
(7) Transfers		66
(8) Capital Assets		67
(9) Long-Term Liabilities		72
(10) Employee Retirement Systems and Deferred Compensation Plans		80

CITY OF BEVERLY HILLS, CALIFORNIA

Comprehensive Annual Financial Report

Year Ended June 30, 2011

Table of Contents, Continued

	<u>Statement/ Exhibit</u>	<u>Page</u>
(11) Related Party Transaction – Sale/Leaseback		82
(12) Postemployment Health Care Benefits		82
(13) Commitments and Contingencies		86
(14) Net Assets Invested in Capital Assets, Net of Related Debt		87
(15) Fund Balance		89
 Required Supplementary Information – Schedule of Funding Progress of the City’s Defined Benefit Pension Plans (Unaudited)		91
Required Supplementary Information – Schedule of Funding Progress of the City’s Other Postemployment Benefits Plan (Unaudited)..		92
Additional Financial Information:		
Combining and Individual Fund Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	B-1	93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	96
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	B-3	99
 Infrastructure Capital Projects Fund –Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	C-1	110
 Internal Service Funds:		
Combining Statement of Net Assets.....	D-1	111
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	D-2	113
Combining Statement of Cash Flows	D-3	114
 Capital Assets Used in the Operation of Governmental Funds:		
Comparative Schedule by Source	E-1	116
Schedule by Function and Activity	E-2	117
Schedule of Changes by Function and Activity.....	E-3	118
 STATISTICAL SECTION (Unaudited)		
Narrative.....		119
 Financial Trends Information:		
Net Assets by Component	S-1	120
Changes in Net Assets	S-2	121

CITY OF BEVERLY HILLS, CALIFORNIA

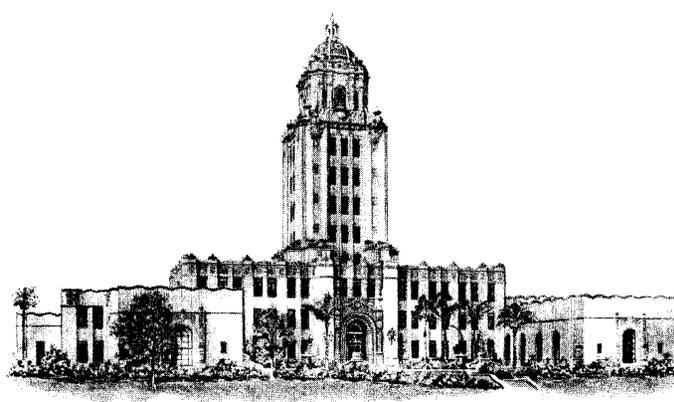
Comprehensive Annual Financial Report

Year Ended June 30, 2011

Table of Contents, Continued

	<u>Statement/ Exhibit</u>	<u>Page</u>
Fund Balances of Governmental Funds.....	S-3	124
Changes in Fund Balances of Governmental Funds	S-4	125
Revenue Capacity Information:		
Revenue Bases and Rates of Business Tax.....	S-5	126
Principal Business Tax Payers.....	S-6	134
Property Tax Levies and Collections.....	S-7	135
Assessed and Estimated Actual Value of Taxable Property	S-8	136
Property Tax Rates for Direct and Overlapping Governments	S-9	137
Property Tax Levies for All Overlapping Governments.....	S-10	138
Principal Property Taxpayers	S-11	139
Debt Capacity Information:		
Ratios of Outstanding Debt by Type	S-12	140
Computation of Direct and Overlapping Debt.....	S-13	141
Legal Debt Margin Information.....	S-14	142
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 Expenses	S-15	143
Ratios of General Bonded Debt Outstanding.....	S-16	144
Water Enterprise Fund Long-Term Debt Coverage.....	S-17	145
Wastewater Enterprise Fund Long-Term Debt Coverage.....	S-18	146
Demographic and Economic Information:		
Demographic and Economic Statistics	S-19	147
Demographic Statistical Data	S-20	148
Principal Employers	S-21	149
Operating Information:		
Full-time Equivalent City Government Employees by Function.....	S-22	150
Operating Indicators	S-23	151
Capital Asset Statistics by Function	S-24	152





CITY OF BEVERLY HILLS

December 20, 2011

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, 2011.

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, 2011, 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, 2011, are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditors' report is presented as the first component of the financial section of this report.

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

Profile of the City of Beverly Hills. The City of Beverly Hills, incorporated in 1914 under the general laws of the State of California, is a long-established residential city and commercial center located within Los Angeles County in Southern California. The City, located approximately 10 miles west of the Los Angeles City Hall, occupies a land area of approximately 5.7 square miles and serves a residential population of 34,210¹. 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.



The Honorable Mayor, City Council and
Citizens of the City of Beverly Hills, California
Letter of Transmittal
December 20, 2011

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
- Fine Art Commission
- Planning Commission
- R-1 Design Review Commission
- Human Relations Commission
- 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 component units: the Parking Authority of the City of Beverly Hills and the Beverly Hills Public Financing Authority. The Parking Authority of the City of Beverly Hills was a blended component unit until October 18, 2011, when the Board of the Parking Authority established the Parking Authority schedule of parking facility rates for Fiscal Year 2011-2012, thereby transitioning into a non-blended component unit. The Beverly Hills Public Financing Authority continues to remain a blended component unit. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's various departments and offices.

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

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

The City Council also adopts annual financial plans for the enterprise and internal service funds and five-year capital budget plans for capital expenditures accounted for primarily in proprietary funds. All proprietary fund types are accounted for on an economic resources measurement focus.

The City is not legally mandated to report the results of operations and capital expenditures for these proprietary fund types on a budget comparison basis; therefore, budgetary data related to these funds have not been presented.

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

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. This comparison, beginning on page 36, is presented as part of the basic financial statements for the General Fund. The budget-to-actual comparisons for nonmajor governmental funds with appropriated annual budgets are presented in the Nonmajor Governmental Funds section of this report, and begin on page 99. 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 continued to adopt a conservative budget for Fiscal Year 2011/2012 based on the current economic conditions. Overall the City projected a broader and flatter recovery of revenues based on the impact of



The Honorable Mayor, City Council and
Citizens of the City of Beverly Hills, California
Letter of Transmittal
December 20, 2011

the world wide economic downturn on the City's retail, business and tourism trade.

With that stated, the FY 2011/2012 budget is balanced, whereby all expenditures are supported by revenues.

In developing the FY 2011/2012 budget, City staff was committed to the challenge of aligning and curbing escalating fixed costs – such as increased retirement costs, MOU-related salary and benefit increases, the full funding of replacement costs for small equipment and furniture, and the restoration of certain charges to the General Fund deferred from last year – with steadily recovering revenues. Further, in contrast to the approach of the prior two years, the initial General Fund budget gap of about \$4.5 million was closed without across-the-board cuts in departments. The result is a fiscally responsible budget that meets the quality-of-life expectations of the community while at the same time exploring new options for revenue generation.

It should also be noted that the fundamental cost associated with maintaining the same level of service to the community is built in at \$6 million to \$8 million each year. While we have seen a halving of the budget gap in each of the last two years, the hole becomes harder to close each year, as most opportunities for efficiency have already been seized. This, coupled with the quest to maintain the quality of life expectations of the community, has resulted in an ever-present concern that Beverly Hills' traditionally strong economic base may be unsustainable without expanding this economic base and/or incorporating new revenue sources. This concern is further exacerbated by the ever-increasing competition the city faces from other markets and tourism venues – both national and international.

City Council Goals and Budget Direction

Development of the FY 2011/2012 budget was guided by the Beverly Hills City Council, through goals reflecting the community's values stated during December 2010. City staff was charged to produce a budget that achieved three general goals:

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

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

- **Minimize the use of reserves** – preserve the City's AAA bond rating and save reserves for emergencies only
- **Monitor public safety cuts** – any reductions must preserve core services, particularly the three-minute response times for police and fire
- **Use the glide path model** – avoid layoffs if at all possible and the resulting dramatic drop in service
- **Investigate revenue-increasing options** – staff is encouraged to present new and innovative ideas
- **Use furloughs if needed** – use this tool instead of lay-offs to preserve core services and capital

In addition to these guideposts, the FY 2011/2012 budget reflects objectives found in the revised General Plan, Economic Sustainability Plan, and Strategic Plan. All staff work is directed by these plans and refers back to City Council goals and priorities. Some of these objectives include, but are not limited to:

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

Program-Based Budgeting

A useful tool in preparing the FY 2011/2012 budget was the City's program-based budget format. This approach requires an annual justification for every program, including its record in meeting objectives



The Honorable Mayor, City Council and
Citizens of the City of Beverly Hills, California
Letter of Transmittal
December 20, 2011

and providing value for dollars. Departments were able to evaluate program costs and effectiveness, and make recommendations based on this information. With narratives and financial figures for each service, the City's program-based format helped to identify areas for cost adjustments and bring transparency to funding sources and uses.

Staff continued to implement a relatively new addition to the budget for FY 2011/2012. This addition was to detail the changes in each program from the prior fiscal year (FY 2010/2011) to the new one (FY 2011/2012) so that City Council and the community can see the impacts. While it is never easy to make cuts during a budget process, a program-based approach offers a consistent framework for leaders who are compelled to reach such difficult decisions.

Revenue and Expenditure Review

General Fund

Preliminary projections for the FY 2011/2012 budget resulted in the projection of an approximately \$4.5 million budget gap. However, with the budget cuts, furloughs, deferred equipment replacement and revenue enhancements, the Council was presented with a balanced budget. For FY 2011/2012, the General Fund revenues were projected at \$164.9 million and expenditures are expected to be \$164.2 million.

At the time that the budget was prepared the projected General Fund operating expenses for FY 2010/2011 were \$166.6 million. All of the efforts done to maintain conservatism during the budget preparation process for FY 2010/2011 were necessary to produce a balanced budget, which was the result by the end of FY 2010/2011. While continuing to follow a conservative methodology, but still recognizing a broad recovery in revenues, the FY 2011/2012 General Fund operating budget is 4.4% percent higher than the FY 2010/2011 budget.

At the time the budget was prepared, property tax was projected to come in at 1% higher than expected due to higher collections for prior years taxes, penalties and assessments. Additionally, sales tax and transient occupancy tax also came in higher than expected due to strong growth in luxury retail sales and increased tourism. Assuming revenue trends will continue, while

still maintaining a conservative approach, revenue projections for FY 2011/2012 are 4.7% above the adopted FY 2010/2011 revenue projections.

Enterprise Funds

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

The Water Enterprise Fund anticipates selling less water than previously forecast resulting in lower revenues even though a rate increase was effective July 1, 2011. It is anticipated that rate increases will be required in future years for water. The Parking Enterprise Fund has been running a deficit in order to continue to offer two hours of free parking at most City facilities. The Solid Waste Enterprise Fund has made significant budget cuts and will be able to live within an automatic CPI rate adjustment this year. The fees charged for the Stormwater Fund are not sufficient to support the fund at this time. Imposition of fee increases would require approval by an election which staff is currently researching and evaluating.

Total appropriations for FY 2011/2012 were estimated at \$362 million for all operating expenses (all funds) and \$55.9 million for the Capital Improvement Program (CIP) – most of which are grant or bond funded – amounting to a total of \$418 million for all requested appropriations. Total appropriations for the General Fund and total budget for FY2011/2012 are about 1.2 percent less and 3.9 percent more than the FY 2010/2011 appropriations and budget, respectively.

Recognizing the need to continue to provide for maintenance and repairs to prolong the lives of City facilities and infrastructure, the City will continue its targeted spending program for CIPs, though reduced by \$500,000 for FY 2011/12. While construction costs are still down, the City can still maximize the effectiveness of its capital dollars by advancing infrastructure and asset enhancement projects. A \$8.5 million General Fund contribution to the Infrastructure, Information Technology, and Capital Asset Funds helps to support critical projects in the 5-year CIP. Major capital initiatives for the coming year include: installation of traffic signals for signal



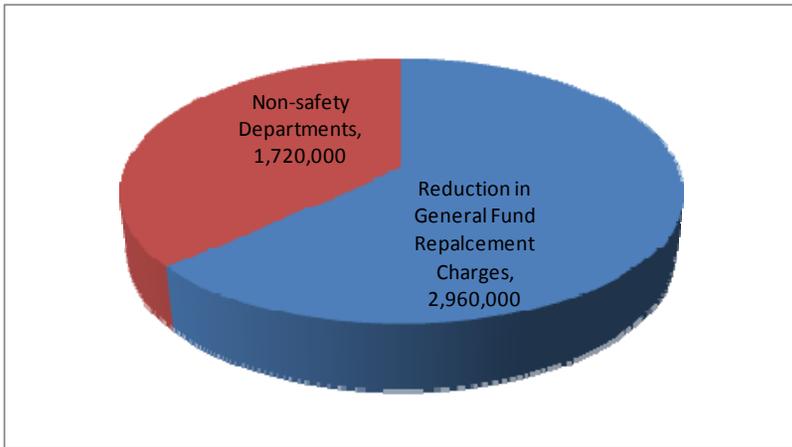
The Honorable Mayor, City Council and
 Citizens of the City of Beverly Hills, California
 Letter of Transmittal
 December 20, 2011

synchronization, improvement of Santa Monica Boulevard commencing with plans and outreach in FY 2011/12, installation of automated library materials handling system, improvement of Greystone Mansion and Park, expansion of eGov initiatives, and replacement of water mains and hydrants. The CIP has been separated into a second volume of the Budget, as it has been for the past several years, so that the project descriptions, budgets, and timelines can be easily referenced during budget discussions and throughout the year.

Cost Saving Measures

As required by law, the FY 2011/2012 budget is balanced, with all expenditures supported by available resources. In crafting this document, the City used a very conservative approach, making no assumptions that we will see a strong, economic growth spurt in the near future.

Based on Council’s objectives, the City’s approximately \$4.5 million shortfall was addressed in the budget through the following reductions:



Those strategies implemented in 2010/2011 to deal with the City’s revenue shortfall were continued in this budget. The strategy included reviewing department budgets and considering various alternatives. Non-essential programs that were eliminated have not been re-instated and no new

programs or services have been added. New cost-saving measures included in the FY 2011/2012 budget are:

- Reduced future year funding of small equipment and furniture, while maintaining a component of investment in future replacements
- Reduce the General Fund contribution to the Infrastructure and Information Technology fund for capital improvements
- Reduce General Fund charges for Information Technology equipment replacement by 20%
- Extend the useful lives of underutilized vehicles thereby reducing the cost of vehicle replacement to the General Fund
- Proposed to change the manner in which certain paid employee leaves are administered which will result in savings
- Will require non-safety employees to take five days of furlough
- Used \$500,000 of the Budget Stabilization fund which was established after FY2009/10
- Transferred and used \$500,000 of excess fund balance in the Policy Admin Legal Internal Service Fund.

The Economic and Fiscal Context

The City of Beverly Hills traditionally holds up very well during state and national economic downturns. We have a vibrant business community with internationally recognized retail and corporate brands, a strong housing market, a low unemployment rate, high personal income levels, a relatively healthy reserve fund and financial policies and procedures that ensure economic sustainability and growth. We hold the rare and prestigious AAA bond rating. We are, however, not immune to external recessionary impacts. Revenues for calendar year 2008 began strong, but the last two quarters, especially the final quarter (the holiday shopping season), showed a sharp and rapid decline in retail sales and transient occupancy tax (TOT).

The FY 2011/12 economic outlook remains one of modest growth, but even this looks much brighter than what we faced going into FY 2010/11 or FY 2009/10. This budget has been trimmed for more manageable growth and sustainability, but our core services – police, fire, community services, and community development – and our internal and enterprise services remain



The Honorable Mayor, City Council and
Citizens of the City of Beverly Hills, California
Letter of Transmittal
December 20, 2011

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

It was no small feat to close a funding gap of more than \$18 million for fiscal year 2008/2009. To follow that with further budget reduction of \$9 million for fiscal year 2009/2010 and FY2010/2011, and \$4.5 million for FY2011/2012 speaks to the fiscal will power and strength of Beverly Hills. To emerge from that effort with top-tier community services intact is even more remarkable. Credit is due to the City Council, City staff and the residents and businesses of Beverly Hills. During these fiscally trying times, their diligence, cooperation and creativity have strengthened Beverly Hills' solid standing as one of the finest small cities in the nation.

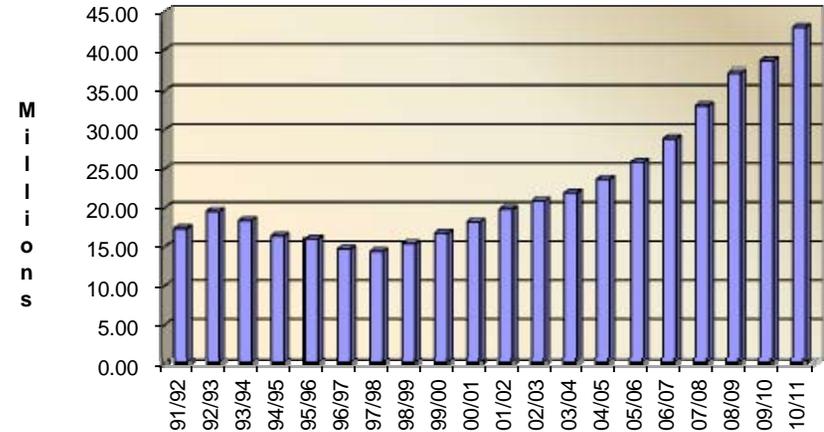
Revenues:

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

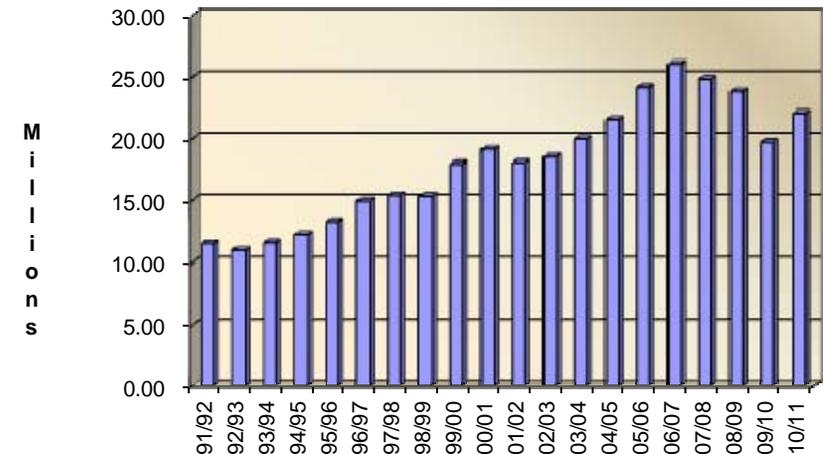
The graph illustrates how property tax revenues respond to economic conditions. In FY 91/92 the State and Nation were in a period of slight economic recovery similar to our current circumstance. As the chart illustrates, property taxes did not respond to this economic trend as rapidly as other tax based revenues. Fiscal year 10/11 saw property tax revenues decrease slightly to \$42.1 million, a 2% decrease over the prior year. Once again we see that property tax responds at a much slower rate than other consumer based taxes.

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.

Property Tax



Sales Tax



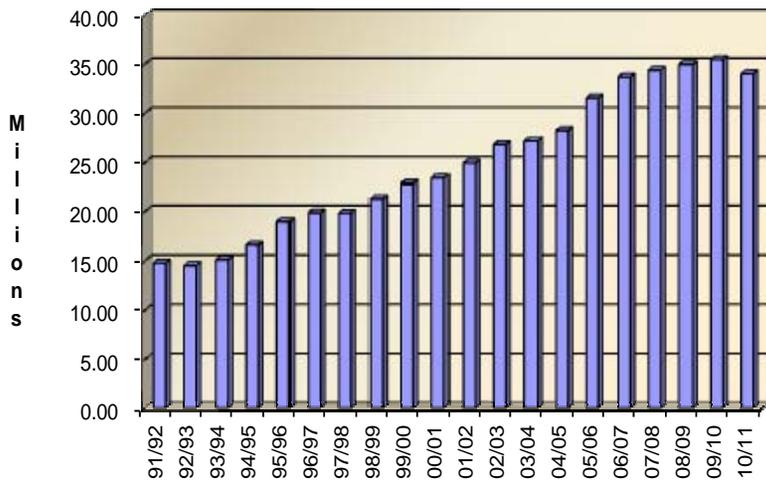


The Honorable Mayor, City Council and
 Citizens of the City of Beverly Hills, California
 Letter of Transmittal
 December 20, 2011

Sales tax revenue responds much faster to changing economic conditions than property tax. As the accompanying chart shows, sales tax revenue responded almost immediately to the economic downturn of the early 90's and the terrorist events of September 2001. From FY 91/92 through FY 92/93 sales tax revenue declined at the rate of about 6.3%. In FY 93/94 sales tax revenues began responding to local economic improvements and continued that growth until September of 2001. We finally began seeing a rebound from the 9/11 incident in FY 03/04.

Sales tax revenues ended fiscal year 10/11 at \$22.1 million, a 7.28% decrease from fiscal year 08/09 results.

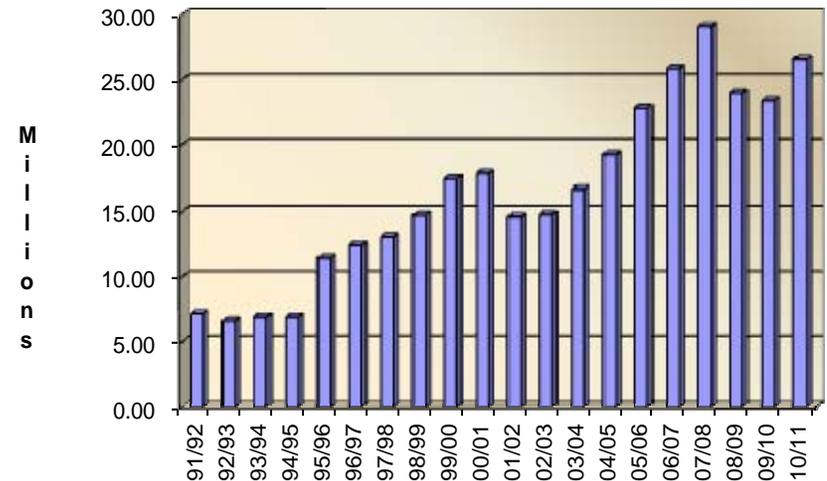
Business Tax



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 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. Fiscal year 10/11 ended with a decrease of 4.25% for total revenues of \$34.0 million.

Transient Occupancy Tax



In the transient occupancy tax (bed tax) chart the variations beginning in FY 92/93 are due to hotel closures and tax rate changes. Two world class hotels, The Beverly Hills Hotel and the L'Ermitage were closed for refurbishment in FY 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

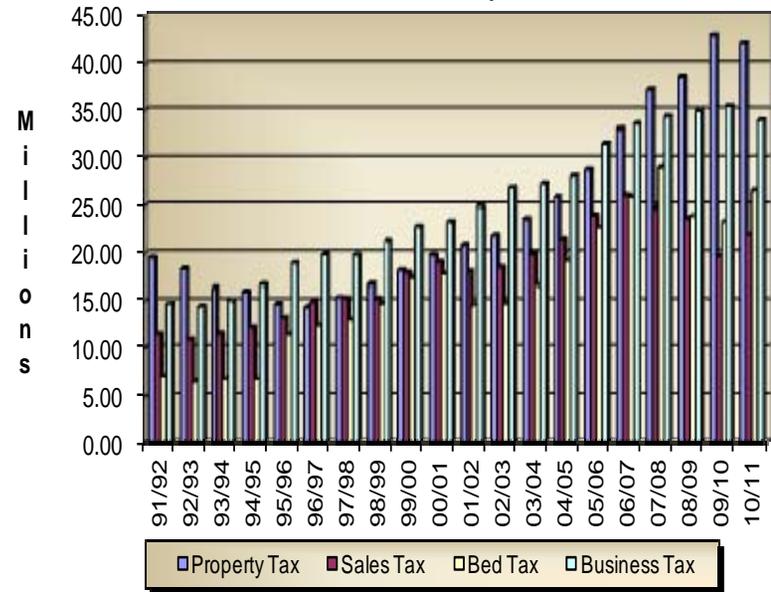


The Honorable Mayor, City Council and
 Citizens of the City of Beverly Hills, California
 Letter of Transmittal
 December 20, 2011

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. Fiscal year 07/08 exceeded all records and was far greater than anticipated at 29.1 million (a 12.48% increase). In November of 2008 the City's newest five star hotel, Montage, began operations. As a result of the current economic cycle, fiscal year 08/09 revenue fell 17.53% to 24.00 million and fiscal year 09/10 continued the declining to 23.4 million, 2.5% down. During Fiscal year 10/11 transient occupancy tax improved significantly, which is partly due to a non-recurring event, the NBA All-Star Game, that contributed to greatly increase gross receipts in Beverly Hills hotels during the month of February 2011.

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.

Total Tax Revenues
 Shown Individually

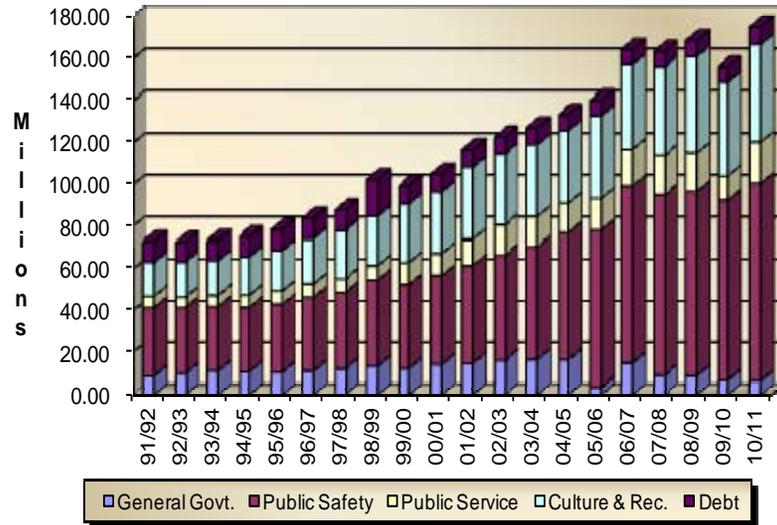


In the Total Revenues chart, it is clear that transient occupancy and sales taxes responded almost immediately to the downturn of the economy. The slower response of property and business taxes provided some cushion for the City to respond to economic conditions in an educated and reasoned manner. As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



The Honorable Mayor, City Council and
 Citizens of the City of Beverly Hills, California
 Letter of Transmittal
 December 20, 2011

Governmental Operating Expenses (Shown Cumulatively)



Expenditures:

The following chart examines the City’s expenditures over the past several years and illustrates how the cost control measures implemented were able to keep expenses within available resources.

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

Further, it should be noted that as a result of the City’s change to a program based budget, much of the expenses that were identified

as General Government in prior periods have become a part of the total overhead costs associated with each program.

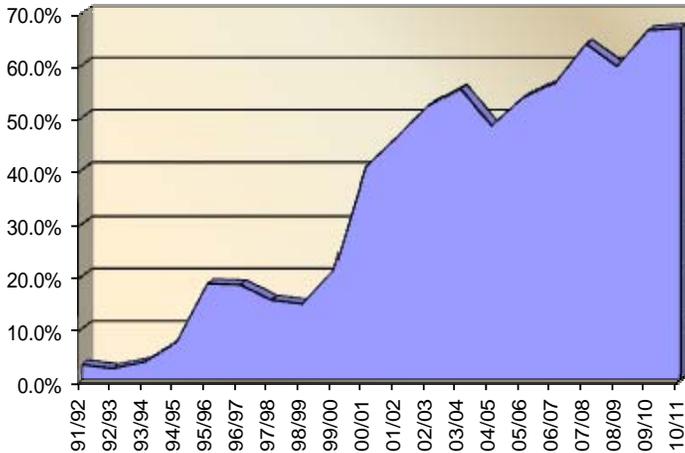
The continued improvements in revenues provide the City with a strong economic base to build upon for the future. The City has adopted a balanced budget for FY 11/12. However, this budget assumes that the City is still required to address and fill budget gaps. With significant increases expected in pension and health care contribution costs for its employees (especially public safety), the soaring costs of managing claims, litigation and workers’ compensation, and the unknown impact on local government as the State attempts to balance its budget, the City Council continues to pursue strategies that maintain the City government’s fiscal health.

Perhaps the best measure of the City’s effectiveness in weathering an economic downturn and building sustained growth for the future is its ability to build fund reserves. As a rule of thumb, a city should maintain sufficient reserves to weather the worst potential emergency scenarios. Ideally, municipalities would maintain a reserve equal to 25% to 50% of their annual General Fund operating expenditure budget. For Beverly Hills, that would equate to reserves between \$38.2 million and \$76.4 million for fiscal year 2010/11. In the accompanying chart, the change in the ratio of the fund balance of the City’s General Fund to total expenditures is presented. As this chart demonstrates, the actions taken by the City have effectively improved revenues, controlled expenditures and allowed the City to increase its reserves for future needs.



The Honorable Mayor, City Council and
 Citizens of the City of Beverly Hills, California
 Letter of Transmittal
 December 20, 2011

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



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

- The City has made major changes to employee benefit programs that substantially reduce current operating costs and future liabilities as follows:
 - Employees hired after January 1, 2010 are provided a defined contribution retiree health program rather than a defined benefit program. This change eliminates future increases to the City's Other Post Employment Benefit (OPEB) liability from new employees. (Please see page 85 for more details on the defined contribution retiree health program.)
 - During FY 2010/11 the City continued its implementation of the largely successful and ground-breaking Alternative Retiree Medical Program (ARMP) which is being used to reduce its current OPEB liability for current employees. (Please see page 84 for more details on the ARMP program.) Since this program was

so successful at meeting the needs of both the City and its employees, special consideration is being given to implementation of another similar program in the future. Further, since the program was so innovative, the Government Finance Officers Association (GFOA) gave the 2011 Award of Excellence to the City for its excellent design and execution of the program. Please see the Awards section below for more details.

- The City has successfully negotiated with bargaining units to implement multi-year Memorandums of Understanding, which will slow the growth of increasing employee costs.
- The City has successfully fully funded its compensated absences liability of approximately \$14.3 million.
- The City has successfully completed and implemented an Economic Sustainability Plan which provides a framework for the City to prioritize and focus its programs on those that most support the economic vitality and attractiveness of Beverly Hills. This plan is available on the City's website at <http://www.beverlyhills.org/>
- The City has successfully completed and implemented a Strategic Plan, which is a plan developed to help the City Council establish priorities with input from City staff to make informed decisions. The plan is intended to guide and inform several existing City strategic efforts, including individual department reorganization and strategic plans, the Economic Sustainability Plan, and the City's Succession Plan.
- The City has successfully completed and implemented a Succession Plan. Succession planning is a systematic process of preparing suitable employees, through mentoring, training and job rotation, to replace key employees when they retire. Having competent candidates in-house for future position vacancies is crucial to Beverly Hills' future success as a City government. The City will proactively devote resources to developing a pool of competent candidates for positions within the organization.



The Honorable Mayor, City Council and
Citizens of the City of Beverly Hills, California
Letter of Transmittal
December 20, 2011

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, 2010. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. The report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

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

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

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

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeff Kolin".

Jeff Kolin
City Manager

A handwritten signature in blue ink, appearing to read "Scott G. Miller".

Scott G. Miller, PhD
Chief Financial Officer

CITY OF BEVERLY HILLS, CALIFORNIA

Principal City Officials

Elected Officials

City Council

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

City Treasurer

Eliot M. Finkel

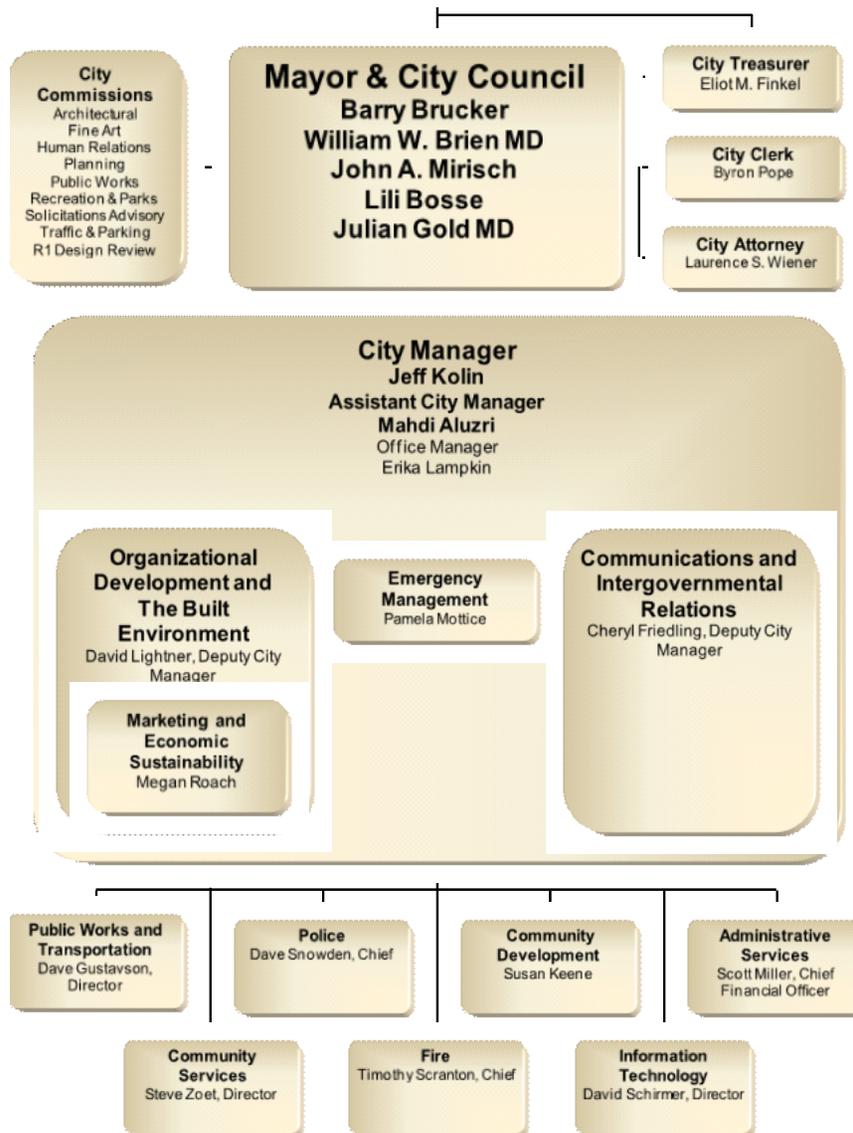
Appointed Officials

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

CITY OF BEVERLY HILLS, CALIFORNIA

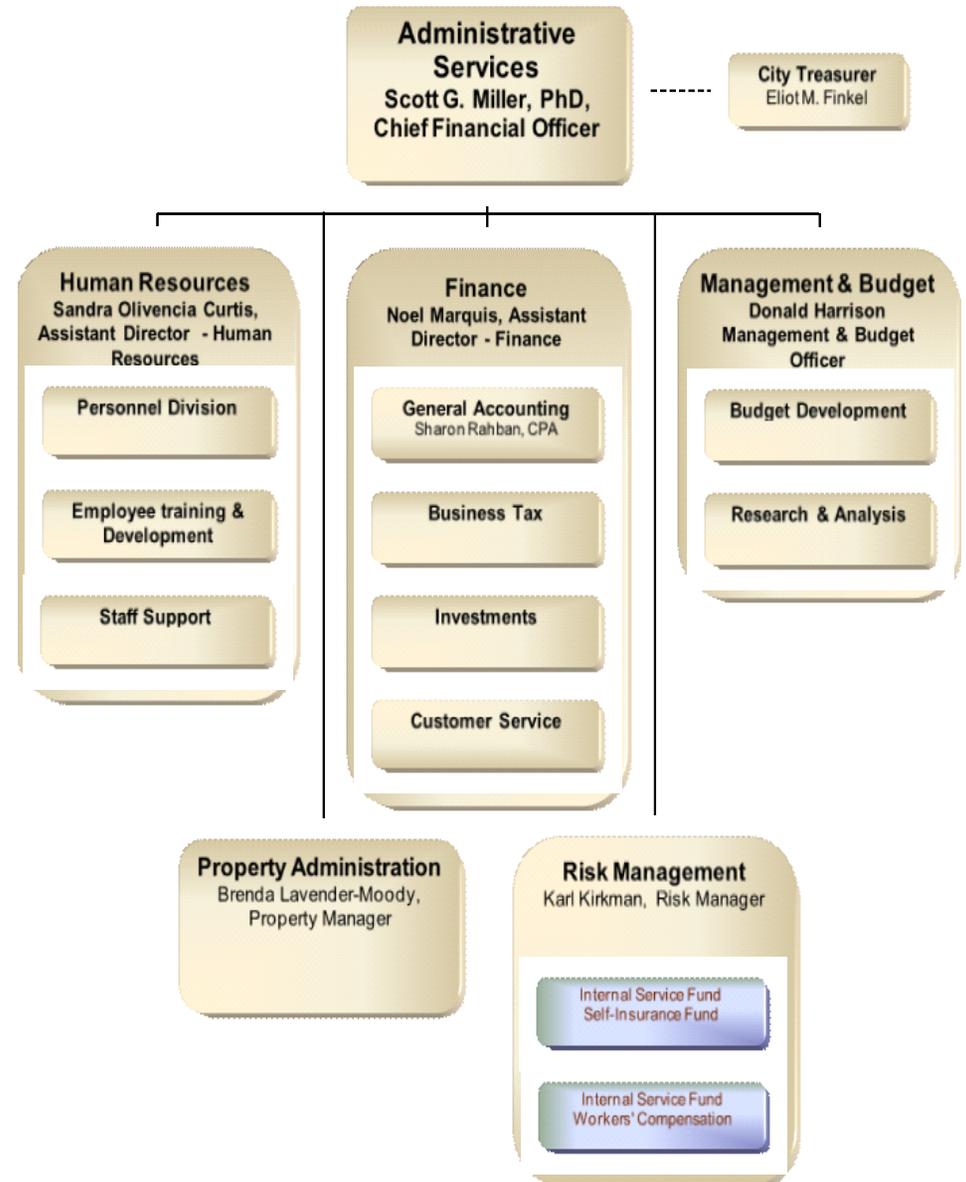
Organizational Chart

Citizens of Beverly Hills



CITY OF BEVERLY HILLS, CALIFORNIA

Department of Administrative Services Organizational Chart





The Honorable Mayor, City Council and
 Citizens of the City of Beverly Hills, California
 Letter of Transmittal
 December 20, 2011

**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, 2010

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beverly Hills for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the twenty-second consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



Linda C. Danson

President

Jeffrey R. Enos

Executive Director







Mayer Hoffman McCann P.C.

An Independent CPA Firm

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Irvine, California 92612
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949-263-5520 fx
www.mhm-pc.com

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, 2011, 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, 2011, 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 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.

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

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 fund financial statements and schedules 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 fund financial statements and schedules 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 December 20, 2011, on our consideration of the City of Beverly Hills 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.

A handwritten signature in blue ink that reads "Mayer Hoffman McLean P.C.".

Irvine, California
December 20, 2011





CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis

June 30, 2011

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, 2011. 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 \$655,570,500 (*net assets*). Of this amount, \$248,540,012 (*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 \$40,844,830.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$147,986,639, a decrease of (\$3,630,982) from the prior year. Of this amount, \$94,487,017 or approximately 63.8% of total fund balances are reported as Committed (\$20,489,018), Assigned (\$10,227,509), or Unassigned (\$63,770,490) fund balances making them available for spending at the City's discretion (*in compliance with Governmental Accounting Standards Board's (GASB) Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions see Note 15*).
- The decrease in the City's governmental funds reported combined fund balances was the result of an increase in Other financing sources (uses) of \$10,049,688. This increase was primarily the result of transferring monies to the City's Employee Benefits internal service fund to increase the funding for the City's Other Post Employment Benefit (OPEB) account.
- At the end of the current fiscal year, the Committed, Assigned and Unassigned (GASB Statement No. 54) fund balance for the General Fund was \$73,789,404, or 75.3% of total General Fund expenditures.
- The City's net capital assets increased by \$39,833,843 from the prior year as a result of the current capital replacement program activities including upgrades to the City's street lighting system, re-

novations of the City's historic Greystone park and mansion, a new Computer Aided Dispatch and Records Management Public Safety System, replacement of aging water mains, and upgrades to Public Safety facilities.

- The City's net long-term liabilities increased by \$62,231,090 or 21.52% as the result of increases in Notes Payable (\$15,488,964) and the City of Beverly Hills Public Financing Authority 2010 Lease Revenue Bonds, Series 1, Series 2 and Series 3 (Capital Improvement and Refunding Project) (\$43,886,350).

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 in-

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2011

tended 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.

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 29-31 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-

wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Infrastructure Capital Projects Fund, each of which are considered to be major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the *Additional Financial Information* section of this report.

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

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2011

among the City's various functions. The City uses internal service funds to account for the following activities:

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater, Solid Waste, Parking Facility 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 38-42 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 47-90 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 91-92 of this report.

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

(C) Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$655,570,500 at the close of the most recent fiscal year.

The second largest portion of the City's net assets (37.91%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

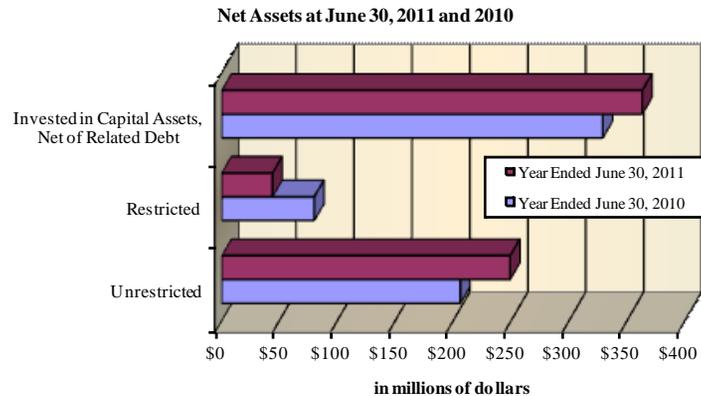
The largest portion of the City's net assets (55.31%) reflects its investment in capital assets (e.g., land, buildings, utility and general government infrastructure, machinery and equipment, etc.), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2011

from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



An additional portion of the City's net assets (6.78%) represents resources that are subject to external restrictions on how they may be used. Of these restricted net assets 40.37% is for repayment of long-term debt, 35.92% is for construction of capital assets (unspent proceeds from long-term debt issues) and 23.71% relates to restrictions in the City's special revenue and permanent funds.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the City as a whole, as well as for its separate governmental activities. However, as a result of maintaining its free parking program in the Parking Enterprise Fund the business-type activities unrestricted category had a negative \$28,275,807. The prior fiscal year the City reported positive balances in all three categories or net assets for the City as a whole as well as for its separate governmental and business-type activities.

City of Beverly Hills' Net Assets (000's)						
As of June 30, 2011 and 2010						
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current assets	\$ 274,324	211,243	59,471	71,660	333,795	282,903
Restricted and other assets	94,070	115,119	(1,013)	(39,126)	93,057	75,993
Capital assets	348,392	332,680	302,908	278,786	651,300	611,466
Total assets	716,786	659,042	361,366	311,320	1,078,152	970,362
Current liabilities	47,443	45,960	23,710	20,479	71,153	66,439
Long-term liabilities, net of current portion	194,289	165,912	157,139	123,286	351,428	289,198
Other liabilities	-	-	-	-	-	-
Total liabilities	241,732	211,872	180,849	143,765	422,581	355,637
Net assets:						
Invested in capital assets, net of related debt	163,966	170,539	198,616	158,450	362,582	328,989
Restricted	34,272	69,501	10,177	10,171	44,449	79,672
Unrestricted	276,816	207,130	(28,276)	(1,066)	248,540	206,064
Total net assets \$	475,054	447,170	180,517	167,555	655,571	614,725

The City's governmental current assets increased by \$63,081,584, which resulted primarily from an increase of \$62,224,565 in Cash and Investments, and Accounts receivable of \$1,751,754 and moderate decreases in all other categories totaling \$1,894,735. The governmental restricted assets decreased by \$32,998,488, recognizing the continued progress in completing bonded capital projects.

The City's business-type current assets decreased by \$12,189,406, primarily from decreases in Cash and investments of \$13,735,227. Restricted assets increased by \$43,392,732 as the result of the City of Beverly Hills Public Financing Authority 2010 Lease Revenue Bonds, Series 1, Series 2 and Series 3 (Capital Improvement and Refunding Project).

CITY OF BEVERLY HILLS, CALIFORNIA

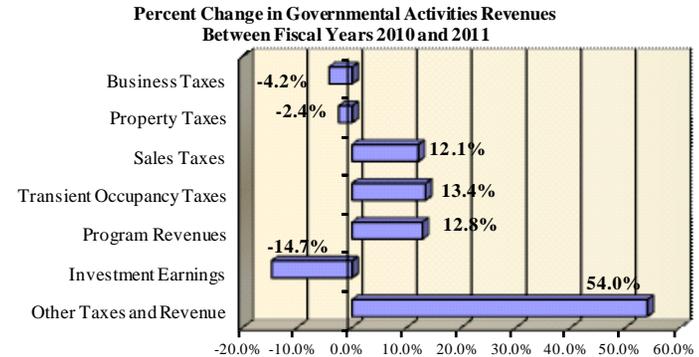
Management's Discussion and Analysis, Continued

June 30, 2011

City of Beverly Hills' Changes in Net Assets (000's)						
As of June 30, 2011 and 2010						
	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2011	2010
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 54,341	48,485	86,303	73,630	140,644	122,115
Op. grants & cont.	4,858	3,703	17	3	4,875	3,706
Cap. grants & cont.	1,385	1,507	373	-	1,758	1,507
General revenues:						
Taxes	128,162	123,253	-	-	128,162	123,253
Investment earnings	11,061	12,972	1,374	1,867	12,435	14,839
Other	2,524	2,253	34	34	2,558	2,287
Total revenues	202,331	192,173	88,101	75,534	290,432	267,707
Expenses:						
General government	6,908	7,161	-	-	6,908	7,161
Public safety	94,175	85,792	-	-	94,175	85,792
Public services	19,915	17,366	-	-	19,915	17,366
Culture and recreation	46,237	44,365	-	-	46,237	44,365
Interest on LT debt	8,222	7,344	-	-	8,222	7,344
Water	-	-	27,099	23,693	27,099	23,693
Parking facilities	-	-	23,553	19,439	23,553	19,439
Solid waste	-	-	13,893	13,865	13,893	13,865
Wastewater	-	-	6,450	6,323	6,450	6,323
Stormwater	-	-	3,137	2,782	3,137	2,782
Total expenses	175,457	162,028	74,132	66,102	249,589	228,130
Excess (deficiency) of revenues over expenditures	26,874	30,145	13,969	9,432	40,843	39,577
Transfers	1,011	682	(1,011)	(682)	-	-
Increase in net assets	27,885	30,827	12,958	8,750	40,843	39,577
Net assets, July 1	447,169	416,343	167,556	158,806	614,725	575,149
Net assets, June 30	\$ 475,054	447,170	180,514	167,556	655,568	614,726

The City reported a net increase of \$39,883,847 in capital assets, \$15,712,069 in governmental activities and \$24,121,778 in business-type activities. The net increase in both governmental and business-type activities was the result of the completion of several large projects including the acquisition of Land (\$7,169,045) adding new Buildings (\$6,689,318), upgrades and replacements of utility systems (\$28,739,262), new Machinery and equipment (\$9,718,032), an increase in Construction in progress (\$7,907,074) and increased depreciation (\$25,085,558).

The City's net assets increased by \$40,844,830 during the current fiscal year, a 3.20% increase over the prior year. Total adjusted revenues increased 8.49% (\$22.7 million). The City experienced an increase of 3.98% in tax revenues (\$4.9 million), and a 12.33% (\$17.8 million) decrease in other revenues. The increase reflects the overall improvement to economic conditions in our area. Expenses increased by 9.41% (\$21.5 million) over the prior year. The increase resulted from planned expenditures across all City governmental and business-type activities.



Governmental Activities

Governmental activities net assets increased by \$27,884,739 thereby accounting for 68.27% 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, 73.2% of total governmental activities revenues, increased by \$5.15 million (4.18%) from the prior year. Business taxes, which are primarily levied based on the gross receipts of the business in the prior calendar year, decreased by \$1,487,520 (4.19%).
- 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 2010 were down due to current market values and foreclo-

CITY OF BEVERLY HILLS, CALIFORNIA

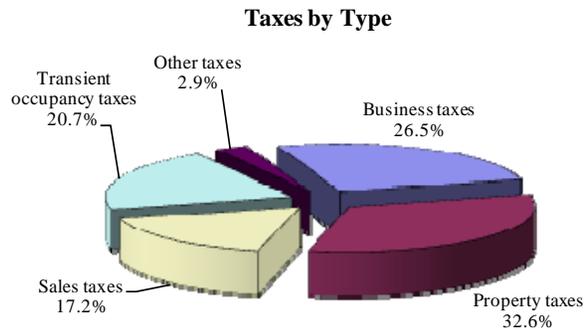
Management's Discussion and Analysis, Continued

June 30, 2011

tures throughout the industry. This resulted in a \$1,044,419 (2.44%) decrease.

- Sales taxes are a direct reflection of the general economy; the increase of \$2,381,519 (12.11%) reflects a improvement in the economy.
- Transient occupancy tax revenues increased 13.42% (\$3,147,350) from the prior year also as a result of improving economic conditions.
- Investment earnings decreased by \$1,910,900 (14.73%) during the year. This was primarily a result of a reduced yield of the portfolio.

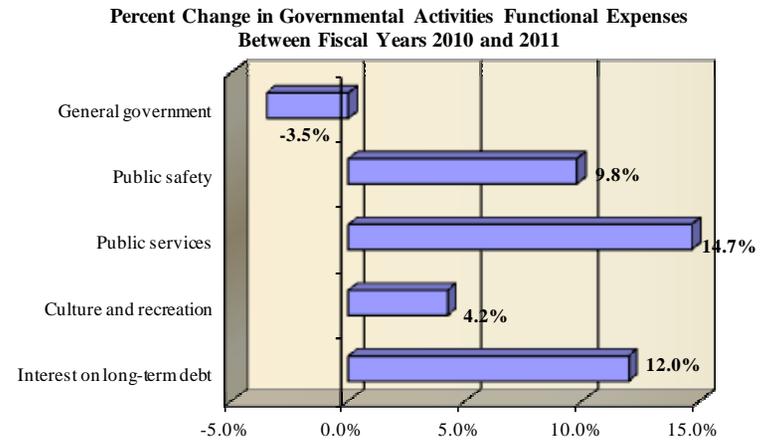
The four major tax sources are relatively evenly split, reducing the City's reliance on any one source.



The City continued its efforts to maintain effective cost controls. Governmental activities expenses increased 8.29% during FY 2011.

- General government expenses decreased 3.52% (\$252,235).
- Increases in public safety of 9.77% (\$8,383,036).
- Public services increased 14.68% (\$2,549,156).
- Culture and recreation increased 4.22% (\$1,871,949).

- Interest on long-term debt decreased (11.96%) because of new debt issues and scheduled debt payments.



Business-type Activities

Business-type activities increased the City's net assets by \$12,960,091 or 31.73% 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 97.96% of total business-type activities revenues, increased by \$12,672,373 (17.21%) from the prior year.
- Expenses in the business-type activities increased by 12.15% (\$8.0 million) FY 2011.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2011

(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 \$147,986,639 a decrease of \$3,630,982 from the prior year. This decrease is the net result of a \$9.52 million (2.6%) increase in Transfers out related primarily to the continued funding of the City's OPEB liability and other long-term liabilities.

The City of Beverly Hills early implemented Governmental Accounting Standards Board's (GASB) Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions. As a result of this implementation, the fund balance section of the balance sheets of the governmental funds has been modified. The change has been made in order for the City's new fund balance components to focus on "the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent" Previously, the fund balance section focused on whether these resources were available for appropriation. It also distinguished the unreserved fund balance from the reserved fund balance. In order to show compliance with GASB Statement No. 54, however, the components of the new fund balance include the following line items:

- a) **Nonspendable fund balance** - \$24,276,133 (inherently nonspendable) include the portion of net resources that cannot be spent because of their form, and the portion of net resources that cannot be spent because they must be maintained intact

- b) **Restricted fund balance** - \$29,223,489 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other government
- c) **Committed fund balance** - \$20,489,018 (self imposed limitation set in place prior to the end of the period) Limitation imposed at the highest level of decision making that requires formal action at the same level to remove.
- d) **Assigned fund balance** - \$10,227,509 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- e) **Unassigned fund balance** - \$63,770,490 (residual net resources) is the total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance and the excess of nonspendable, restricted, and committed fund balance over total fund balance.

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year the fund balance components were reported as nonspendable \$24,194,752, committed \$8,480,041, assigned \$1,447,295 and unassigned \$63,862,068 for a total General Fund balance of \$97,984,156.

The fund balance of the City's General Fund increased by \$419,177 during the current fiscal year. Key factors in this increase are as follows:

- Tax revenues increased \$3.6 million (2.98%). The majority of tax revenues is reported in and benefits General Fund activities. The nature of the taxes and the reasons for the change in these revenue sources is the same as described earlier for governmental activities. The specific changes in these tax revenue sources at the General Fund level from FY 2011 are: business taxes decreased by \$1.5

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2011

million, (4.19%), property taxes decreased by \$1.0 million (2.4%), sales taxes increased \$2.4 million (12.11%) and transient occupancy taxes increased \$3.1 million (13.42%). The category Licenses and permits increased 2.5 million (26.4%).

- The City continued its efforts to maintain effective cost controls which resulted in a slight decrease of 0.19% (\$273,690) in General Fund expenditures during FY 2011. General Government expenses decreased \$106,825 (1.79%), Public Safety increased by \$426,973 (0.53%), Public Service increased \$1.4 million (7.76%) and Culture and recreation decreased \$2.1 million (5.15%).

Activities in the Infrastructure Capital Projects Fund continued a very aggressive program in FY 2011. 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 \$957,493 (2.89%) during FY 2011.

Enterprise Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the enterprise funds totaled a negative \$ 28.3 million, a decrease of \$4.6 million (129.7%). This decrease was caused by a change in accounting treatment of the line item Net Assets, Invested in Capital Assets, Net of Related Debt. As described in further detail in Note 14 of the Notes to the Basic Financial Statements, the calculation of this line item has changed, thus affecting the line item for Unrestricted Net Assets. Although this line item has been affected, the total amount of net assets has not been affected by this new calculation. Total growth in net assets for these funds was an increase of \$12.96 million (7.73%). Other factors concerning the finances of these funds are as follows:

- Operating revenue for the Water Enterprise increased \$7.14 million (28.95%), operating expenses increased \$2.9 million (12.4%), operating income increased by \$4.2 million (104.8%), income after non-operating items and change in net assets increased \$3.6 million.

- Operating revenue for the Parking Enterprise increased \$4.1 million (19.79%) operating expenses increased \$4.1 million (21.2%), operating income increased \$1.8 million (25.18%), income after non-operating items increased \$43,126 (1.92%) providing an increase in change in net assets of \$222,373.
- Operating revenue for the Solid Waste Enterprise increased \$1.2 million (9.3%) operating expenses increased \$27,904 (0.2%), operating income increased \$1.2 million (128.8%), income after non-operating items decreased \$2.2 million (238.03%) providing an increase to change in net assets of \$894,005.
- Operating revenues for the Wastewater Enterprise increased \$200,185 (1.56%), expenses increased \$126,490 (2.0%), operating income increased \$34,938 (0.49%), income after non-operating items increased \$134,086 (1.97%) translating to a increase in change in net assets of \$137,060.
- Operating revenues for the Stormwater Enterprise decreased \$20,706 (1.12%), expenses increased \$354,781 (12.8%), operating income decreased by \$375,487 (40.1%), income after non-operating items decreased by \$385,911 (41.86%) resulted in a decrease in change in net assets of \$682,911.

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.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2011

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 \$17.1 million (before transfers) when comparing actual amounts to the final budget for the current fiscal year. This budget variance reflects a favorable variance in revenues of \$10.4 million and a favorable variance in total expenditures of \$6.8 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 \$651,300,096 (net of accumulated depreciation of \$330,190,476) as of June 30, 2011. This investment in capital assets includes land, buildings, utility systems, improvements other than buildings, infrastructure (roads, sidewalks, streetlights, etc.),

machinery and equipment, the City's fine art collection and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 6.61% before depreciation (an increase of 3.57% for governmental activities and 10.68% for business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 51,602	51,602	33,114	25,945	84,716	77,547
Buildings	152,039	150,668	94,985	100,946	247,024	251,614
Utility systems	-	-	129,181	104,109	129,181	104,109
Improvements other than buildings	17,788	18,558	3,075	478	20,863	19,036
Infrastructure	73,103	73,115	-	-	73,103	73,115
Machinery and equipment	29,571	27,195	3,007	2,924	32,578	30,119
Fine art collection	1,746	1,746	-	-	1,746	1,746
Construction in progress	22,543	9,797	39,546	44,384	62,089	54,181
Total capital assets, net	\$ 348,392	332,681	302,908	278,786	651,300	611,467

The City has an aggressive capital improvement program totaling over \$190.9 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 (\$12.01 million), improvements to City infrastructure (\$17.09 million), improvements to the City's parks and recreation facilities (\$22.5 million), improvements to streetscape, street resurfacing and replacement of street lights (\$14.5 million), upgrades to the City's information technology infrastructure (\$20.8 million) and repairs and upgrades to the City's utility systems (\$59.5 million). The City has budgeted capital projects expenditures totaling \$55.9 million for FY 2011.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2011

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

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$317,728,950, including current portion of \$17,550,000. Of this amount, \$317,728,950 represents revenue bonds secured solely by specified revenue sources. Other long-term obligations include notes payable \$31,336,441, employee-compensated absences of \$14,299,814, including current portion of \$1,170,597 and outstanding claims of \$13,027,719.

City of Beverly Hills' Outstanding Long-Term Debt (000's)						
As of June 30, 2011 and 2010						
	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenue bonds	152,886	139,921	164,843	127,565	317,729	267,486
Capital leases	-	-	-	-	-	-
OPEB obligations	-	1,783	-	-	-	1,783
Note payable	31,336	14,451	-	-	31,336	14,451
Compensated absences	14,300	14,116	-	-	14,300	14,116
Claims payable	13,028	9,328	-	-	13,028	9,328
Capital lease payable	1,670	-	-	-	1,670	-
Total debt	\$ 213,220	179,599	164,843	127,565	378,063	307,164

Additions to the City's long-term debt included a revenue bonds issue of \$63.9 million, notes payable \$32 million, current year claims totaling \$10.2 million and additions to compensated absences of \$5.4 million. Deductions include a revenue bond refunding of \$13.7 million, payments against claims totaling \$6.5 million, payment of compensated absences totaling \$5.2 million and payment.

Under requirements of the state of California, the City's legal debt limit is 3.75% of its total assessed value. This limit is generally not applicable to bonds paid from enterprise funds, other lease revenue bonds, capital leases, compensated absences and outstanding claims. Accordingly, the debt limit at June 30, 2011 is \$822.3 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:			
2003 Refunding Lease	Aaa*	AA	—
2007 Lease Revenue	Aa2	AA+	AAA
2007 Water Revenue	Aa1	AA+	AAA
2008 Water Revenue	Aa1	AA+	AAA
2008 Wastewater Revenue	Aa3	AA+	AAA
2009 Lease Revenue Bonds	Aa2	AA+	AA+
2010 Lease Revenue Bonds	Aa2	AA+	AA+

* Underlying rating is Aa3.

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

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2011

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

The City Council adopted a conservative budget for Fiscal Year 2011/2012.

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. The 2011/2012 budget presents a number of opportunities and challenges to improve overall service to the community while dealing with a severe economic downturn. By any standard this is a very aggressive program of work that will challenge the capacity of staff and the City Council to accomplish under the reduced revenue assumptions.

The proposed General Fund budget for Fiscal Year 2011/2012 includes the following assumptions:

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

(H) Requests for Information

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



CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments (note 4)	\$ 246,682,762	46,128,255	292,811,017
Accounts receivable, net (note 5)	8,422,167	12,062,410	20,484,577
Interest receivable (note 5)	703,134	228,381	931,515
Taxes receivable (note 5)	13,433,929	—	13,433,929
Intergovernmental receivables (note 5)	4,262,224	—	4,262,224
Inventories	329,973	1,046,285	1,376,258
Prepaid expenses	490,061	—	490,061
Deposits	—	5,552	5,552
Total current assets	<u>274,324,250</u>	<u>59,470,883</u>	<u>333,795,133</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash and investments (notes 4C and 9)	8,028,953	63,028,875	71,057,828
Interest receivable (note 5)	31,884	21,281	53,165
Permanently restricted:			
Cash and investments (note 4C)	<u>81,381</u>	<u>—</u>	<u>81,381</u>
Total restricted assets	<u>8,142,218</u>	<u>63,050,156</u>	<u>71,192,374</u>
Other noncurrent assets:			
Deferred bond issuance costs, net (note 9)	1,435,164	1,870,699	3,305,863
Internal balances	66,428,297	(66,428,297)	—
Net pension assets (note 10)	11,145,894	494,824	11,640,718
Other post employment benefit asset (note 12)	<u>6,918,474</u>	<u>—</u>	<u>6,918,474</u>
Total other noncurrent assets	<u>85,927,829</u>	<u>(64,062,774)</u>	<u>21,865,055</u>
Capital assets (note 8):			
Land	51,601,692	33,114,045	84,715,737
Buildings	226,986,557	174,389,780	401,376,337
Utility systems	—	186,025,842	186,025,842
Improvements other than buildings	31,593,750	4,436,417	36,030,167
Infrastructure	121,963,532	—	121,963,532
Machinery and equipment	77,291,986	10,252,311	87,544,297
Fine art collection	<u>1,746,411</u>	<u>—</u>	<u>1,746,411</u>
	511,183,928	408,218,395	919,402,323
Less accumulated depreciation	(185,334,437)	(144,856,039)	(330,190,476)
Construction in progress	<u>22,542,655</u>	<u>39,545,594</u>	<u>62,088,249</u>
Total capital assets, net	<u>348,392,146</u>	<u>302,907,950</u>	<u>651,300,096</u>
Total noncurrent assets	<u>442,462,193</u>	<u>301,895,332</u>	<u>744,357,525</u>
Total assets	<u><u>716,786,443</u></u>	<u><u>361,366,215</u></u>	<u><u>1,078,152,658</u></u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 9,557,071	5,178,933	14,736,004
Contracts payable	904,571	1,976,987	2,881,558
Accrued payroll	4,231,195	334,392	4,565,587
Interest payable (note 9)	570,314	636,651	1,206,965
Current portion of long-term liabilities :			
Compensated absences (note 9)	1,170,597	—	1,170,597
Outstanding claims (note 9)	8,086,390	—	8,086,390
Note payable (note 9)	1,396,838	—	1,396,838
Revenue bonds (note 9)	8,276,794	9,273,206	17,550,000
Intergovernmental liabilities	1,727,007	3,014,538	4,741,545
Customer deposits	3,941,846	2,905,881	6,847,727
Unearned revenue (note 5)	7,580,145	389,863	7,970,008
Total current liabilities	<u>47,442,768</u>	<u>23,710,451</u>	<u>71,153,219</u>
Long-term liabilities, net of current portion:			
Compensated absences (note 9)	13,129,217	—	13,129,217
Outstanding claims (note 9)	4,941,329	—	4,941,329
Unearned revenue (note 5)	—	538,653	538,653
Capital leases (note 9)	1,670,291	—	1,670,291
Note payable (note 9)	29,939,603	—	29,939,603
Revenue bonds (note 9)	150,080,254	158,566,553	308,646,807
Deferred amount on refunding, net (note 9)	(5,471,226)	(2,996,631)	(8,467,857)
Deferred credit from sale-leaseback transactions (note 11)	—	1,030,896	1,030,896
Total long-term liabilities	<u>194,289,468</u>	<u>157,139,471</u>	<u>351,428,939</u>
Total liabilities	<u>241,732,236</u>	<u>180,849,922</u>	<u>422,582,158</u>
NET ASSETS			
Invested in capital assets, net of related debt (note 14)	163,965,905	198,616,368	362,582,273
Restricted for:			
Debt service	7,766,997	10,175,732	17,942,729
Construction of capital assets	15,967,270	—	15,967,270
Streets, highways, bikeways, public transit and other related purposes	7,591,110	—	7,591,110
Endowment or trust agreement:			
Expendable	170,856	—	170,856
Nonexpendable	81,381	—	81,381
Other purposes	2,694,869	—	2,694,869
Unrestricted	276,815,819	(28,275,807)	248,540,012
Total net assets	<u>\$ 475,054,207</u>	<u>180,516,293</u>	<u>655,570,500</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Activities

For the Year Ended June 30, 2011

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	\$ (6,908,383)	1,277,077	—	238,492	(5,392,814)	—	(5,392,814)
Public safety	(94,175,921)	17,462,244	3,247,008	—	(73,466,669)	—	(73,466,669)
Public service	(19,915,311)	27,036,465	1,441,074	1,146,871	9,709,099	—	9,709,099
Culture and recreation	(46,237,415)	8,565,374	170,244	—	(37,501,797)	—	(37,501,797)
Interest on long-term debt	(8,222,287)	—	—	—	(8,222,287)	—	(8,222,287)
Total governmental activities	<u>(175,459,317)</u>	<u>54,341,160</u>	<u>4,858,326</u>	<u>1,385,363</u>	<u>(114,874,468)</u>	<u>—</u>	<u>(114,874,468)</u>
Business-type activities:							
Water	(27,099,129)	31,819,782	—	—	—	4,720,653	4,720,653
Parking facilities	(23,552,635)	25,075,328	—	—	—	1,522,693	1,522,693
Solid waste	(13,892,957)	14,577,120	17,421	373,040	—	1,074,624	1,074,624
Wastewater	(6,449,692)	13,005,741	—	—	—	6,556,049	6,556,049
Stormwater	(3,136,667)	1,824,798	—	—	—	(1,311,869)	(1,311,869)
Total business-type activities	<u>(74,131,080)</u>	<u>86,302,769</u>	<u>17,421</u>	<u>373,040</u>	<u>—</u>	<u>12,562,150</u>	<u>12,562,150</u>
Total	\$ <u>(249,590,397)</u>	<u>140,643,929</u>	<u>4,875,747</u>	<u>1,758,403</u>	<u>(114,874,468)</u>	<u>12,562,150</u>	<u>(102,312,318)</u>
General revenues:							
Taxes:							
Business					33,993,715	—	33,993,715
Property					41,814,780	—	41,814,780
Sales					22,052,861	—	22,052,861
Transient occupancy					26,594,808	—	26,594,808
Other					3,706,048	—	3,706,048
Grants and contributions not restricted to specific programs					575,314	—	575,314
Unrestricted investment earnings					11,094,647	1,506,869	12,601,516
Net change in fair value of investments					(33,470)	(132,624)	(166,094)
Miscellaneous					1,949,835	34,365	1,984,200
Transfers (note 7)					1,010,669	(1,010,669)	—
Total general revenues and transfers					<u>142,759,207</u>	<u>397,941</u>	<u>143,157,148</u>
Change in net assets					27,884,739	12,960,091	40,844,830
Net assets, July 1					<u>447,169,468</u>	<u>167,556,202</u>	<u>614,725,670</u>
Net assets, June 30					\$ <u><u>475,054,207</u></u>	<u><u>180,516,293</u></u>	<u><u>655,570,500</u></u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Balance Sheet

Governmental Funds

June 30, 2011

Assets	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
Cash and investments (note 4)	\$ 63,648,304	17,515,117	25,386,631	—	106,550,052
Accounts receivable, net (note 5)	7,869,237	—	259,005	—	8,128,242
Interest receivable (note 5)	148,239	72,998	93,034	—	314,271
Taxes receivable (note 5)	13,433,929	—	—	—	13,433,929
Interfund receivables (note 6)	9,538,647	—	—	(343,959)	9,194,688
Intergovernmental receivables (note 5)	3,655,324	—	606,900	—	4,262,224
Advances to other funds (note 6)	17,882,449	—	7,870,232	—	25,752,681
Restricted assets:					
Cash and investments (note 4C)	—	—	3,014,865	—	3,014,865
Interest receivable (note 5)	—	—	1,069	—	1,069
Total assets	<u>\$ 116,176,129</u>	<u>17,588,115</u>	<u>37,231,736</u>	<u>(343,959)</u>	<u>170,652,021</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 3,027,596	787,385	1,144,968	—	4,959,949
Contracts payable	—	776,159	128,412	—	904,571
Accrued payroll	3,457,324	—	33,614	—	3,490,938
Interfund payables (note 6)	—	—	343,959	(343,959)	—
Intergovernmental payables	1,640,791	—	—	—	1,640,791
Customer deposits	2,711,430	—	1,230,416	—	3,941,846
Deferred revenue (note 5)	7,354,832	57,301	315,154	—	7,727,287
Total liabilities	<u>18,191,973</u>	<u>1,620,845</u>	<u>3,196,523</u>	<u>(343,959)</u>	<u>22,665,382</u>
Fund balances (note 15):					
Nonspendable	24,194,752	—	81,381	—	24,276,133
Restricted	—	15,967,270	13,256,219	—	29,223,489
Committed	8,480,041	—	12,008,977	—	20,489,018
Assigned	1,447,295	—	8,780,214	—	10,227,509
Unassigned	63,862,068	—	(91,578)	—	63,770,490
Total fund balances	<u>97,984,156</u>	<u>15,967,270</u>	<u>34,035,213</u>	<u>—</u>	<u>147,986,639</u>
Total liabilities and fund balances	<u>\$ 116,176,129</u>	<u>17,588,115</u>	<u>37,231,736</u>	<u>(343,959)</u>	<u>170,652,021</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, 2011

Total governmental fund balances (page 32)	\$ 147,986,639
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.	116,940,023
– 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.	9,961,049
– Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	488,817
– Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,036,706
– 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.	229,562,852
– 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>(32,921,879)</u>
Net assets of governmental activities (page 30)	<u>\$ 475,054,207</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, 2011

	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
Revenues:					
Taxes	\$ 125,602,667	—	2,790,512	—	128,393,179
Licenses and permits	12,123,447	—	—	—	12,123,447
Intergovernmental	895,074	139,933	5,553,270	—	6,588,277
Charges for service	10,403,508	—	110,672	(248,141)	10,266,039
Fines, forfeitures and penalties	9,532,623	—	—	—	9,532,623
Use of money and property	5,883,819	511,613	1,099,321	—	7,494,753
Net change in fair value of investments	226,025	(37,443)	(44,957)	—	143,625
Miscellaneous	863,170	—	—	—	863,170
Total revenues	165,530,333	614,103	9,508,818	(248,141)	175,405,113
Expenditures:					
Current:					
General government	5,873,238	—	—	(248,141)	5,625,097
Public safety	81,611,388	—	602,406	—	82,213,794
Public service	19,542,284	—	1,265,619	—	20,807,903
Culture and recreation	38,924,616	—	11,593	—	38,936,209
Debt service:					
Interest	—	—	1,500,955	—	1,500,955
Principal	—	—	344,461	—	344,461
Capital outlay	110,088	9,621,755	6,286,491	—	16,018,334
Total expenditures	146,061,614	9,621,755	10,011,525	(248,141)	165,446,753
Excess (deficiency) of revenues over expenditures	19,468,719	(9,007,652)	(502,707)	—	9,958,360
Other financing sources (uses):					
Transfers in (note 7)	1,906,000	4,000,000	1,866,200	(6,272,200)	1,500,000
Insurance recoveries	45,388	—	—	—	45,388
Transfers out (note 7)	(21,000,930)	—	(406,000)	6,272,200	(15,134,730)
Total other financing sources (uses)	(19,049,542)	4,000,000	1,460,200	—	(13,589,342)
Net change in fund balances	419,177	(5,007,652)	957,493	—	(3,630,982)
Fund balances, July 1	97,564,979	20,974,922	33,077,720	—	151,617,621
Fund balances, June 30	\$ 97,984,156	15,967,270	34,035,213	—	147,986,639

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, 2011

Net change in fund balances – total governmental funds (page 34)	\$ (3,630,982)
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.	3,036,706
• Property tax revenues that become available and are recognized in the current year that relate to prior years are not reported as revenues in the statement of activities.	(3,267,673)
– Interest revenues:	
• Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	488,817
• 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	(502,955)
– 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.	20,005,845
– 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.	(476,632)
– 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.	11,949,939
– The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of certain long-term debt and related items.	281,674
Change in net assets of governmental activities (page 31)	\$ <u><u>27,884,739</u></u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

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

General Fund

For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget – Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Business	\$ 32,000,000	32,000,000	33,993,715	1,993,715
Property	42,030,000	42,030,000	42,045,747	15,747
Sales	21,000,000	21,000,000	22,052,861	1,052,861
Transient occupancy	23,700,000	23,700,000	26,594,808	2,894,808
Other	699,000	699,000	915,536	216,536
Licenses and permits	10,695,886	10,695,886	12,123,447	1,427,561
Intergovernmental	799,988	881,590	895,074	13,484
Charges for services	9,566,653	9,628,023	10,403,508	775,485
Fines, forfeitures and penalties	7,869,950	7,869,950	9,532,623	1,662,673
Use of money and property	5,751,132	5,751,132	5,883,819	132,687
Net change in fair value of investments	—	—	226,025	226,025
Miscellaneous	889,100	901,274	863,170	(38,104)
Total revenues	<u>155,001,709</u>	<u>155,156,855</u>	<u>165,530,333</u>	<u>10,373,478</u>
Expenditures:				
Current:				
General government:				
Financial services	772,769	779,369	698,432	(80,937)
Economic development	3,314,448	3,382,048	2,850,859	(531,189)
Non-departmental	6,382,484	5,378,244	2,323,947	(3,054,297)
Total general government	<u>10,469,701</u>	<u>9,539,661</u>	<u>5,873,238</u>	<u>(3,666,423)</u>
Public safety:				
Police services	48,787,359	49,718,748	49,105,701	(613,047)
Fire control	29,040,899	29,469,514	28,463,644	(1,005,870)
Building and safety	3,885,666	4,392,865	4,031,590	(361,275)
Hazard Mitigation	12,000	20,100	10,453	(9,647)
Total public safety	<u>81,725,924</u>	<u>83,601,227</u>	<u>81,611,388</u>	<u>(1,989,839)</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final		
Public service:				
Engineering and administration	\$ 847,748	882,161	955,168	73,007
Streets and subdrains	4,576,062	4,576,302	4,409,922	(166,380)
Planning services	5,444,954	5,638,800	5,547,067	(91,733)
Community services	8,335,704	9,044,755	8,630,127	(414,628)
Total public service	<u>19,204,468</u>	<u>20,142,018</u>	<u>19,542,284</u>	<u>(599,734)</u>
Culture and recreation:				
Recreation and parks	17,158,625	18,319,572	17,238,389	(1,081,183)
Library	10,553,739	10,650,402	11,178,613	528,211
Education	10,312,188	10,312,188	10,313,297	1,109
Promotion and tourism	300,000	275,000	194,317	(80,683)
Total culture and recreation	<u>38,324,552</u>	<u>39,557,162</u>	<u>38,924,616</u>	<u>(632,546)</u>
Capital outlay	<u>—</u>	<u>10,000</u>	<u>110,088</u>	<u>100,088</u>
Total expenditures	<u>149,724,645</u>	<u>152,850,068</u>	<u>146,061,614</u>	<u>(6,788,454)</u>
Excess of revenues over expenditures	<u>5,277,064</u>	<u>2,306,787</u>	<u>19,468,719</u>	<u>17,161,932</u>
Other financing sources (uses):				
Transfers in (note 7)	2,710,892	2,710,892	1,906,000	(804,892)
Insurance recoveries	—	—	45,388	45,388
Transfers out (note 7)	<u>(7,572,234)</u>	<u>(16,582,846)</u>	<u>(21,000,930)</u>	<u>4,418,084</u>
Total other financing sources (uses)	<u>(4,861,342)</u>	<u>(13,871,954)</u>	<u>(19,049,542)</u>	<u>(5,177,588)</u>
Net change in fund balances	415,722	(11,565,167)	419,177	11,984,344
Fund balance, July 1	<u>97,564,979</u>	<u>97,564,979</u>	<u>97,564,979</u>	<u>—</u>
Fund balance, June 30	<u>\$ 97,980,701</u>	<u>85,999,812</u>	<u>97,984,156</u>	<u>11,984,344</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

Proprietary Funds

June 30, 2011

	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)	\$ 14,244,076	1,485,675	10,346,322	19,912,525	139,657	46,128,255	140,132,710
Accounts receivable, net (note 5)	5,782,949	212,499	3,119,749	2,536,135	411,078	12,062,410	293,925
Interest receivable (note 5)	65,134	48,454	40,940	73,853	—	228,381	388,863
Interfund receivable (note 6)	—	—	415	—	—	415	2,319,661
Inventory	1,046,285	—	—	—	—	1,046,285	329,973
Prepaid expenses	—	—	—	—	—	—	490,061
Deposits	3,470	2,082	—	—	—	5,552	—
Total current assets	21,141,914	1,748,710	13,507,426	22,522,513	550,735	59,471,298	143,955,193
Noncurrent assets:							
Restricted assets:							
Cash and investments (notes 4C and 9)	16,317,852	45,087,273	—	1,623,750	—	63,028,875	5,095,469
Interest and other receivables (note 5)	1	21,280	—	—	—	21,281	30,815
Total restricted assets	16,317,853	45,108,553	—	1,623,750	—	63,050,156	5,126,284
Deferred bond issuance costs, net	750,609	904,741	—	215,349	—	1,870,699	1,104,165
Advances to other funds (note 6)	—	—	1,200,000	—	—	1,200,000	29,161,267
Net pension assets	176,415	75,246	134,179	44,289	64,695	494,824	1,184,845
Other post employment benefit asset	—	—	—	—	—	—	6,918,474
Total other noncurrent assets	927,024	979,987	1,334,179	259,638	64,695	3,565,523	38,368,751
Capital assets (note 8):							
Land	5,260,911	19,144,134	—	8,709,000	—	33,114,045	32,041,706
Buildings	16,642,634	157,747,146	—	—	—	174,389,780	225,784,544
Utility systems	121,768,407	—	—	54,155,785	10,101,650	186,025,842	—
Improvements other than buildings	—	4,436,417	—	—	—	4,436,417	29,164,247
Machinery and equipment	5,774,158	2,946,749	1,009,623	454,248	67,533	10,252,311	75,578,107
Infrastructure	—	—	—	—	—	—	210,520
	149,446,110	184,274,446	1,009,623	63,319,033	10,169,183	408,218,395	362,779,124
Less accumulated depreciation	(46,442,267)	(76,208,462)	(654,894)	(15,344,348)	(6,206,068)	(144,856,039)	(135,972,985)
Construction in progress	9,662,925	28,289,659	—	1,593,010	—	39,545,594	4,645,984
Total capital assets, net	112,666,768	136,355,643	354,729	49,567,695	3,963,115	302,907,950	231,452,123
Total noncurrent assets	129,911,645	182,444,183	1,688,908	51,451,083	4,027,810	369,523,629	274,947,158
Total assets	151,053,559	184,192,893	15,196,334	73,973,596	4,578,545	428,994,927	418,902,351

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets, Continued

Proprietary Funds

June 30, 2011

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 2,809,487	1,729,916	538,905	61,383	39,242	5,178,933	4,597,122
Contracts payable	643,755	1,326,811	—	6,421	—	1,976,987	—
Accrued payroll	91,406	123,415	63,728	24,684	31,159	334,392	740,257
Interest payable	261,122	329,558	—	45,971	—	636,651	446,346
Current portion of:							
Compensated absences (note 9)	—	—	—	—	—	—	1,170,597
Outstanding claims (note 9)	—	—	—	—	—	—	8,086,390
Advances from other funds (note 6)	—	10,467,955	—	—	—	10,467,955	—
Revenue bonds (note 9)	2,200,248	6,002,958	—	1,070,000	—	9,273,206	7,919,415
Interfund payable	—	—	—	415	—	415	—
Intergovernmental payable	3,504	—	—	3,011,034	—	3,014,538	86,216
Customer deposits	2,071,104	831,702	—	3,075	—	2,905,881	—
Unearned revenue (note 5)	—	389,863	—	—	—	389,863	3,378,381
Note payable (note 9)	—	—	—	—	—	—	1,396,838
Total current liabilities	8,080,626	21,202,178	602,633	4,222,983	70,401	34,178,821	27,821,562
Long-term liabilities (net of current portion):							
Compensated absences (note 9)	—	—	—	—	—	—	13,129,217
Outstanding claims (note 9)	—	—	—	—	—	—	4,941,329
Unearned revenue (note 5)	—	538,653	—	—	—	538,653	—
Capital leases (note 9)	—	—	—	—	—	—	1,670,291
Advances from other funds (note 6)	—	55,960,342	—	—	1,200,000	57,160,342	—
Revenue bonds (note 9)	69,599,618	72,691,337	—	13,010,000	—	155,300,955	110,679,536
Original issue premium, net (note 9)	979,464	2,643,055	—	370,872	—	3,993,391	6,021,313
Original issue discount, net (note 9)	(530,876)	(196,917)	—	—	—	(727,793)	(349,678)
Deferred amount on refunding, net (note 9)	(755,947)	(1,157,694)	—	(1,082,990)	—	(2,996,631)	(4,513,674)
Note payable (note 9)	—	—	—	—	—	—	29,939,603
Deferred credit from sale-leaseback transactions (note 11)	—	1,030,896	—	—	—	1,030,896	—
Total long-term liabilities	69,292,259	131,509,672	—	12,297,882	1,200,000	214,299,813	161,517,937
Total liabilities	77,372,885	152,711,850	602,633	16,520,865	1,270,401	248,478,634	189,339,499
NET ASSETS							
Invested in capital assets, net of related debt (note 14)	50,633,856	108,664,856	354,729	36,199,813	2,763,114	198,616,368	80,154,792
Restricted for:							
Debt service	6,858,255	1,693,727	—	1,623,750	—	10,175,732	5,025,993
Unrestricted (note 14)	16,188,563	(78,877,540)	14,238,972	19,629,168	545,030	(28,275,807)	144,382,067
Total net assets	\$ 73,680,674	31,481,043	14,593,701	57,452,731	3,308,144	180,516,293	229,562,852

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, 2011

	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	\$ 31,819,782	25,075,328	14,577,120	13,005,741	1,824,798	86,302,769	70,754,864
Operating expenses:							
Salaries and employee benefits	2,627,318	3,438,921	2,077,406	780,754	1,187,129	10,111,528	23,104,123
Maintenance and operation	17,438,450	6,963,174	11,673,660	3,651,991	1,669,955	41,397,230	21,751,284
Insurance premiums, settlements and provisions	—	—	—	—	—	—	5,302,538
Depreciation (note 8)	3,343,873	5,709,076	141,891	1,357,348	279,583	10,831,771	12,764,406
Amortization of issuance costs	58,158	60,490	—	84,959	—	203,607	522,462
Total operating expenses	<u>23,467,799</u>	<u>16,171,661</u>	<u>13,892,957</u>	<u>5,875,052</u>	<u>3,136,667</u>	<u>62,544,136</u>	<u>63,444,813</u>
Operating income (loss)	<u>8,351,983</u>	<u>8,903,667</u>	<u>684,163</u>	<u>7,130,689</u>	<u>(1,311,869)</u>	<u>23,758,633</u>	<u>7,310,051</u>
Nonoperating revenues (expenses):							
Investment revenue	432,817	382,970	255,878	432,067	3,137	1,506,869	3,614,032
Net change in fair value of investments	(51,219)	(23,730)	(18,733)	(39,922)	980	(132,624)	(177,095)
Interest expense	(3,159,182)	(7,380,974)	—	(574,640)	—	(11,114,796)	(6,658,545)
Intergovernmental revenue	—	373,040	17,421	—	—	390,461	230,726
Gain (loss) on sale of capital assets	—	—	—	—	—	—	10,612
Other revenue (expense)	<u>(472,148)</u>	<u>34,365</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(437,783)</u>	<u>1,030,665</u>
Total nonoperating revenues (expenses)	<u>(3,249,732)</u>	<u>(6,614,329)</u>	<u>254,566</u>	<u>(182,495)</u>	<u>4,117</u>	<u>(9,787,873)</u>	<u>(1,949,605)</u>
Income (loss) before contributions and operating transfers	5,102,251	2,289,338	938,729	6,948,194	(1,307,752)	13,970,760	5,360,446
Transfers in (note 7)	—	706,000	—	—	60,000	766,000	14,645,399
Transfers out (note 7)	—	<u>(1,500,000)</u>	<u>(276,669)</u>	—	—	<u>(1,776,669)</u>	—
Change in net assets	5,102,251	1,495,338	662,060	6,948,194	(1,247,752)	12,960,091	20,005,845
Net assets, July 1	<u>68,578,423</u>	<u>29,985,705</u>	<u>13,931,641</u>	<u>50,504,537</u>	<u>4,555,896</u>	<u>167,556,202</u>	<u>209,557,007</u>
Net assets, June 30	<u>\$ 73,680,674</u>	<u>31,481,043</u>	<u>14,593,701</u>	<u>57,452,731</u>	<u>3,308,144</u>	<u>180,516,293</u>	<u>229,562,852</u>

See accompanying notes to basic financial statements.





CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2011

	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	\$ 30,961,458	14,636,212	14,091,068	12,673,898	1,766,077	74,128,713	92,763,706
Rents received under property leases	5,704	10,557,517	—	—	—	10,563,221	—
Cash payments to employees for services	(2,629,182)	(3,414,740)	(2,091,090)	(775,752)	(1,202,300)	(10,113,064)	(39,302,388)
Cash payments for goods and services	(17,127,898)	(6,875,336)	(12,067,334)	(3,768,334)	(1,657,366)	(41,496,268)	(31,303,574)
Cash payments for insurance premiums, settle- ments and claims	—	—	—	—	—	—	(6,088,195)
Net cash provided by operating activities	<u>11,210,082</u>	<u>14,903,653</u>	<u>(67,356)</u>	<u>8,129,812</u>	<u>(1,093,589)</u>	<u>33,082,602</u>	<u>16,069,549</u>
Cash flows from noncapital financing activities –							
Grant receipts and other revenue	—	373,040	17,421	—	—	390,461	1,030,665
Proceeds from issuance of bonds	—	—	—	—	—	—	20,046,248
Principal payments on debt	—	—	—	—	—	—	(1,235,088)
Interest payments on debt	—	—	—	—	—	—	(623,622)
Intergovernmental revenue	—	—	—	—	—	—	230,726
Cash received (paid) from unfunded liabilities	8,441	3,600	6,420	2,119	3,096	23,676	56,694
Cash received from other funds	—	706,000	—	—	60,000	766,000	14,750,333
Cash paid to other funds	—	(1,500,000)	(276,669)	—	—	(1,776,669)	(104,935)
Net cash provided by (used in) noncapital financing activities	<u>8,441</u>	<u>(417,360)</u>	<u>(252,828)</u>	<u>2,119</u>	<u>63,096</u>	<u>(596,532)</u>	<u>34,151,021</u>
Cash flows from capital financing activities:							
Proceeds from sale of property	—	—	—	—	—	—	10,612
Acquisition and construction of capital assets	(8,380,949)	(25,155,810)	—	(1,964,352)	(248,995)	(35,750,106)	(19,214,573)
Proceeds from (issuance of) interfund advance	—	8,000,000	(600,000)	—	600,000	8,000,000	—
Proceeds from issuance of bonds	—	43,101,076	—	—	—	43,101,076	—
Repayment of construction loan	—	—	—	—	—	—	(15,114,198)
Proceeds from construction loan	—	—	—	—	—	—	32,000,000
Principal received (payments) on interfund advance	—	(2,331,379)	—	—	—	(2,331,379)	1,057,994
Interest received (paid) on interfund advance	—	(3,571,482)	—	—	—	(3,571,482)	1,946,514
Principal payments on debt	(2,031,030)	(3,362,821)	—	(1,045,000)	—	(6,438,851)	(6,231,600)
Interest payments on debt	(3,165,952)	(3,631,335)	—	(576,730)	—	(7,374,017)	(5,985,564)
Net cash provided by (used in) capital financing activities	<u>(13,577,931)</u>	<u>13,048,249</u>	<u>(600,000)</u>	<u>(3,586,082)</u>	<u>351,005</u>	<u>(4,364,759)</u>	<u>(11,530,815)</u>
Cash flows from investing activities:							
Earnings on investments	414,103	459,956	255,575	398,093	8,467	1,536,194	2,813,577
Net increase (decrease) in cash and cash equivalents	<u>(1,945,305)</u>	<u>27,994,498</u>	<u>(664,609)</u>	<u>4,943,942</u>	<u>(671,021)</u>	<u>29,657,505</u>	<u>41,503,332</u>
Cash and cash equivalents, July 1	<u>32,507,233</u>	<u>18,578,450</u>	<u>11,010,931</u>	<u>16,592,333</u>	<u>810,678</u>	<u>79,499,625</u>	<u>103,724,847</u>
Cash and cash equivalents, June 30	\$ <u>30,561,928</u>	<u>46,572,948</u>	<u>10,346,322</u>	<u>21,536,275</u>	<u>139,657</u>	<u>109,157,130</u>	<u>145,228,179</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows, Continued

Proprietary Funds

For the Year Ended June 30, 2011

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
Reconciliation of operating income to net cash provided by operating activities:							
Operating income (loss)	\$ 8,351,983	8,903,667	684,163	7,130,689	(1,311,869)	23,758,633	7,310,051
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	3,343,873	5,709,076	141,891	1,357,348	279,583	10,831,771	12,764,405
Amortization of issuance costs	58,158	60,490	—	84,959	—	203,607	522,462
Changes in assets and liabilities:							
Increase (decrease) in other post-employment benefit obligations	—	—	—	—	—	—	(8,701,909)
(Increase) decrease in accounts receivable	(844,455)	(82,714)	(487,932)	(331,843)	(58,721)	(1,805,665)	1,126
(Increase) decrease in inventory	97,888	—	—	—	—	97,888	55,571
(Increase) decrease in prepaid expenses	—	—	—	—	—	—	(7,696)
Increase (decrease) in accounts payable	212,886	87,838	(393,674)	24,407	12,589	(55,954)	(3,174,006)
Increase (decrease) in intergovernmental payable	2,310	—	—	—	—	2,310	86,216
Increase (decrease) in interfund payable	—	—	—	—	—	—	(97,037)
(Increase) decrease in interfund receivable	—	—	2,117	—	—	2,117	—
Increase (decrease) in accrued payroll	(1,864)	24,181	(13,684)	5,002	(15,171)	(1,536)	101,368
Increase in other liabilities	(2,531)	—	—	(140,750)	—	(143,281)	—
Increase (decrease) in accrued compensated absences	—	—	—	—	—	—	183,486
Increase in outstanding claims	—	—	—	—	—	—	3,699,496
Increase in deferred revenue	—	60,756	—	—	—	60,756	3,326,016
Increase (decrease) in customer deposits	(8,166)	140,359	(237)	—	—	131,956	—
Total adjustments	2,858,099	5,999,986	(751,519)	999,123	218,280	9,323,969	8,759,498
Net cash provided by operating activities	\$ 11,210,082	14,903,653	(67,356)	8,129,812	(1,093,589)	33,082,602	16,069,549
Cash and investments	\$ 14,244,076	1,485,675	10,346,322	19,912,525	139,657	46,128,255	140,132,710
Restricted cash and investments	16,317,852	45,087,273	—	1,623,750	—	63,028,875	5,095,469
Total cash and cash equivalents	\$ 30,561,928	46,572,948	10,346,322	21,536,275	139,657	109,157,130	145,228,179
Significant noncash investing and financing activities:							
– Amortization of bond issuance costs, premiums, discounts and deferred amounts on refunding (note 9)	\$ 58,158	60,490	—	84,959	—	203,607	522,462
– Value of capital asset under lease (note 9)	—	—	—	—	—	—	1,670,291
– Change in fair value of investments	(51,219)	(23,730)	(18,733)	(39,922)	980	(132,624)	(177,095)
See accompanying notes to basic financial statements.							





CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(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.

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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. 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 liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures,

as well as expenditures related to compensated absences, 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.
- 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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- 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, reprographics, cable television, liability insurance, workers’ compensation insurance, unemployment insurance and employee benefits. Rentals to user departments and divisions for internal service capital assets are based on 1) capital replacement, 2) repairs and maintenance costs and 3) fuel usage. The capital replacement charge, based on the estimated net replacement cost of the asset allocated over the asset’s estimated useful life, is used by the City to reduce budgetary swings in user departments for periodic capital replacement.

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedi-

cated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges for sales and services. Operating expenses for enterprise and internal service funds include salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

General Fund. For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be petty cash funds, equity in the City's cash and investment pool, and restricted, non-pooled investments with initial maturities of three months or less. The City follows the disclosure requirements of GASB Statement No. 40, *Deposit and Investment Risk Disclosures—An Amendment of GASB Statement No. 3*.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as 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 inter-fund 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 balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The proceeds of certain endowments, together with cumulative unspent earnings thereon, are also classified as restricted assets on the balance sheet because their use is limited by the terms of the endowments.

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

Capital Assets

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

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2011.

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

Compensated Absences

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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. Please also refer to Note 14 for more information on net assets invested in capital assets, net of related debt.

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

Estimates

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

Self-Insurance Programs

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

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

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

The contracted claims administrators provide services to process liability and workers’ compensation self-insurance claims. The process includes the estimation of loss reserves. It is the City’s intent to maintain cash re

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

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

serves in the self-insurance funds equal to or greater than the estimated loss reserves.

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

The following represents changes in the liabilities for claims for each of the City's self-insurance funds (general liability, workers' compensation and unemployment), for the years ended June 30, 2011 and 2010:

FY	Liability Balance – Beginning of FY	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance – End of FY
<i>General Liability:</i>				
2010	3,569,212	4,952,349	(4,338,163)	4,183,398
2011	4,183,398	8,538,361	(6,273,579)	6,448,180
<i>Workers' Compensation:</i>				
2010	5,635,572	(283,105)	(222,101)	5,130,366
2011	5,130,366	1,594,840	(243,765)	6,481,441
<i>Unemployment Insurance:</i>				
2010	14,458	135,809	(135,809)	14,458
2011	14,458	107,409	(21,193)	100,674

Pronouncements Implemented

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

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

- i. GASB Statement No. 58, Accounting and Reporting for Chapter 9 Bankruptcies
- ii. GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

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

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

	Total Governmental Funds	Net Pension Asset	Capital Assets	Long-Term Liabilities	Internal Service Funds	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS							
Cash and investments	\$ 106,550,052	—	—	—	140,132,710	—	246,682,762
Accounts receivable, net	8,128,242	—	—	—	293,925	—	8,422,167
Interest receivable	314,271	—	—	—	388,863	—	703,134
Taxes receivable	13,433,929	—	—	—	—	—	13,433,929
Interfund receivable	9,194,688	—	—	—	2,319,661	(11,514,349)	—
Intergovernmental receivable	4,262,224	—	—	—	—	—	4,262,224
Inventory	—	—	—	—	329,973	—	329,973
Prepaid expenses	—	—	—	—	490,061	—	490,061
Restricted assets:							
Cash and investments	3,014,865	—	—	—	5,095,469	—	8,110,334
Interest receivable	1,069	—	—	—	30,815	—	31,884
Deferred bond issuance costs, net	—	—	—	330,999	1,104,165	—	1,435,164
Advances to other funds	25,752,681	—	—	—	29,161,267	11,514,349	66,428,297
Net pension assets	—	9,961,049	—	—	1,184,845	—	11,145,894
Other Post Employment Benefit asset	—	—	—	—	6,918,474	—	6,918,474
Capital assets, net	—	—	116,940,023	—	231,452,123	—	348,392,146
Total assets	<u>170,652,021</u>	<u>9,961,049</u>	<u>116,940,023</u>	<u>330,999</u>	<u>418,902,351</u>	<u>—</u>	<u>716,786,443</u>
LIABILITIES							
Accounts payable	4,959,949	—	—	—	4,597,122	—	9,557,071
Contracts payable	904,571	—	—	—	—	—	904,571
Accrued payroll	3,490,938	—	—	—	740,257	—	4,231,195
Interest payable	—	—	—	123,968	446,346	—	570,314
Current portion of long-term liabilities	—	—	—	357,379	18,573,240	—	18,930,619
Intergovernmental payables	1,640,791	—	—	—	86,216	—	1,727,007
Customer deposits	3,941,846	—	—	—	—	—	3,941,846
Deferred revenue	7,727,287	—	—	—	3,378,381	(3,525,523)	7,580,145
Long-term liabilities, net of current portion:							
Note Payable	—	—	—	—	29,939,603	—	29,939,603
Compensated absences	—	—	—	—	13,129,217	—	13,129,217
Outstanding claims	—	—	—	—	4,941,329	—	4,941,329
Revenue bonds	—	—	—	34,099,508	110,679,536	—	144,779,044
Original issue discount, net	—	—	—	(370,425)	(349,678)	—	(720,103)
Original issue premium, net	—	—	—	—	6,021,313	—	6,021,313
Deferred amount on refunding, net	—	—	—	(957,552)	(4,513,674)	—	(5,471,226)
Capital lease	—	—	—	—	1,670,291	—	1,670,291
Total liabilities	<u>22,665,382</u>	<u>—</u>	<u>—</u>	<u>33,252,878</u>	<u>189,339,499</u>	<u>(3,525,523)</u>	<u>241,732,236</u>
FUND BALANCES/NET ASSETS							
Fund balances:							
Nonspendable	24,276,133	—	—	—	—	(24,276,133)	—
Restricted	29,223,489	—	—	—	—	(29,223,489)	—
Committed	10,227,509	—	—	—	—	(10,227,509)	—
Assigned	20,489,018	—	—	—	—	(20,489,018)	—
Unassigned	63,770,490	—	—	—	—	(63,770,490)	—
Net assets:							
Invested in capital assets, net of related debt	—	—	116,940,023	(33,128,910)	80,154,792	—	163,965,905
Restricted	—	—	—	—	5,025,993	29,246,490	34,272,483
Unrestricted	—	9,961,049	—	207,031	144,382,067	122,265,672	276,815,819
Total fund balances/net assets	<u>\$ 147,986,639</u>	<u>9,961,049</u>	<u>116,940,023</u>	<u>(32,921,879)</u>	<u>229,562,852</u>	<u>3,525,523</u>	<u>475,054,207</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

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

1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet:	
Cost of Construction in Progress, Fine Art, Improvements, Machinery and Equipment, and Infrastructure capital assets	\$ 166,301,475
Accumulated depreciation	<u>(49,361,452)</u>
Infrastructure capital assets, net	<u>\$ 116,940,023</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	\$ 34,456,887
Less: original issue discount (amortized over the life of the bonds to interest expense)	(370,425)
Less: deferred bond issuance costs (amortized over the life of the bonds to interest expense)	(330,999)
Less: deferred amount on refunding (amortized over the life of the bonds to interest expense)	(957,552)
Plus: interest payable	<u>123,968</u>
Infrastructure long-term liabilities, net	<u>\$ 32,921,879</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	\$ 80,154,792
Restricted	5,025,993
Unrestricted	<u>144,382,067</u>
Internal service funds net assets	<u>\$ 229,562,852</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>\$ 9,961,049</u>
– Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	488,817
Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	<u>3,036,706</u>
Net reduction in deferred revenue	<u>3,525,523</u>
– Fund balances are reclassified and restated into three categories of net assets: invested in capital assets net of related debt, restricted and unrestricted.	
Fund balances,	
Nonspendable	(24,276,133)
Restricted	(29,223,489)
Committed	(10,227,509)
Assigned	(20,489,018)
Unassigned	(63,770,490)
Invested in capital assets, net of related debt	-
Net assets, restricted	29,246,490
Net assets, unrestricted	<u>122,265,672</u>
Net fund balance reclassifications	<u>3,525,523</u>
Net reclasses and eliminations	<u>\$ -</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

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

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

	Total Governmental Funds	Net Pension Asset	Infrastructure		Internal Service Funds	Reclassifications and Eliminations	Statement of Net Assets Totals
			Capital Assets	Long-Term Liabilities			
Revenues:							
Program revenues:							
Charges for services	\$ 10,266,039	—	—	—	70,754,864	(26,679,743)	54,341,160
Operating grants and contributions	—	—	—	—	—	4,858,326	4,858,326
Capital grants and contributions	—	—	—	—	—	1,385,363	1,385,363
Licenses and permits	12,123,447	—	—	—	—	(12,123,447)	—
Fines, forfeitures and penalties	9,532,623	—	—	—	—	(9,532,623)	—
General revenues:							
Taxes	128,393,179	—	—	—	—	(230,967)	128,162,212
Intergovernmental	6,588,277	—	—	—	230,726	(6,819,003)	—
Grants and contributions not restricted to specific programs	—	—	—	—	—	575,314	575,314
Investment earnings	7,494,753	—	—	—	3,614,032	(14,138)	11,094,647
Net change in fair value of investments	143,625	—	—	—	(177,095)	—	(33,470)
Gain (loss) on sale of capital assets	—	—	—	—	10,612	(10,612)	—
Miscellaneous	863,170	—	—	—	1,030,665	56,000	1,949,835
Transfers in	1,500,000	—	—	—	14,645,399	(14,428,731)	1,716,668
Total revenues and transfers in	176,905,113	—	—	—	90,109,203	(62,964,261)	204,050,055
Expenditures/expenses:							
General government							
General government	5,625,097	—	—	—	—	1,283,286	6,908,383
Public safety	82,213,794	—	—	—	—	11,962,127	94,175,921
Public service	20,807,903	—	—	—	—	(892,592)	19,915,311
Culture and recreation	38,936,209	—	—	—	—	7,301,206	46,237,415
Debt service:							
Principal retirement	344,461	—	—	(344,461)	—	—	—
Interest	1,500,955	—	—	62,787	6,658,545	—	8,222,287
Capital outlay	16,018,334	—	—	—	—	(16,018,334)	—
Internal service fund operating expenses:							
Salaries and employee benefits	—	—	—	—	23,104,123	(23,104,123)	—
Maintenance and operation	—	—	—	—	21,751,284	(21,751,284)	—
Insurance premiums, settlements and provisions	—	—	—	—	5,302,538	(5,302,538)	—
Depreciation and amortization	—	—	2,083,144	—	12,764,406	(14,847,550)	—
Amortization of debt issue costs	—	—	—	—	522,462	(522,462)	—
Transfers out	15,134,730	—	—	—	—	(14,428,731)	705,999
Insurance Recoveries	(45,388)	—	—	—	—	45,388	—
Infrastructure, fine art assets, and net pension assets completed and transferred	—	476,632	(14,033,083)	—	—	13,556,451	—
Total expenditures/expenses and transfers out	180,536,095	476,632	(11,949,939)	(281,674)	70,103,358	(62,719,156)	176,165,316
Change in fund balances/net assets	(3,630,982)	(476,632)	11,949,939	281,674	20,005,845	(245,105)	27,884,739
Fund balances/net assets, July 1	151,617,621	10,437,681	104,990,084	(33,203,553)	209,557,007	3,770,628	447,169,468
Fund balances/net assets, June 30	\$ 147,986,639	9,961,049	116,940,023	(32,921,879)	229,562,852	3,525,523	475,054,207

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(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	\$ 16,018,334
Items not capitalized and reclassified	(1,985,251)
Depreciation expense	<u>(2,083,144)</u>
Excess of capital outlay expenditures over depreciation expense in the current period	\$ <u>11,949,939</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>62,787</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>20,005,845</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	\$ 3,036,706
Interest	488,817
Net reduction in deferred revenue	<u>3,525,523</u>
– Revenues that become available and are recognized in the fund financial statements that relate to prior years are not reported as revenues in the statement of activities:	
Property taxes	(3,267,673)
Interest revenue	(502,955)
Net assets, beginning	<u>3,770,628</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	(48,214,113)
General government expenditures	1,471,924
Public safety expenditures	25,610,777
Public services expenditures	8,791,941
Culture and recreation expenditures	<u>12,339,471</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	21,656,070
Licenses and permits	(12,123,447)
Fines, forfeitures and penalties	<u>(9,532,623)</u>
Net effect of reclassification of certain revenues	<u>—</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

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

– Program specific intergovernmental revenues are reported as operating grants and contributions and capital grants and contributions:	
Operating grants and contributions	\$ 4,858,326
Capital grants and contributions	1,154,637
Grants and contributions not restricted to specific programs	575,314
Intergovernmental revenues	<u>(6,588,277)</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	2,738,774
Public safety	37,326,371
Public service	7,923,822
Culture and recreation	17,538,989
Salaries and employee benefits	(23,104,123)
Maintenance and operation	(21,751,284)
Insurance premiums and settlements	(5,302,538)
Depreciation and amortization	<u>(15,370,012)</u>
Net effect of reclassification of internal service funds operating expenses	<u>—</u>
– Operating transfers within governmental activities are eliminated:	
Reduction in transfers in	(14,428,731)
Reduction in transfers out	<u>14,428,731</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:	
General Government	—
Public safety expense	—
Public service expense	—
Culture and recreation expense	1,985,251
Capital outlay expense	<u>(1,985,251)</u>
Net effect of reclassification of capital outlay not capitalized	<u>—</u>

– Other reclassifications:	
Pension contribution that is deferred and amortized in the Statement of Activities	<u>—</u>
Net effect of other reclassifications	<u>—</u>
Net reclassifications and eliminations	<u>\$ 3,525,523</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

For the year ended June 30, 2011

(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

Supplemental Budget Appropriations and Adjustments

The budget at June 30, 2011 includes appropriations based on encumbrances outstanding and approved reappropriations at June 30, 2010 and excludes amounts reserved for encumbrances outstanding and approved reappropriations at June 30, 2011.

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	\$ 157,296,879	6,060,593
Reappropriation of prior year approved projects and expenditures	1,684,113	5,895,224
Additional appropriations for:		
Community support, tourism and promotions	75,000	-
Various programs and capital projects	371,322	1,751,551
Adjustments and net transfers between fund types	10,005,600	-
Amended budget	<u>169,432,914</u>	<u>13,707,368</u>
Encumbrances outstanding at year-end	(203,524)	(2,457,491)
Other reappropriations:		
Reappropriations by Fund to 2012	<u>(1,447,295)</u>	<u>(1,974,710)</u>
Final budget	<u>\$ 167,782,095</u>	<u>9,275,167</u>

B. Excess of Expenditures and Other Uses Over Appropriations

For the fiscal year ended June 30, 2011, the following funds reflected expenditures in excess of budgeted amounts:

	<u>Amount of Excess</u>
Special Revenue Fund	
Proposition A	\$ 163,838
Permanent Fund	
Burton Green	1,000
Total:	<u>\$ 164,838</u>

C. Deficit Fund Equity

For the fiscal year ended June 30, 2011 the Community Development Block Grant fund was in a fund equity deficit position of \$91,578.

(4) CASH AND INVESTMENTS

A. Cash and Investments

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

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

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

The City's cash and investments at June 30, 2011 are summarized as follows.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(4) CASH AND INVESTMENTS, CONTINUED

June 30, 2011	Unrestricted Cash and Investments				Restricted Cash and Investments			
	Governmental Activities	Business-type Activities	Government-wide Subtotal	Total	Governmental Activities	Business-type Activities	Total	Total
Major funds:								
General	\$ 63,648,304	—	63,648,304	63,648,304	—	—	—	63,648,304
Infrastructure Capital Projects	17,515,117	—	17,515,117	17,515,117	—	—	—	17,515,117
Water Enterprise	—	14,244,076	14,244,076	14,244,076	—	16,317,852	16,317,852	30,561,928
Parking Facilities Enterprise	—	1,485,675	1,485,675	1,485,675	—	45,087,273	45,087,273	46,572,948
Solid Waste Enterprise	—	10,346,322	10,346,322	10,346,322	—	—	—	10,346,322
Wastewater Enterprise	—	19,912,525	19,912,525	19,912,525	—	1,623,750	1,623,750	21,536,275
Stormwater Enterprise	—	139,657	139,657	139,657	—	—	—	139,657
	<u>81,163,421</u>	<u>46,128,255</u>	<u>127,291,676</u>	<u>127,291,676</u>	<u>—</u>	<u>63,028,875</u>	<u>63,028,875</u>	<u>190,320,551</u>
Nonmajor funds	25,386,631	—	25,386,631	25,386,631	3,014,865	—	3,014,865	28,401,496
Total fund type	<u>106,550,052</u>	<u>46,128,255</u>	<u>152,678,307</u>	<u>152,678,307</u>	<u>3,014,865</u>	<u>63,028,875</u>	<u>66,043,740</u>	<u>218,722,047</u>
Internal service funds	140,132,710	—	140,132,710	140,132,710	5,095,469	—	5,095,469	145,228,179
Total	<u>\$ 246,682,762</u>	<u>46,128,255</u>	<u>292,811,017</u>	<u>292,811,017</u>	<u>8,110,334</u>	<u>63,028,875</u>	<u>71,139,209</u>	<u>363,950,226</u>
Components of cash and investments:								
Cash in demand deposits			\$ 976,005	976,005			—	976,005
Change and petty cash funds			29,383	29,383			—	29,383
Pooled investments			291,805,629	291,805,629			273,860	292,079,489
Investments with fiscal agents			—	—			70,865,349	70,865,349
Total cash and investments			<u>\$ 292,811,017</u>	<u>292,811,017</u>			<u>71,139,209</u>	<u>363,950,226</u>

B. Financial Risks

Interest Rate Risk

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

Credit Risk

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(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, 2011, the carrying amount of the City's various demand deposit accounts totaled \$976,005. Bank balances totaled \$2,676,743, of which \$2,426,743 was covered by Federal depository insurance, as this is a non-interest bearing account and such accounts are fully insured. However, FDIC insurance will cover only \$250,000 and the rest will be 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 \$29,383 at June 30, 2011.

On January 26th, 2009 the City of Beverly Hills Public Financing Authority entered into an agreement with City National Bank to borrow against a line of credit up to an amount of \$32,000,000 for the construction of a 72,460 sq. ft. four story office building at 331 N. Foothill Road, Beverly Hills, CA 90210. This line of credit required the City to set up a certificate of deposit with City National Bank in the amount of \$32,000,000 in order to have sufficient funds available for all payments and other charges as and when they are due on the line of credit. For further detail about the line of credit please see Note 9. The bank balance as well as the carrying amount of the certificate of deposit was \$32,000,000. \$250,000 of the \$32,000,000 was covered by Federal depository insurance and \$31,750,000 was fully collateralized by investments held by the bank's trust department. The certificate of deposit was in the City's name, and the custodian was City National Bank. As of January 6, 2011, the line of credit was converted into a long-term note payable, and thus the certificate of deposit expired and was no longer required by City National Bank. The funds were returned to the City's general demand deposit account.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$ 30,055,900
Federal National Mortgage Association	Financial Institution	\$ 53,068,180

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

For the year ended June 30, 2011

(4) CASH AND INVESTMENTS, CONTINUED

June 30, 2011	Fair Value	Investment Maturities				
		<1 Year	<2 Years	<3 Years	<4 Years	<5 Years
Pooled investments:						
U.S. Federal Agency securities	\$ 99,909,359	—	—	—	—	99,909,359
Money market mutual funds	107,870,039	107,870,039	—	—	—	—
State Treasurer's Local Agency Investment Fund	25,842,614	25,842,614	—	—	—	—
Corporate Bonds	58,457,477	5,257,250	21,222,200	15,200,104	16,777,923	—
Total pooled investments	292,079,489	138,969,903	21,222,200	15,200,104	16,777,923	99,909,359
Investments held by fiscal agents:						
Money market mutual funds	70,865,349	70,865,349	—	—	—	—
Total investments held by fiscal agents	70,865,349	70,865,349	—	—	—	—
Total investments	\$ 362,944,838	209,835,252	21,222,200	15,200,104	16,777,923	99,909,359

	Minimum Legal Rating	Total	Rating as of Year End			
			Aaa	Aa2	Aa3	A1
Pooled investments:						
U.S. Federal Agency securities	N/A	\$ 99,909,359	99,909,359	—	—	—
Money market mutual funds	AAAm	107,870,039	107,870,039	—	—	—
State Treasurer's Local Agency Investment Fund	N/A	25,842,614	—	—	—	25,842,614
Corporate Bonds	A	58,457,477	—	15,772,650	21,388,564	21,296,263
Total pooled investments		292,079,489	207,779,398	15,772,650	21,388,564	47,138,877
Investments held by fiscal agents:						
Money market mutual funds	AAAm	70,865,349	70,865,349	—	—	—
Total investments held by fiscal agents		70,865,349	70,865,349	—	—	—
Total investments		\$ 362,944,838	278,644,747	15,772,650	21,388,564	47,138,877

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(4) CASH AND INVESTMENTS, CONTINUED

State Treasurer’s Local Agency Investment Fund

At June 30, 2011, the City had \$25,842,614 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, 2011, such investments represent 5.010% of the total PMIA portfolio of \$66.4 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	\$ 71,057,828
Permanently restricted	<u>81,381</u>
	<u>\$ 71,139,209</u>

**Restricted Cash and Investments
June 30, 2011**

<u>Debt Issues/Capital Projects/Endowments</u>	<u>Amount</u>
Governmental activities:	
Nonmajor funds:	
Infrastructure Debt Service Fund – reserve funds	\$ 2,741,004
Permanent Funds:	
Temporarily restricted:	
Buck Fund endowment	170,059
Burton Green Fund endowment	<u>22,421</u>
	<u>192,480</u>
Permanently restricted:	
Buck Fund endowment	34,641
Burton Green Fund endowment	<u>46,740</u>
	<u>81,381</u>
Total permanent funds	<u>273,861</u>
Total governmental funds	<u>3,014,865</u>
Capital Assets Internal Service Fund –	
2009 Refunding Bonds reserve funds	2,686,767
2007 Lease Revenue Bonds reserve funds	2,339,226
Employee Benefits Internal Service Fund -	
2010 Lease Revenue Bonds project funds	<u>69,476</u>
Total internal service funds	<u>5,095,469</u>
Total governmental activities	<u>8,110,334</u>
Business-type activities:	
Water Enterprise Fund:	
2008 Refunding Water Bonds reserve funds	2,737,338
2008 Refunding Water Bonds construction funds	385,495
2009 Refunding Bonds construction funds	9,074,102
2009 Refunding Bonds reserve funds	1,205,866
2007 Water Revenue Bonds reserve funds	<u>2,915,051</u>
Total Water Enterprise Fund	<u>16,317,852</u>
Parking Facilities Enterprise Fund –	
2010 Lease Revenue Bonds construction funds	43,393,546
2009 Refunding Bonds reserve funds	408,063
2007 Lease Revenue Bonds reserve funds	<u>1,285,664</u>
Total Parking Facilities Enterprise Fund	<u>45,087,273</u>
Wastewater Enterprise Fund:	
2008 Ref. Wastewater Bonds reserve funds	<u>1,623,750</u>
Total business-type activities	<u>63,028,875</u>
Total restricted cash and investments	<u>\$ 71,139,209</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(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, 2011 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 notes receivable from the City Manager, Jeff Kolin, Chief Financial Officer, Scott G. Miller, from the Chief Information Officer, David Schirmer, Jonathan Lait, Assistant Director of Community Development, Steven Zoet, Assistant Director of Community Services- Recreation and Parks, Nancy Hunt Coffey, Assistant Director of Community Services – Library, Chad Lynn, Director of Parking Operations. (See note 11 for a more comprehensive description of this receivable.)

Accounts Receivable	General	Infra- structure	Nonmajor Govern- mental	Internal Service	Total	
Governmental activities:						
Accounts	\$ 8,268,969	—	259,005	293,925	8,821,899	
Taxes	13,433,929	—	—	—	13,433,929	
Interest – unrestricted	148,239	72,998	93,034	388,863	703,134	
Intergovernmental	3,655,324	—	606,900	—	4,262,224	
Interest and other – restricted	—	—	1,069	30,815	31,884	
Gross receivables	<u>25,506,461</u>	<u>72,998</u>	<u>960,008</u>	<u>713,603</u>	<u>27,253,070</u>	
Less: allowance for uncollectibles	(399,732)	—	—	—	(399,732)	
Net receivables	<u>\$ 25,106,729</u>	<u>72,998</u>	<u>960,008</u>	<u>713,603</u>	<u>26,853,338</u>	
Accounts Receivable	Water	Parking Facilities	Solid Waste	Waste- water	Storm- water	Total
Business-type activities:						
Accounts	\$ 6,134,088	216,289	3,357,444	2,686,538	463,505	12,857,864
Interest – unrestricted	65,134	48,454	40,940	73,853	—	228,381
Interest and other – restricted	1	21,280	—	—	—	21,281
Gross receivables	<u>6,199,223</u>	<u>286,023</u>	<u>3,398,384</u>	<u>2,760,391</u>	<u>463,505</u>	<u>13,107,526</u>
Less: allowance for uncollectibles	(351,139)	(3,790)	(237,695)	(150,403)	(52,427)	(795,454)
Net receivables	<u>\$ 5,848,084</u>	<u>282,233</u>	<u>3,160,689</u>	<u>2,609,988</u>	<u>411,078</u>	<u>12,312,072</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(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, 2011, 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 fee \$	389,863
Delinquent property taxes	\$ 3,036,706	—	3,036,706	Prepaid Post Office lease	538,653
Business tax	—	539,124	539,124		<u>928,516</u>
Interest receivable	116,362	—	116,362		
Prepaid Community Development services	—	2,470,638	2,470,638		
Prepaid recreation services	—	1,192,003	1,192,003		
General fund total	<u>3,153,068</u>	<u>4,201,764</u>	<u>7,354,832</u>		
Infrastructure capital projects fund	57,301	—	57,301		
Other governmental funds	315,154	—	315,154		
Governmental funds total	\$ <u>3,525,523</u>	<u>4,201,764</u>	<u>7,727,287</u>		

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(6) INTERFUND RECEIVABLES/PAYABLES

Interfund receivable/payable balances at June 30, 2011 consist of the following:

- The Community Development Block Grant, and Law Enforcement Grants Special Revenue Funds borrowed \$45,764, and \$298,195, 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.
- The General Fund advanced a total of \$17,137,709 to the Parking Enterprise Fund to cover Beverly Canon parking lot project expenditures. Total advances from the General Fund represent 51.7% of the \$34.1 million project cost. These advances will be repaid at 5.5% interest over a twenty-year period commencing 2004-05. As of June 30, 2011, the balance of these advances is \$14,158,296.
- During Fiscal Year 2008-2009 the General Fund advanced a total of \$5,830,000 to the Parking Enterprise Fund to cover tenant improvements. These advances from the General Fund represent 89.3% of the \$6.5 million budgeted project cost. The advances will be repaid at 6.00% interest over a ten year period commencing 2009-2010. As of June 30, 2011 the balance of these advances is \$4,918,841.
- As of June 30, 2011 the General Fund advanced a total of \$8,000,000 to the Parking Enterprise Fund, as a short term advance, to cover the timing difference between construction payments and the draw down on bond proceeds issued during fiscal year 2010-2011. The bond was issued to finance construction of a new parking structure at 450 Crescent Dr. As of June 30, 2011 the balance of all General fund advances to the Parking Enterprise fund is \$27,077,137.
- The Parks and Recreation Facilities and Capital Assets Internal Service Funds advanced the Parking Enterprise Fund a combined total of \$37,100,000 to cover Public Gardens Parking lot project expenditures during Fiscal Year 2006-07. These advances will be repaid at 6.0% interest over a 20 year period commencing Fiscal Year 2008-2009. As of June 30, 2011 the balance of these advances is \$39,351,161, consisting of \$7,870,232 owed to the Parks and Recreation Facilities fund and \$19,155,019 owed to the Capital Assets Fund. Since the Capital Assets Fund segmented off its vehicle programs into a new internal service fund, "Vehicles", then as of June 30, 2011 the portion of the balance owed to the Vehicles Fund is \$12,325,910. The terms of the borrowing require unpaid interest to add to the principle.
- The Capital Assets Fund advanced a total of \$8,300,000 to the Information Technology Fund to cover the radio infrastructure project expenditures. Total advances from the Capital Assets Fund represent 100% of the \$8,300,000 million project cost. The advance will be repaid at 5.0% interest over a 7 year period commencing Fiscal Year 2006-2007. As of June 30, 2011 the balance of these advances that is owed to the Capital Assets Fund is \$2,667,147.
- As of June 30, 2011, the balance of total interfund advances to the Parking Enterprise Fund is \$66,428,297.
- The Solid Waste Enterprise Fund had unbilled services to the Wastewater fund. The balance of this interfund receivable is \$415. The Stormwater fund advanced a total of \$1,200,000 to the Solid Waste fund for operational purposes.

<u>Interfund Payable</u>	<u>Interfund Receivable</u>					
	General Fund	Parks and Recreation Facilities Fund	Capital Assets Fund*	Vehicles Fund*	Solid Waste Enterprise Fund	Total
Governmental Activities:						
Community Development Block Grant	45,764	-	-	-	-	45,764
Law Enforcement Grants Fund	298,195	-	-	-	-	298,195
Information Technology Fund *	-	-	2,667,147	-	-	2,667,147
Governmental Activities Total:	343,959	-	2,667,147	-	-	3,011,106
Business-type Activities:						
Parking Enterprise Fund	27,077,137	7,870,232	19,155,018	12,325,910	-	66,428,297
Wastewater Enterprise Fund	-	-	-	-	415	415
Stormwater Enterprise Fund	-	-	-	-	1,200,000	1,200,000
Business-type Activities Total:	27,077,137	7,870,232	19,155,018	12,325,910	1,200,415	67,628,712
Total: \$	27,421,096	7,870,232	21,822,165	12,325,910	1,200,415	70,639,818

* Internal service fund

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(7) TRANSFERS

Significant interfund transfers during the year ended June 30, 2011 consist of the following:

- The General Fund transferred \$4,000,000 to the Infrastructure fund and \$1,866,200 to the Debt Service fund to pay for capital improvement projects and debt service, respectively. It transferred \$9,655,900 to designate funds for Other Post Employment Benefits (OPEB). It also transferred \$1,485,069 to the IT fund as a capital contribution. It transferred \$1,250,000 to the Office and Operational Equipment fund as a capital contribution. It transferred \$706,000 to the Parking fund for support. It also transferred \$1,000,000 to Liability Insurance Fund to pay for legal fees. The General Fund also transferred \$1,027,500 to the Vehicle Fund for vehicle replacement.
- The Parks and Recreation Facilities fund transferred \$400,000 to the General fund to support the cost of tree maintenance.
- During FY 2011, the Liability Insurance Fund transferred \$102,000 to Administration Policy and Legal Fund to pay for legal fees.
- The Parking fund transferred \$1,500,000 to the General fund for parking meter revenue transition to the Parking fund
- The Solid Waste fund transferred \$60,000 to the Stormwater fund for its share of street sweeping expenditures. It also transferred \$216,669 to the Vehicle Fund for the purchase of solid waste collection trucks.

Following is a summary of transfers between funds during the year ended June 30, 2011:

Fund Transferred From	Fund Transferred To												
	Governmental Activities										Business-type Activities		
	General	Infra- structure Capital Projects	Other Govern- mental Funds	Infor- mation Tech- nology	Capital Assets	Liability Insurance	Employee Health Benefits	Administ- ration Policy and Legal	Office and Opera- tional Equipment	Vehicle	Parking	Storm Water	Total
Governmental funds:													
General Fund:	\$ —	4,000,000	1,866,200	1,485,069	5,250	1,000,000	9,655,900	5,011	1,250,000	1,027,500	706,000	—	21,000,930
Nonmajor governmental funds:													
Streets & Highways State Gas Tax SRF	6,000	—	—	—	—	—	—	—	—	—	—	—	6,000
Parks and Recreation Facilities	400,000	—	—	—	—	—	—	—	—	—	—	—	400,000
Total Nonmajor governmental funds	406,000	—	—	—	—	—	—	—	—	—	—	—	406,000
Internal service funds:													
Liability Insurance	—	—	—	—	—	—	102,000	—	—	—	—	—	102,000
Administration, Policy and Legal	—	—	—	—	—	—	—	2,935	—	—	—	—	2,935
Total internal service funds	—	—	—	—	—	—	102,000	2,935	—	—	—	—	104,935
Enterprise funds:													
Parking	1,500,000	—	—	—	—	—	—	—	—	—	—	—	1,500,000
Solid Waste	—	—	—	—	—	—	—	—	216,669	—	60,000	—	276,669
Total Enterprise funds	1,500,000	—	—	—	—	—	—	—	216,669	—	60,000	—	1,776,669
Total	\$ 1,906,000	4,000,000	1,866,200	1,485,069	5,250	1,000,000	9,655,900	107,011	1,252,935	1,244,169	706,000	60,000	23,288,534

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(8) CAPITAL ASSETS

A. Capital Assets – Governmental Activities

Infrastructure assets and the City’s fine art collection are reported only in the government-wide statement of net assets; all other governmental capital assets are reported in internal service funds. The Changes in capital assets for governmental activities for the year ended June 30, 2011 were as follows:

<u>Governmental Activities</u>	<u>Balance</u>	<u>Depreciation</u>	<u>Dispositions</u>	<u>Transfers</u>	<u>Balance</u>
Capital assets not being depreciated:					
Land	\$ 51,601,692	—	—	—	51,601,692
Fine Art Collection	1,746,411	—	—	—	1,746,411
Construction in progress	9,796,734	28,487,003	(135,489)	(15,605,594)	22,542,654
Total capital assets not being depreciated	<u>63,144,837</u>	<u>28,487,003</u>	<u>(135,489)</u>	<u>(15,605,594)</u>	<u>75,890,757</u>
Capital assets being depreciated:					
Buildings	220,318,330	—	—	6,668,225	226,986,555
Improvements other than buildings	31,455,383	—	—	138,367	31,593,750
Infrastructure	120,131,782	—	(1,267,333)	3,099,083	121,963,532
Machinery and equipment	68,313,496	3,495,122	(216,551)	5,699,919	77,291,986
Total capital assets being depreciated	<u>440,218,991</u>	<u>3,495,122</u>	<u>(1,483,884)</u>	<u>15,605,594</u>	<u>457,835,823</u>
Less accumulated depreciation for:					
Buildings	(69,650,802)	(5,297,112)	—	—	(74,947,914)
Improvements other than buildings	(12,897,706)	(908,016)	—	—	(13,805,722)
Infrastructure	(47,017,102)	(3,110,332)	1,267,333	—	(48,860,101)
Machinery and equipment	(41,118,141)	(6,799,420)	196,863	—	(47,720,698)
Total accumulated depreciation	<u>(170,683,751)</u>	<u>(16,114,880)</u>	<u>1,464,196</u>	<u>—</u>	<u>(185,334,435)</u>
Net capital assets being depreciated	<u>269,535,240</u>	<u>(12,619,758)</u>	<u>(19,688)</u>	<u>15,605,594</u>	<u>272,501,388</u>
Total net capital assets – governmental activities	<u>\$ 332,680,077</u>	<u>15,867,245</u>	<u>(155,177)</u>	<u>—</u>	<u>348,392,145</u>
		<u>Depreciation</u>			
General government	\$	(673,530)			
Public safety		(9,179,441)			
Public service		(1,948,656)			
Culture and recreation		(4,313,254)			
Total depreciation expense – governmental activities	\$	<u>(16,114,880)</u>			

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(8) CAPITAL ASSETS, CONTINUED

B. Capital Assets – Business-type Activities

Changes in capital assets for business-type activities for the year ended June 30, 2011 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	\$ 25,944,999	7,125,000	—	44,046	33,114,045
Construction in progress	44,384,440	28,194,968	(572)	(33,033,241)	39,545,595
Total capital assets not being depreciated	<u>70,329,439</u>	<u>35,319,968</u>	<u>(572)</u>	<u>(32,989,195)</u>	<u>72,659,640</u>
Capital assets being depreciated:					
Buildings	174,368,689	—	—	21,091	174,389,780
Utility systems	157,286,578	106,298	(1,069,948)	29,702,914	186,025,842
Improvements other than buildings	1,709,864	—	—	2,726,553	4,436,417
Machinery and equipment	9,512,769	209,273	(8,368)	538,637	10,252,311
Total capital assets being depreciated	<u>342,877,900</u>	<u>315,571</u>	<u>(1,078,316)</u>	<u>32,989,195</u>	<u>375,104,350</u>
Less accumulated depreciation for:					
Buildings	(73,422,756)	(5,981,785)	—	—	(79,404,541)
Utility systems	(53,177,722)	(4,265,167)	597,801	—	(56,845,088)
Improvements other than buildings	(1,231,865)	(129,264)	—	—	(1,361,129)
Machinery and equipment	(6,588,824)	(455,555)	(200,905)	—	(7,245,284)
Total accumulated depreciation	<u>(134,421,167)</u>	<u>(10,831,771)</u>	<u>396,896</u>	<u>—</u>	<u>(144,856,042)</u>
Net capital assets being depreciated	<u>208,456,733</u>	<u>(10,516,200)</u>	<u>(681,420)</u>	<u>32,989,195</u>	<u>230,248,308</u>
Total net capital assets – business-type activities	\$ <u>278,786,172</u>	<u>24,803,768</u>	<u>(681,992)</u>	<u>—</u>	<u>302,907,948</u>
		<u>Depreciation</u>			
Water	\$ (3,343,873)				
Parking facilities	(5,709,076)				
Solid waste	(141,891)				
Wastewater	(1,357,348)				
Stormwater	(279,583)				
Total depreciation expense – business-type activities	\$ <u>(10,831,771)</u>				

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(8) CAPITAL ASSETS, CONTINUED

C. Capital Assets – Major Proprietary Funds:

Changes in capital assets for major proprietary funds for the year ended June 30, 2011 were as follows:

Major Proprietary Funds	Beginning Balance	Acquisition and Construction/ Depreciation	Sales and Other Dispositions	Transfers	Ending Balance
Water Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 5,260,911	—	—	—	5,260,911
Construction in progress	30,170,000	8,052,861	—	(28,559,936)	9,662,925
Total capital assets not being depreciated	35,430,911	8,052,861	—	(28,559,936)	14,923,836
Capital assets being depreciated:					
Buildings	16,621,543	—	—	21,091	16,642,634
Utility systems	94,464,915	106,298	(1,069,948)	28,267,142	121,768,407
Machinery and equipment	5,502,455	—	—	271,703	5,774,158
Total capital assets being depreciated	116,588,913	106,298	(1,069,948)	28,559,936	144,185,199
Less accumulated depreciation for:					
Buildings	(5,915,633)	(525,443)	—	—	(6,441,076)
Utility systems	(33,567,355)	(2,643,855)	597,801	—	(35,613,409)
Machinery and equipment	(4,213,207)	(174,575)	—	—	(4,387,782)
Total accumulated depreciation	(43,696,195)	(3,343,873)	597,801	—	(46,442,267)
Net capital assets being depreciated	72,892,718	(3,237,575)	(472,147)	28,559,936	97,742,932
Total net capital assets – Water Enterprise Fund	\$ 108,323,629	4,815,286	(472,147)	—	112,666,768

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(8) CAPITAL ASSETS, CONTINUED

Major Proprietary Funds	Beginning Balance	Acquisition and Construction/ Depreciation	Sales and Other Dispositions	Transfers	Ending Balance
Parking Facilities Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 11,975,088	7,125,000	—	44,046	19,144,134
Construction in progress	12,929,567	18,178,962	—	(2,818,870)	28,289,659
Total capital assets not being depreciated	<u>24,904,655</u>	<u>25,303,962</u>	<u>—</u>	<u>(2,774,824)</u>	<u>47,433,793</u>
Capital assets being depreciated:					
Buildings	157,747,146	—	—	—	157,747,146
Improvements other than buildings	1,709,864	—	—	2,726,553	4,436,417
Machinery and equipment	2,697,573	209,273	(8,368)	48,271	2,946,749
Total capital assets being depreciated	<u>162,154,583</u>	<u>209,273</u>	<u>(8,368)</u>	<u>2,774,824</u>	<u>165,130,312</u>
Less accumulated depreciation for:					
Buildings	(67,507,123)	(5,456,342)	—	—	(72,963,465)
Improvements other than buildings	(1,231,865)	(129,264)	—	—	(1,361,129)
Machinery and equipment	(1,559,495)	(123,470)	(200,905)	—	(1,883,870)
Total accumulated depreciation	<u>(70,298,483)</u>	<u>(5,709,076)</u>	<u>(200,905)</u>	<u>—</u>	<u>(76,208,464)</u>
Net capital assets being depreciated	<u>91,856,100</u>	<u>(5,499,803)</u>	<u>(209,273)</u>	<u>2,774,824</u>	<u>88,921,848</u>
Total net capital assets – Parking Fac. Enterprise Fund	\$ <u>116,760,755</u>	<u>19,804,159</u>	<u>(209,273)</u>	<u>—</u>	<u>136,355,641</u>
Solid Waste Enterprise Fund:					
Capital assets being depreciated:					
Machinery and equipment	\$ 1,009,623	—	—	—	1,009,623
Total capital assets being depreciated	<u>1,009,623</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,009,623</u>
Less accumulated depreciation for:					
Machinery and equipment	(513,003)	(141,891)	—	—	(654,894)
Total accumulated depreciation	<u>(513,003)</u>	<u>(141,891)</u>	<u>—</u>	<u>—</u>	<u>(654,894)</u>
Net capital assets being depreciated	<u>496,620</u>	<u>(141,891)</u>	<u>—</u>	<u>—</u>	<u>354,729</u>
Total net capital assets – Solid Waste Enterprise Fund	\$ <u>496,620</u>	<u>(141,891)</u>	<u>—</u>	<u>—</u>	<u>354,729</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(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	979,816	1,960,073	—	(1,346,878)	1,593,011
Total capital assets not being depreciated	<u>9,688,816</u>	<u>1,960,073</u>	<u>—</u>	<u>(1,346,878)</u>	<u>10,302,011</u>
Capital assets being depreciated:					
Utility systems	52,967,713	—	—	1,188,072	54,155,785
Machinery and equipment	295,442	—	—	158,806	454,248
Total capital assets being depreciated	<u>53,263,155</u>	<u>—</u>	<u>—</u>	<u>1,346,878</u>	<u>54,610,033</u>
Less accumulated depreciation for:					
Utility systems	(13,691,558)	(1,346,004)	—	—	(15,037,562)
Machinery and equipment	(295,443)	(11,344)	—	—	(306,787)
Total accumulated depreciation	<u>(13,987,001)</u>	<u>(1,357,348)</u>	<u>—</u>	<u>—</u>	<u>(15,344,349)</u>
Net capital assets being depreciated	<u>39,276,154</u>	<u>(1,357,348)</u>	<u>—</u>	<u>1,346,878</u>	<u>39,265,684</u>
Total net capital assets – Wastewater Enterprise Fund	\$ <u>48,964,970</u>	<u>602,725</u>	<u>—</u>	<u>—</u>	<u>49,567,695</u>
Stormwater Enterprise Fund:					
Capital assets not being depreciated:					
Construction in progress	\$ 305,057	3,072	(572)	(307,557)	—
Total capital assets not being depreciated	<u>305,057</u>	<u>3,072</u>	<u>(572)</u>	<u>(307,557)</u>	<u>—</u>
Capital assets being depreciated:					
Utility systems	9,853,950	—	—	247,700	10,101,650
Machinery and equipment	7,676	—	—	59,857	67,533
Total capital assets being depreciated	<u>9,861,626</u>	<u>—</u>	<u>—</u>	<u>307,557</u>	<u>10,169,183</u>
Less accumulated depreciation for:					
Utility systems	(5,918,809)	(275,308)	—	—	(6,194,117)
Machinery and equipment	(7,676)	(4,275)	—	—	(11,951)
Total accumulated depreciation	<u>(5,926,485)</u>	<u>(279,583)</u>	<u>—</u>	<u>—</u>	<u>(6,206,068)</u>
Net capital assets being depreciated	<u>3,935,141</u>	<u>(279,583)</u>	<u>—</u>	<u>307,557</u>	<u>3,963,115</u>
Total net capital assets – Stormwater Enterprise Fund	\$ <u>4,240,198</u>	<u>(276,511)</u>	<u>(572)</u>	<u>—</u>	<u>3,963,115</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(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, 2011.

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$ 140,558,215	20,308,772	(7,811,149)	153,055,838	8,276,794
Plus (less) deferred amounts for:					
Original issue premiums	6,450,463	—	(429,150)	6,021,313	—
Original issue discounts	(747,799)	—	27,696	(720,103)	—
Deferred amount on refundings	(6,340,068)	—	868,842	(5,471,226)	—
Total bonds payable	<u>139,920,811</u>	<u>20,308,772</u>	<u>(7,343,761)</u>	<u>152,885,822</u>	<u>8,276,794</u>
Note payable	14,450,639	32,000,000	(15,114,198)	31,336,441	1,396,838
Compensated absences*	14,116,328	5,409,666	(5,226,180)	14,299,814	1,170,597
Claims payable*	9,328,222	10,238,034	(6,538,537)	13,027,719	8,086,390
Capital leases payable	—	1,670,291	—	1,670,291	—
Long-term liabilities of governmental activities	<u>177,816,000</u>	<u>69,626,763</u>	<u>(34,222,676)</u>	<u>213,220,087</u>	<u>18,930,619</u>
Business-type activities:					
Revenue bonds payable	128,756,785	42,256,228	(6,438,852)	164,574,161	9,273,206
Plus (less) deferred amounts for:					
Original issue premiums	2,988,644	1,379,882	(375,135)	3,993,391	—
Original issue discounts	(755,851)	—	28,058	(727,793)	—
Deferred amount on refundings	(3,425,008)	—	428,377	(2,996,631)	—
Total bonds payable	<u>127,564,570</u>	<u>43,636,110</u>	<u>(6,357,552)</u>	<u>164,843,128</u>	<u>9,273,206</u>
Long-term liabilities of business-type activities	<u>127,564,570</u>	<u>43,636,110</u>	<u>(6,357,552)</u>	<u>164,843,128</u>	<u>9,273,206</u>
Total long-term liabilities	<u>\$ 305,380,570</u>	<u>113,262,873</u>	<u>(40,580,228)</u>	<u>378,063,215</u>	<u>28,203,825</u>

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(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, 2011 are composed of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Infrastructure capital assets-related:</i>					
Revenue bonds payable	\$ 34,801,348	—	(344,461)	34,456,887	357,379
Less deferred amounts for:					
Original issue discounts	(384,672)	—	14,247	(370,425)	—
Deferred amount on refundings	(994,381)	—	36,829	(957,552)	—
Total bonds payable	<u>33,422,295</u>	<u>—</u>	<u>(293,385)</u>	<u>33,128,910</u>	<u>357,379</u>
<i>Internal service funds:</i>					
Revenue bonds payable	105,756,867	20,308,772	(7,466,688)	118,598,951	7,919,415
Plus (less) deferred amounts for:					
Original issue premiums	6,450,463	—	(429,150)	6,021,313	—
Original issue discounts	(363,127)	—	13,449	(349,678)	—
Deferred amount on refundings	(5,345,687)	—	832,013	(4,513,674)	—
Total bonds payable	<u>106,498,516</u>	<u>20,308,772</u>	<u>(7,050,376)</u>	<u>119,756,912</u>	<u>7,919,415</u>
Note payable	14,450,639	32,000,000	(15,114,198)	31,336,441	1,396,838
Compensated absences	14,116,328	5,409,666	(5,226,180)	14,299,814	1,170,597
Claims payable	9,328,222	10,238,034	(6,538,537)	13,027,719	8,086,390
Capital leases payable	—	1,670,291	—	1,670,291	—
Total internal service funds	<u>144,393,705</u>	<u>69,626,763</u>	<u>(33,929,291)</u>	<u>180,091,177</u>	<u>18,573,240</u>
Long-term liabilities of governmental activities	\$ <u>177,816,000</u>	<u>69,626,763</u>	<u>(34,222,676)</u>	<u>213,220,087</u>	<u>18,930,619</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(9) LONG-TERM LIABILITIES, CONTINUED

Changes in the long-term liabilities of business-type activities for the year ended June 30, 2011 are composed of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<i>Water Enterprise Fund:</i>					
Revenue bonds payable	\$ 73,830,896	—	(2,031,030)	71,799,866	2,200,248
Plus (less) deferred amounts for:					
Original issue premiums	1,062,096	—	(82,632)	979,464	—
Original issue discounts	(551,360)	—	20,484	(530,876)	—
Deferred amount on refundings	(832,794)	—	76,847	(755,947)	—
Total bonds payable	<u>73,508,838</u>	<u>—</u>	<u>(2,016,331)</u>	<u>71,492,507</u>	<u>2,200,248</u>
Total Water Enterprise Fund	<u>73,508,838</u>	<u>—</u>	<u>(2,016,331)</u>	<u>71,492,507</u>	<u>2,200,248</u>
<i>Parking Facilities Enterprise Fund:</i>					
Revenue bonds payable	39,800,889	42,256,228	(3,362,822)	78,694,295	6,002,958
Plus (less) deferred amounts for:					
Original issue premiums	1,521,703	1,379,882	(258,530)	2,643,055	—
Original issue discounts	(204,491)	—	7,574	(196,917)	—
Deferred amount on refundings	(1,410,019)	—	252,325	(1,157,694)	—
Total bonds payable	<u>39,708,082</u>	<u>43,636,110</u>	<u>(3,361,453)</u>	<u>79,982,739</u>	<u>6,002,958</u>
Total Parking Facilities Enterprise Fund	<u>39,708,082</u>	<u>43,636,110</u>	<u>(3,361,453)</u>	<u>79,982,739</u>	<u>6,002,958</u>
<i>Wastewater Enterprise Fund:</i>					
Revenue bonds payable	15,125,000	—	(1,045,000)	14,080,000	1,070,000
Less deferred amounts for:					
Original issue premiums	404,845	—	(33,973)	370,872	—
Original issue discounts	—	—	—	—	—
Deferred amount on refundings	(1,182,195)	—	99,205	(1,082,990)	—
Total bonds payable	<u>14,347,650</u>	<u>—</u>	<u>(979,768)</u>	<u>13,367,882</u>	<u>1,070,000</u>
Total Wastewater Enterprise Fund	<u>14,347,650</u>	<u>—</u>	<u>(979,768)</u>	<u>13,367,882</u>	<u>1,070,000</u>
Long-term liabilities of business-type activities	\$ <u>127,564,570</u>	<u>43,636,110</u>	<u>(6,357,552)</u>	<u>164,843,128</u>	<u>9,273,206</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(9) LONG-TERM LIABILITIES, CONTINUED

C. Bonds and Note Payable

The City's bonds were issued primarily to finance or refinance capital facilities. The 2007 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, 2011 is as follows:

<u>Debt Issue</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue bonds:			
2010 Lease Revenue	\$ 19,073,684	41,731,316	60,805,000
2009 Refunding Lease	47,227,196	16,477,803	63,704,999
2003 Refunding Lease	22,891,908	15,293,092	38,185,000
2007 Lease Revenue	63,863,050	16,161,950	80,025,000
2007 Water Revenue	—	35,320,000	35,320,000
2008 Water Revenue	—	25,510,000	25,510,000
2008 Wastewater Revenue	—	14,080,000	14,080,000
Original issue premium	6,021,313	3,993,391	10,014,704
Original issue discount	(720,103)	(727,793)	(1,447,896)
Deferred amount on refunding	(5,471,226)	(2,996,631)	(8,467,857)
Total revenue bonds	<u>152,885,822</u>	<u>164,843,128</u>	<u>317,728,950</u>
Total bonds	\$ <u>152,885,822</u>	<u>164,843,128</u>	<u>317,728,950</u>

A description of individual bond issues follow:

Revenue Bonds

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

Public Financing Authority, Lease Revenue Bonds, 2003 Refunding Series A, issued March 2003, are due in annual installments ranging from \$2,285,000 to \$9,870,000 through June 1, 2015, with interest rates ranging from 3.00% to 5.25% payable semiannually 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, 2011:

Capital Assets Fund	\$22,891,908
Parking Facilities Fund	13,628,226
Water Enterprise Fund	<u>1,664,866</u>

\$ 38,185,000
Plus original issue premium
1,624,191
Less deferred amount on refunding
<u>(1,302,336)</u>
<u>38,506,855</u>

2007 Water Revenue Bonds – 35,495,000

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

\$ 35,320,000
Less original issue discount
<u>(530,876)</u>
<u>34,789,124</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(9) LONG-TERM LIABILITIES, CONTINUED

2007 Lease Revenue Bonds – \$81,600,000 Public Financing Authority, 2007 Lease Revenue Bonds, issued February 2007, are due in annual installments ranging from \$775,000 to \$6,640,000 through June 1, 2037, with interest rates ranging from 3.50% to 4.50% payable semiannually June 1 and December 1. The Bonds are special limited obligations of the Public Financing Authority and are payable solely from rent payments from the City pursuant to a lease agreement. The advance refunding resulted in an economic gain (difference between the present value of the debt services payments on the old and new debt) of \$ 2,172,227 and a reduction of total debt service payments of \$1,927,932. The 2007 LRBs were issued in part to advance refunding of the 1998 and 1999 LRBs, which were in turn issued for multiple purposes. The non-refunding portion was issued for multiple purposes as well. Thus the principal has been allocated and is accounted for in the appropriate City funds (enterprise, internal service funds, and general government). The following is a schedule of the allocation of the 2007 Refunding LRBs, net of discount, by fund at June 30, 2011:

Capital Assets Fund	\$29,406,163	
Parking Facilities Fund	16,161,950	
General Long-Term Debt	<u>34,456,887</u>	
		\$ 80,025,000
	Less original issue discount	(917,021)
	Less deferred amount on refunding	<u>(1,299,687)</u>
	Net bonds outstanding	<u>77,808,292</u>

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

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

	\$ 25,510,000
Plus original issue premium	769,692
Less deferred amount on refunding	<u>(682,440)</u>
Net bonds outstanding	<u>25,597,252</u>

2008 Refunding Wastewater Revenue Bonds
- \$17,035,000.

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

	\$ 14,080,000
Plus original issue premium	370,872
Less deferred amount on refunding	<u>(1,082,990)</u>
Net bonds outstanding	<u>13,367,882</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(9) LONG-TERM LIABILITIES, CONTINUED

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

Capital Assets Fund	\$47,227,196	
Parking Facilities Fund	7,172,803	
Water Enterprise Fund	<u>9,305,000</u>	
		\$ 63,704,999
Plus original issue premium		5,953,192
Less deferred amount on refunding		<u>(3,978,992)</u>
Net bonds outstanding		<u>65,679,199</u>

2010 Lease Revenue Bonds - \$62,565,000 Public Financing Authority, 2010 Lease Revenue Bonds, issued August 2010, are due in annual installments ranging from \$930,000 to \$5,825,000 through June 1, 2040, with interest rates ranging from 0.52% to 6.774% payable semiannually June 1 and December 1. The Bonds are special limited obligations of the Public Financing Authority and are payable solely from rent payments from the City pursuant to a lease agreement. The 2010 LRBs were issued in three distinct series. Series A bonds had a value of \$13,705,000; Series B bonds had a value of \$28,940,000, and Series C Build America Bonds had a value of \$19,920,000. The Series A bonds and the Series C Build America Bonds were issued primarily to finance the acquisition and construction of certain capital improvements to be owned and operated by the City. The taxable Series B bonds were issued primarily to finance a portion of the acquisition and construction costs of the improvements previously mentioned, and to fund the City's alternative retiree medical program (ARMP). Please see Note 12, Post Employment Health Care Benefits for more detailed information regarding the ARMP. The following is a schedule of the allocation of the 2010 Refunding LRBs, net of discount, by fund at June 30, 2011:

Employee Benefits Internal Service Fund	\$19,073,684	
Parking Facilities Fund	<u>41,731,316</u>	
		60,805,000
Plus original issue premium		<u>1,296,757</u>
Net bonds outstanding		<u>62,101,757</u>

Total bonds outstanding \$317,728,950

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(9) LONG-TERM LIABILITIES, CONTINUED

Note Payable

On January 26th, 2009 the City of Beverly Hills Public Financing Authority entered into an agreement with City National Bank to borrow against a line of credit up to an amount of \$32,000,000 for the construction of a 72,460 sq. ft. four story office building at 331 N. Foothill Road, Beverly Hills, CA 90210. The line of credit was drawn down through December of 2010, at which time, the City converted the line of credit into a long term obligation. The obligation has a term of 15 years and an interest rate of 5.72%. Interest and principal are payable in the amount of \$265,217 per month on the first day of the month after the loan closing. As of June 30, 2011, the amount borrowed against the line of credit is \$32,000,000. Further, as of June 30, 2011, the balance of the note payable was \$31,336,441.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(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			
2012	\$ 8,276,794	6,843,776	9,273,206	7,639,815	17,550,000	14,483,591	32,033,591
2013	8,553,525	6,498,769	11,766,474	7,268,244	20,319,999	13,767,013	34,087,012
2014	8,234,156	6,102,372	8,445,844	6,779,400	16,680,000	12,881,772	29,561,772
2015	8,155,461	5,725,573	8,519,539	6,403,661	16,675,000	12,129,234	28,804,234
2016	11,273,130	5,345,083	6,711,870	6,019,983	17,985,000	11,365,066	29,350,066
2017-2021	59,304,344	18,975,045	37,575,656	25,510,545	96,880,000	44,485,590	141,365,590
2022-2026	24,746,668	8,909,638	26,928,332	17,775,530	51,675,000	26,685,168	78,360,168
2027-2031	14,476,423	3,707,528	20,808,577	12,266,186	35,285,000	15,973,714	51,258,714
2032-2036	8,171,917	1,555,158	23,283,083	6,974,957	31,455,000	8,530,115	39,985,115
2037-2041	1,863,420	83,854	11,261,580	1,407,092	13,125,000	1,490,946	14,615,946
Total minimum debt service payments	\$ 153,055,838	<u>63,746,796</u>	164,574,161	<u>98,045,413</u>	317,629,999	<u>161,792,209</u>	479,422,208
Unamortized portion of:							
Original issue premium	6,021,313		3,993,391		10,014,704		10,014,704
Original issue discount	(720,103)		(727,793)		(1,447,896)		(1,447,896)
Deferred amount on refunding	(5,471,226)		(2,996,631)		(8,467,857)		(8,467,857)
Net total bonded debt outstanding	\$ <u>152,885,822</u>		<u>164,843,128</u>		<u>317,728,950</u>		<u>479,521,159</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, 2011, consisting of cash and investments, include the following:

	Requirement	Balance
2008 Refunding Water	\$ 2,737,338	2,737,338
2008 Refunding Wastewater	1,623,750	1,623,750
2007 Lease Revenue	6,030,465	6,365,893
2007 Refunding Water	2,915,051	2,915,051
2009 Lease Revenue	4,300,591	4,300,696

D. Capital Leases

In reflecting the City's commitment to energy conservation, during FY 2010-2011, the City entered into an agreement with Sun Light and Power Company to design and install a photovoltaic energy system onto three City buildings. The City has engaged Sun Light and Power with these services under a solar equipment lease with City National Bank requiring monthly interest-only payments at an interest rate at Prime of 3.25%. As of June 30, 2011 the equipment acquired was valued at \$1,670,291. The completion of the equipment acquisition and subsequent installation of all equipment is anticipated to take place within FY 2011-2012. At this time, the short term financing provided by City National Bank will convert into a long term note with terms to be determined on December 31, 2011. The equipment was accounted for in the Capital Assets Internal Service Fund. The total cost of all equipment is expected to reach \$2,282,876 at the completion of the project.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(9) LONG-TERM LIABILITIES, CONTINUED

E. Claims Payable

The City has initiated self-insurance programs to provide for general liability, workers' compensation claims and unemployment insurance claims. These activities are accounted for in self-insurance internal service funds. Details of self-insurance liabilities at June 30, 2011 are as follows:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Total</u>
Current	\$ 6,070,274	2,001,658	14,458	8,086,390
Long-term	377,906	4,563,423	—	4,941,329
	<u>\$ 6,448,180</u>	<u>6,565,081</u>	<u>14,458</u>	<u>13,027,719</u>

For changes in the liabilities for claims for each of the City's self-insurance funds (general liability, workers' compensation and unemployment), for the years ended June 30, 2011 and 2010, please refer to page 52.

F. Compensated Absences

Compensated absences consists of accrued vacation leave and accrued vested sick leave (e.g., that portion of unused sick leave benefit that vests and is payable upon retirement). Compensated absences of all funds are reported in the Employee Benefits Internal Service Fund. Compensated absences consist of the following at June 30, 2011:

	<u>Total</u>
Vacation leave:	
Current:	
Internal service	\$ 864,206
Long-term	4,954,213
Total vacation leave	<u>5,818,419</u>
Vested sick leave:	
Current:	
Internal service	306,391
Long-term	8,175,004
Total vested sick leave	<u>8,481,395</u>
Total compensated absences	<u>\$ 14,299,814</u>

G. No Commitment Debt

In December 2002, the Community Facilities District 2002-A (Business Triangle) of the City of Beverly Hills (Community Facilities District) is-

sued \$16,215,000 of Special Tax Bonds, Series 2002. These bonds were issued by the Community Facilities District, a special assessment district within the Business Triangle of the City, the location of world famous retail businesses and hotels. The net proceeds of these bonds together with a contribution from the City of approximately \$2.7 million, is being used to fund a \$15 million Urban Design Program within the City's Business Triangle. This program will provide for pedestrian and other infrastructure improvements which will be owned and maintained by the City upon completion of the project. The Community Facility District Bonds, payable solely from net special assessments levied on taxable properties within the District, are not obligations of the City, but rather are limited obligations of the Community Facilities District. Accordingly, these bonds are not included in the accompanying basic financial statements. At June 30, 2011, the outstanding principal amount of the bonds were \$14,410,000.

H. Non-issued Bonds

On November 2nd, 1955 and on June 7th, 1966, the voters of the City authorized \$5,000,000 and \$9,500,000 of bonds, respectively, to be issued for the purpose of acquisition and construction of public off-street parking lots and garages. However, following the authorization, the City has thus far not taken action to issue a portion of these bonds. Of the 1955 authorization, \$1,450,000 remains un-issued and of the 1966 authorization, \$9,500,000 remains un-issued. As of June 30, 2011, 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, 2011, 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.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

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

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, 2011 was 25.545% for safety members and 10.459% 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, 2011, the City's actual contributions were \$7,043,585 for the safety employees and \$4,086,306 for miscellaneous employees. The City also contributed \$2,503,655 on behalf of the safety employees and \$2,997,107 on behalf of miscellaneous employees. Miscel-

laneous part-time employees directly contributed \$303,802. Total contributions were \$16,934,456. The required contribution for the year ended June 30, 2011 was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members (from 3.25% to 13.15% for safety members), and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.00%.

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 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 6% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period. As of the actuarial valuation date of June 30, 2008 (for 2010-11 employer rates), the average remaining amortization periods were 13 and 32 years for miscellaneous and safety members, respectively. Please see a schedule of funding progress on page 91. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Three-Year Trend Information for the Plan

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Required Contribution (ARC)	11,228,842	10,759,326	9,971,684
Miscellaneous Pension Plan Portion	4,122,636	3,921,030	3,829,290
Safety Pension Plan Portion	7,106,207	6,838,296	6,142,394
Interest on Net Pension Asset	945,323	1,047,925	1,077,854
Adjustment to the ARC	1,403,375	1,503,300	1,499,372
Annual Pension Cost (APC)	11,686,894	11,214,701	10,393,201
Percentage of APC contributed for:			
Miscellaneous Pension Plan	95%	88%	96%
Safety Pension Plan	95%	88%	96%
Change in Net Pension Asset	557,002	1,323,899	386,179
Net Pension Asset Balance	11,640,716	12,197,721	13,521,617
Miscellaneous Pension Plan Portion	4,273,854	4,445,227	5,192,523
Safety Pension Plan Portion	7,366,862	7,752,494	8,329,094

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

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

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

B. Employee Deferred Compensation Plan

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

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

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.

During Fiscal Year 2007-2008 the City of Beverly Hills initiated the Housing Assistance Loan Program which provides housing assistance for other executive employees to help them cope with the high cost of housing and to achieve additional objectives. On June 15, 2008, the Director of the Administrative Services Department and Chief Financial Officer, Scott G. Miller, entered into the Housing Assistance Loan Program and was provided a home loan for

\$792,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2011 the outstanding principal balance of the loan was \$736,217, contained within the General Fund receivables (note 5). On October 9th, 2008 the Chief Information Officer, David Schirmer entered into the Housing Assistance Loan Program and was provided an interest only (with future graduated terms) home loan for \$952,771. The loan period is 40 years with an interest rate of 3% per annum. At June 30, 2011 the outstanding principal balance of the loan was \$952,771.

On July 10th, 2008, the City provided a housing assistance loan to Nancy Hunt Coffey, Assistant Director of Community Services – Library for \$1,100,814. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2011 the outstanding principal balance of the loan was \$1,056,420. On May 14th, 2009, the City provided an interest only (with future graduated terms) housing assistance loan to Steven Zoet, Assistant Director of Community Services- Recreation and Parks, for \$1,100,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2011 the outstanding principal balance of the loan was \$1,092,305. Further, on May 14th, 2009, the City provided a housing assistance loan to Jonathan Lait, Assistant Director of Community Development for \$750,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2011 the outstanding principal balance of the loan was \$721,136. On August 20th, 2009, the City provided a housing assistance loan to Chad Lynn, Director of Parking Operations, for \$735,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2011 the outstanding principal balance of the loan was \$716,839. The balances of the notes receivable are contained within the General Fund receivables. (note 5).

On October 28, 2010, the City Manager, Jeffrey C. Kolin, entered into the Housing Assistance Loan Program and was provided a home loan for \$1,081,341. According to the employment contract, the City Manager has an option for home improvement loan. Between December 2010 and February 2011, \$107,236 of home improvement advances was added to the original home loan principal. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2011 the outstanding principal balance of the loan was \$1,186,846.

(12) POST EMPLOYMENT HEALTH CARE BENEFITS

A. Defined Benefit Plan

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.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

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

- 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
After December 1, 1988	\$270/month
 - For service retirees after February 1, 1990 through age 70, or the date the retiree becomes eligible for Medicare, \$300 per month in health benefits is provided.
 - For service retirees after July 1, 2000 through age 70, or the date the retiree becomes eligible for Medicare, the City provides up to \$300 per month in health benefits. The benefit is extended up to \$150 per month after age 70 if the employee retired with 20 or more years of service 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 \$80/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.
 - For non-management employees (service retirement only) retired after October 4, 2008, the City pays up to the two party rate of the PORAC plan, up to age 65.
- 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 the management and professional service group on or after December 2, 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. For Executive employees, the same is true, but at the two party rate as opposed to the one party rate. After December 2, 1997, there is no spousal continuance.
- Confidential employees:
 - For employees service-retired after July 1, 1981, the City pays up to the one-party rate of the PERSCare Plan.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

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

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

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

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

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

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

Option 1: Receive as cash (the cash payment is referred to as the "ARMP Tenure Benefit") in the following year. *Option 2:* Distribute among deferred compensation

plans (the 457(b), 401(k), and 415(m) plans). *Option 3:* Receive a portion as a cash ARMP Tenure Benefit in the following year and the balance deposited in deferred compensation plans.

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

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

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

Fiscal Year Ended June 30:	2011	2010	2009
Annual Required Contribution (ARC)	\$ 4,095,000	4,873,000	4,205,000
Interest on the Net OPEB Obligation	337,000	264,000	129,000
ARC Adjustment	(316,000)	(237,000)	(114,000)
Annual OPEB Cost	4,116,000	4,900,000	4,220,000
OPEB contributions made	(12,817,909)	(8,236,755)	(1,526,328)
Increase (decrease) of Net OPEB Obligation	(8,701,909)	(3,336,755)	2,693,672
Net OPEB Obligation at beginning of year	1,783,435	5,120,190	2,426,518
Net OPEB Obligation (asset) at end of year	(6,918,474)	1,783,435	5,120,190
Percentage of annual OPEB cost contributed	311.42%	168.10%	36.17%

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

The City has set aside a total amount of \$24,355,646. Since the money set aside has not been placed into an irrevocable trust, then based on the standards of GASB 45, the funding status of the actuarial liability is 0%. However, including the money that has been set aside in the Employee Benefits Fund, the funding status is 48%.

The actuarial accrued OPEB liability as of June 30, 2011 is \$52,688,000. The total unfunded actuarial liability is \$52,688,000. There are no assets under an actuarial valuation since the City is on a pay-as-you-go basis. The actuarial valuation date is July 1, 2011. The City's annual covered payroll is estimated to be \$71,261,000 for Fiscal Year 2010-2011. The ratio of the unfunded actuarial liability to annual covered payroll is 73.9%. Please see a schedule of funding progress on page 92.

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

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

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Since actuarial calculations reflect a long term perspective, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Calculations are based on the types of benefits provided under the terms of the substan-

tive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

The City currently provides these benefits to an average of 296 participants for the year ended June 30, 2011. 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 \$101 per month from July 1, 2009 through December 31, 2009. From January 1, 2010 through June 30, 2010 the City contributed \$105. From January 1, 2011 through June 30, 2011 the City contributed \$108. The City currently provides this benefit to 88 participants at a cost of \$112,464 for the year ended June 30, 2011. Since the City administers the OPEB plan by paying a portion of the benefits, a stand-alone financial report of the OPEB plan is not produced and all relevant disclosures are included in this section.

B. Defined Contribution Plan

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

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

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

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

For employees hired after January 1, 2010, the City has contributed a total of \$9,969 as of June 30, 2011.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(13) COMMITMENTS AND CONTINGENCIES

A. Litigation and Claims

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City’s counsel, the results of these lawsuits will not have a material adverse effect on the financial condition of the City.

B. Grants

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

C. Construction Commitments

The City has a number of construction programs currently underway. The more significant of these programs and the commitment under related construction contracts at June 30, 2011 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, 2011	Future Budgeted
Street Resurfacing	\$ 3,820,123	15,300,000
Public Works Facilities Improvement	92,780	4,500,000
Water Main and Hydrant Replacement	4,026,638	15,200,000
Sewer System Repair	704,337	14,987,000
Hyperion Plant	1,188,072	14,200,000
Storm Drain and Compliance with TMDL	572	15,250,000
IT Equipment Replacement program	1,495,700	7,173,444
Radio Replacement	282,868	12,750,000
Vehicle Replacement Plan	1,641,795	8,670,000
	<u>\$ 13,252,885</u>	<u>108,030,444</u>

D. Future Minimum Operating Lease Revenues/Expenses

The City is lessor under a variety of property operating leases (primarily retail sites in parking structures and buildings in the industrial sector) and lessee in a variety of equipment operating leases. In addition, the City uses educational and recreational facilities, provided by the Beverly Hills Unified School District, in carrying out its programs for the benefit of its residents. The City, through a JPA with the District, leases the facilities for the annual sum of \$10,300,000 and will increase by the same cost of living

increase The City provides to itself after the commencement date 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, 2011 are as follows:

Fiscal Year Ending June 30	Governmental	Business-type
2012	\$ 1,516,636	11,076,468
2013	1,427,829	11,790,750
2014	1,324,934	12,037,321
2015	472,117	12,215,377
2016	142,588	10,313,389
2017-2021	272,880	50,254,524
2022-2026	—	16,403,998
2027-2031	—	9,689,605
2032-2036	—	8,863,532
2037-2041	—	65,303
2042-2045	—	59,655
	<u>\$ 5,156,984</u>	<u>142,769,922</u>

Future minimum lease payments payable for equipment and property leases at June 30, 2011 are as follows:

Fiscal Year Ending June 30	Governmental	Business-type
2012	\$ 10,672,833	—
2013	421,833	—
2014	421,833	—
2015	175,764	—
2016	—	—
	<u>\$ 11,692,263</u>	<u>—</u>

E. Encumbrances

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(13) COMMITMENTS AND CONTINGENCIES, CONTINUED

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

(14) NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

Background

As stated in Note (1), *Summary of Significant Accounting Policies* on page 51, "In the government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets and unrestricted net assets."

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

The Parking Enterprise Fund Advances From Other Funds

The City's Parking Enterprise Fund (of the Business-type Activities) has entered into long-term borrowing arrangements with the General Fund, the Parks and Recreation Facilities Special Revenue Fund, as well as the Capital Assets Internal Service Fund in order to finance construction of the parking lots at "Beverly Canon" (438 N Beverly Dr/439 N Canon Dr.), and at the "Public Gardens Parking Facility" (242 N Beverly Dr/241 N Canon Dr.). Between these different funds, these types of borrowings are referred to as "Advances to/from other funds". Management's decision for the Parking Enterprise Fund to finance construction of these parking lots via advances from other funds was based on the benefit that those funds would receive by investing their idle cash into the City's parking structures which included retail space. The terms of the advances are stated on page 65 in Note 6. The terms of the borrowings are comparable to terms the City is restricted to when seeking external sources of financing.

These various borrowing arrangements, as well as their respective repayment schedules were approved by the City Council via budget resolutions restricting portions of the Parking Enterprise's fund balance solely for repayment of these advances. (A listing of the balances of these advances at June 30, 2011 is shown in Note 6 on page

65). These advances to the Parking Enterprise fund are what financed the construction of the aforementioned parking lots, and since the Parking Enterprise Fund is obligated to and has arranged to repay these borrowings, these advances constitute debt within this fund. In total, as of June 30, 2011, the Parking Enterprise Fund has \$66,428,297 outstanding in Advances from other funds.

Adherence to Authoritative Accounting Guidelines

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

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

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

Impact

Unfortunately, by adhering to this interpretation of GASB, which denies that internal advances constitute debt, the calculation of the line item "Invested in Capital Assets, Net of Related Debt" then excludes the internal advances used to finance the Parking Enterprise fund's capital assets which amount to \$136,355,643 as of June 30, 2011. Although the assets constructed are required to be included in this line item, the related debt is required to be excluded per this GASB interpretation.

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(14) NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT, CONTINUED

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

Substance Over Form

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

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

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

Remedy

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

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

Net Assets Invested in Capital Assets, Net of Related Debt Calculation		
Parking Enterprise Fund	As reported GASB Required Calculation	City Preferred Method Recognizing Advances from Other Funds is Related Debt
As of June 30, 2011:		
Total Capital Assets, Net	\$ 136,355,643	136,355,643
Less:		
Current portion of bond payable:	(6,002,958)	(6,002,958)
Long term liabilities:	(131,509,672)	(131,509,672)
Advances From Other Funds:	66,428,297	
Subtotal:	<u>(71,084,333)</u>	<u>(137,512,630)</u>
Add:		
Cash Held by Fiscal Agent	45,087,273	45,087,273 *
Amounts held in reserve accounts	(1,693,727)	(1,693,727)
Subtotal:	<u>43,393,546</u>	<u>43,393,546</u>
Net Assets:		
Total invested in capital assets, net of related debt	<u>108,664,856</u>	<u>42,236,559</u>
Restricted for:		
Debt service	1,694,188	1,694,188
Cash held by fiscal agent attributable to timing difference between construction and drawdown of bond funds	-	(43,393,546) *
Unrestricted	<u>(78,878,001)</u>	<u>30,943,842 *</u>
Total Net Assets:	\$ <u>31,481,043</u>	<u>31,481,043</u>

* Due to a timing difference between construction and the drawdown of 2010 Lease Revenue bond construction funds of \$43,393,546 as of June 30, 2011, this has caused the Cash Held by Fiscal Agent line item to reflect cash that should be included in the Unrestricted Net Assets line item.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(15) FUND BALANCE

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

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

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

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

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

Page 506 of the Council adopted City Operating Budget for Fiscal Year 2011-2012 exhibits the City's contingency reserve policy. The policy states, "It is a goal of the City to obtain and maintain a general operating reserve in the form of cash, of at least 40% of operating revenues. The first 25% shall be considered a contingency reserve to cover normal seasonal cash flow variations, as well as unforeseen emergency or catastrophic impacts upon the City. Funds in excess of 25% may be used for short term economic investment in the community when justified by projected financial return to the City and specifically authorized by the City Council, upon recommendation of the Chief Financial Officer." This policy was adopted with City Council Resolution No. 11-R-12817. Please refer to the section of the City's operating budget which presents the City Council Resolutions as well as the Council's adopted financial policies for further detail on authorization given to assign amounts to a specific purpose as well as detail on reserve policies. Please note that the portion of the reserve mentioned in this paragraph regarding "unforeseen emergency or catastrophic impacts upon the City" has been committed by the City Council and belongs in the "Committed" portion of General Fund Balance.

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2011

(15) FUND BALANCE, CONTINUED

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

	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Long-term accounts receivables	\$ 6,312,303	-	-	6,312,303
Long-term advance to other funds	17,882,449	-	-	17,882,449
Permanent fund principal	-	-	81,381	81,381
Total Nonspendable:	24,194,752	-	81,381	24,276,133
Restricted for:				
Debt covenants	-	15,967,270	2,741,004	18,708,274
Streets and highways	-	-	2,317,990	2,317,990
Transit	-	-	4,733,679	4,733,679
Law enforcement grants	-	-	160,725	160,725
Other purposes	-	-	3,302,821	3,302,821
Total Restricted for:	-	15,967,270	13,256,219	29,223,489
Committed to:				
Non-routine emergency events reserve	8,276,517	-	-	8,276,517
Police services	753	-	-	753
Fire control	39	-	-	39
Community Services	79,038	-	-	79,038
Engineering and Administration	48,208	-	-	48,208
Streets and subdrains	240	-	-	240
Planning services	49,997	-	-	49,997
Parking	20,884	-	2,265,279	2,286,163
Recreation and parks	3,927	-	8,915,863	8,919,790
Fine Art	-	-	805,142	805,142
Library	438	-	-	438
Education	-	-	22,693	22,693
Total Committed to:	8,480,041	-	12,008,977	20,489,018
Assigned to:				
Debt service	-	-	2,120,441	2,120,441
Non-departmental	911,536	-	-	911,536
Police services	8,123	-	-	8,123
Fire control	129,658	-	-	129,658
Streets and subdrains	1,292	-	-	1,292
Planning services	350,000	-	-	350,000
Recreation and parks	46,686	-	6,659,773	6,706,459
Total Assigned to:	1,447,295	-	8,780,214	10,227,509
Unassigned:	63,862,068	-	(91,578)	63,770,490
Total fund balances	97,984,156	15,967,270	34,035,213	147,986,639

CITY OF BEVERLY HILLS, CALIFORNIA

Required Supplementary Information – Schedule of Funding Progress

For the year ended June 30, 2011

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
2010	\$ 328,083,687	268,331,575	59,752,112	81.788%	\$ 27,131,528	220.231%
2009	313,143,122	257,105,943	56,037,179	82.105	25,731,678	217.775
2008	283,865,366	247,229,502	36,635,864	87.094	24,275,683	150.916
2007	268,616,838	233,375,264	35,241,574	86.880	23,956,680	147.105
2006	239,094,559	216,036,771	23,057,788	90.356	20,563,834	112.128
2005	226,086,680	202,219,706	23,866,974	89.443	20,459,675	116.654
2004	209,598,010	185,609,157	23,988,853	88.555	18,806,176	127.558
2003	200,439,820	177,378,413	23,061,407	88.495	18,146,974	127.081
2002	194,082,159	176,672,000	17,410,159	91.029	17,572,021	99.079
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)

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
2010	\$ 240,673,069	209,762,243	30,910,826	87.157%	\$ 38,776,261	79.716%
2009	227,282,764	200,433,990	26,848,774	88.187	38,435,305	69.854
2008	201,089,428	192,007,584	9,081,844	95.484	36,293,844	25.023
2007	186,538,708	180,145,063	6,393,645	96.572	32,577,886	19.626
2006	173,498,788	166,786,538	6,712,250	96.131	31,065,754	21.607
2005	160,678,895	156,120,317	4,558,578	97.163	30,467,728	14.962
2004	145,826,663	135,044,808	10,781,855	92.606	30,169,690	35.737
2003	137,232,316	130,907,323	6,324,993	95.391	29,760,662	21.253
2002	116,880,116	132,048,639	(15,168,523)	112.978	28,134,395	(53.915)
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)

CITY OF BEVERLY HILLS, CALIFORNIA

Required Supplementary Information – Schedule of Funding Progress

For the year ended June 30, 2011

OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN

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

FUNDED STATUS OF THE OPEB PLAN							
		Entry Age		Unfunded			
		Normal	Actuarial	Liability		Annual	UAAL as a
Valuation Date		Accrued	Value of	(Excess Assets)	Funded	Covered	Percentage
(June 30)		Liability	Assets	(UAAL)	Status	Payroll	of Payroll
2011	\$	50,665,000	—	50,665,000	—	\$ 71,261,000	71.098 %
2009		57,787,000	—	57,787,000	—	61,551,189	93.884
2007		50,412,000	—	50,412,000	—	54,062,175	93.248





CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2011

	Special Revenue Funds							
	Streets and Highways State Gas Tax	California State Senate Bill 1473	Community Development Block Grant	In-Lieu Parking District	Parks and Recreation Facilities	Metropolitan Transportation Authority	Prop. A Local Transit Assistance	Prop. C Local Transit Assistance
Assets								
Cash and investments	\$ 2,449,905	57,582	—	2,263,615	8,510,838	539,071	2,674,017	2,084,931
Accounts receivable, net	—	—	259,005	—	—	—	—	—
Interest receivable	8,038	—	—	7,742	33,229	1,720	10,833	6,879
Intergovernmental receivables	—	2,112	—	—	—	—	132,282	—
Advances to other funds	—	—	—	—	7,870,232	—	—	—
Total assets	<u>\$ 2,457,943</u>	<u>59,694</u>	<u>259,005</u>	<u>2,271,357</u>	<u>16,414,299</u>	<u>540,791</u>	<u>2,817,132</u>	<u>2,091,810</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 133,644	1,314	53,800	—	684,168	—	85,654	64,480
Contracts payable	—	—	—	—	128,412	—	—	—
Accrued payroll	—	—	—	—	—	—	6,404	4,822
Interfund payables	—	—	45,764	—	—	—	—	—
Deferred revenue	6,309	—	251,019	6,078	26,083	1,350	8,503	5,400
Total liabilities	<u>139,953</u>	<u>1,314</u>	<u>350,583</u>	<u>6,078</u>	<u>838,663</u>	<u>1,350</u>	<u>100,561</u>	<u>74,702</u>
Fund balances (deficit):								
Nonspendable	—	—	—	—	—	—	—	—
Restricted	2,317,990	58,380	—	—	—	539,441	2,716,571	2,017,108
Committed	—	—	—	2,265,279	8,915,863	—	—	—
Assigned	—	—	—	—	6,659,773	—	—	—
Unassigned	—	—	(91,578)	—	—	—	—	—
Total fund balances	<u>2,317,990</u>	<u>58,380</u>	<u>(91,578)</u>	<u>2,265,279</u>	<u>15,575,636</u>	<u>539,441</u>	<u>2,716,571</u>	<u>2,017,108</u>
Total liabilities and fund balances	<u>\$ 2,457,943</u>	<u>59,694</u>	<u>259,005</u>	<u>2,271,357</u>	<u>16,414,299</u>	<u>540,791</u>	<u>2,817,132</u>	<u>2,091,810</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet, Continued

Nonmajor Governmental Funds

June 30, 2011

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	\$ 2,033,902	2,275,023	364,825	—	—	—	23,806	23,277,515
Accounts receivable, net	—	—	—	—	—	—	—	259,005
Interest receivable	7,701	3,550	1,361	—	—	565	91	81,709
Intergovernmental receivables	—	—	—	—	—	472,506	—	606,900
Advances to other funds	—	—	—	—	—	—	—	7,870,232
Total assets	\$ <u>2,041,603</u>	<u>2,278,573</u>	<u>366,186</u>	<u>—</u>	<u>—</u>	<u>473,071</u>	<u>23,897</u>	<u>32,095,361</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ —	115,088	—	—	—	6,820	—	1,144,968
Contracts payable	—	—	—	—	—	—	—	128,412
Accrued payroll	—	15,499	—	—	—	6,889	—	33,614
Interfund payables	—	—	—	—	—	298,195	—	343,959
Customer deposits	1,230,416	—	—	—	—	—	—	1,230,416
Deferred revenue	6,045	2,786	1,068	—	—	442	71	315,154
Total liabilities	<u>1,236,461</u>	<u>133,373</u>	<u>1,068</u>	<u>—</u>	<u>—</u>	<u>312,346</u>	<u>71</u>	<u>3,196,523</u>
Fund balances:								
Nonspendable	—	—	—	—	—	—	—	—
Restricted	—	2,145,200	365,118	—	—	160,725	23,826	10,344,359
Committed	805,142	—	—	—	—	—	—	11,986,284
Assigned	—	—	—	—	—	—	—	6,659,773
Total fund balances	<u>805,142</u>	<u>2,145,200</u>	<u>365,118</u>	<u>—</u>	<u>—</u>	<u>160,725</u>	<u>23,826</u>	<u>28,898,838</u>
Total liabilities and fund balances	\$ <u>2,041,603</u>	<u>2,278,573</u>	<u>366,186</u>	<u>—</u>	<u>—</u>	<u>473,071</u>	<u>23,897</u>	<u>32,095,361</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet, Continued

Nonmajor Governmental Funds

June 30, 2011

	<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	\$ 2,109,116	—	—	—	25,386,631
Accounts receivable, net	—	—	—	—	259,005
Interest receivable	11,325	—	—	—	93,034
Intergovernmental receivables	—	—	—	—	606,900
Advances to other funds	—	—	—	—	7,870,232
Restricted assets:					
Cash and investments	2,741,004	204,700	69,161	273,861	3,014,865
Interest receivable	—	797	272	1,069	1,069
Total assets	<u>\$ 4,861,445</u>	<u>205,497</u>	<u>69,433</u>	<u>274,930</u>	<u>37,231,736</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ —	—	—	—	1,144,968
Contracts payable	—	—	—	—	128,412
Accrued payroll	—	—	—	—	33,614
Interfund payables	—	—	—	—	343,959
Customer deposits	—	—	—	—	1,230,416
Deferred revenue	—	—	—	—	315,154
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,196,523</u>
Fund balances:					
Nonspendable	—	34,641	46,740	81,381	81,381
Restricted	2,741,004	170,856	—	170,856	13,256,219
Committed	—	—	22,693	22,693	12,008,977
Assigned	2,120,441	—	—	—	8,780,214
Unassigned	—	—	—	—	(91,578)
Total fund balances	<u>4,861,445</u>	<u>205,497</u>	<u>69,433</u>	<u>274,930</u>	<u>34,035,213</u>
Total liabilities and fund balances	<u>\$ 4,861,445</u>	<u>205,497</u>	<u>69,433</u>	<u>274,930</u>	<u>37,231,736</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

June 30, 2011

	Special Revenue Funds							
	Streets and Highways State Gas Tax	California State Senate Bill 1473	Community Development Block Grant	In-Lieu Parking District	Parks and Recreation Facilities	Metropolitan Transportation Authority	Prop. A Local Transit Assistance	Prop. C Local Transit Assistance
Revenues:								
Taxes other than property	\$ —	—	—	607,745	2,062,617	—	—	—
Intergovernmental	844,240	—	152,701	—	—	302,631	620,390	442,944
Charges for Services	—	58,380	—	—	—	—	42,553	9,739
Use of money and property	53,487	—	—	48,422	721,830	8,037	75,498	44,106
Net change in fair value of investments	1,777	—	—	(6,103)	(17,653)	(651)	(7,125)	(3,953)
Total revenues	899,504	58,380	152,701	650,064	2,766,794	310,017	731,316	492,836
Expenditures:								
Current:								
Public service	—	—	251,019	—	—	—	1,013,600	—
Capital outlay	1,450,633	—	—	—	4,039,679	—	—	64,480
Total expenditures	1,450,633	—	251,019	—	4,039,679	—	1,013,600	64,480
Excess (deficiency) of rev- enues over expenditures	(551,129)	58,380	(98,318)	650,064	(1,272,885)	310,017	(282,284)	428,356
Other financing sources (uses):								
Transfers out	(6,000)	—	—	—	(400,000)	—	—	—
Total other financing sources (uses)	(6,000)	—	—	—	(400,000)	—	—	—
Net change in fund balances	(557,129)	58,380	(98,318)	650,064	(1,672,885)	310,017	(282,284)	428,356
Fund balances (deficit), July 1	2,875,119	—	6,740	1,615,215	17,248,521	229,424	2,998,855	1,588,752
Fund balances (deficit), June 30	\$ 2,317,990	58,380	(91,578)	2,265,279	15,575,636	539,441	2,716,571	2,017,108

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

June 30, 2011

	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	\$ 120,150	—	—	—	—	—	—	2,790,512
Intergovernmental	—	2,281,994	31,083	—	—	877,287	—	5,553,270
Charges for Services	—	—	—	—	—	—	—	110,672
Use of money and property	48,752	14,338	8,513	—	—	3,774	516	1,027,273
Net change in fair value of investments	(4,225)	1,154	(821)	—	—	(923)	2,189	(36,334)
Total revenues	164,677	2,297,486	38,775	—	—	880,138	2,705	9,445,393
Expenditures:								
Current:								
Public safety	—	334,954	—	—	—	267,452	—	602,406
Public service	—	—	—	—	—	—	—	1,264,619
Culture and recreation	11,593	—	—	—	—	—	—	11,593
Capital outlay	1,000	153,694	—	—	—	577,005	—	6,286,491
Total expenditures	12,593	488,648	—	—	—	844,457	—	8,165,109
Excess (deficiency) of revenues over expenditures	152,084	1,808,838	38,775	—	—	35,681	2,705	1,280,284
Other financing sources (uses):								
Transfers out	—	—	—	—	—	—	—	(406,000)
Total other financing sources (uses)	—	—	—	—	—	—	—	(406,000)
Net change in fund balances	152,084	1,808,838	38,775	—	—	35,681	2,705	874,284
Fund balances (deficit), July 1	653,058	336,362	326,343	—	—	125,044	21,121	28,024,554
Fund balances (deficit), June 30	\$ 805,142	2,145,200	365,118	—	—	160,725	23,826	28,898,838

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

June 30, 2011

	<u>Debt Service</u>	<u>Permanent Funds</u>			Total Nonmajor Governmental Funds
	Infra- structure	Buck	Burton Green	Total	
Revenues:					
Taxes other than property	\$ —	—	—	—	2,790,512
Intergovernmental	—	—	—	—	5,553,270
Charges for Services	—	—	—	—	110,672
Use of money and property	65,432	4,928	1,688	6,616	1,099,321
Net change in fair value of investments	(7,951)	(501)	(171)	(672)	(44,957)
Total revenues	57,481	4,427	1,517	5,944	9,508,818
Expenditures:					
Current:					
Public safety	—	—	—	—	602,406
Public service	—	—	1,000	1,000	1,265,619
Culture and recreation	—	—	—	—	11,593
Debt service:					
Interest	1,500,955	—	—	—	1,500,955
Principal Payment	344,461	—	—	—	344,461
Capital outlay	—	—	—	—	6,286,491
Total expenditures	1,845,416	—	1,000	1,000	10,011,525
Excess (deficiency) of revenues over expenditures	(1,787,935)	4,427	517	4,944	(502,707)
Other financing sources (uses):					
Transfers in	1,866,200	—	—	—	1,866,200
Transfers out	—	—	—	—	(406,000)
Total other financing sources (uses)	1,866,200	—	—	—	1,460,200
Net change in fund balances	78,265	4,427	517	4,944	957,493
Fund balances (deficit), July 1	4,783,180	201,070	68,916	269,986	33,077,720
Fund balances (deficit), June 30	\$ 4,861,445	205,497	69,433	274,930	34,035,213

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

June 30, 2011

	Special Revenue Funds							
	Streets and Highways State Gas Tax				California State Senate Bill 1473			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Intergovernmental	\$ 681,781	681,781	844,240	162,459	35,000	35,000	—	(35,000)
Charges for Services	—	—	—	—	64,091	64,091	58,380	(5,711)
Use of money and property	59,294	59,294	53,487	(5,807)	—	—	—	—
Net change in fair value of investments	—	—	1,777	1,777	—	—	—	—
Total revenues	<u>741,075</u>	<u>741,075</u>	<u>899,504</u>	<u>158,429</u>	<u>99,091</u>	<u>99,091</u>	<u>58,380</u>	<u>(40,711)</u>
Expenditures:								
Capital outlay	<u>1,032,009</u>	<u>2,754,498</u>	<u>1,450,633</u>	<u>(1,303,865)</u>	—	—	—	—
Total expenditures	<u>1,032,009</u>	<u>2,754,498</u>	<u>1,450,633</u>	<u>(1,303,865)</u>	—	—	—	—
Excess (deficiency) of revenues over expenditures	<u>(290,934)</u>	<u>(2,013,423)</u>	<u>(551,129)</u>	<u>1,462,294</u>	<u>99,091</u>	<u>99,091</u>	<u>58,380</u>	<u>(40,711)</u>
Other financing sources (uses):								
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	—	—	—	—	—
Total other financing sources (uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	—	—	—	—	—
Net change in fund balances	<u>(296,934)</u>	<u>(2,019,423)</u>	<u>(557,129)</u>	<u>1,462,294</u>	<u>99,091</u>	<u>99,091</u>	<u>58,380</u>	<u>(40,711)</u>
Fund balances, July 1	<u>2,875,119</u>	<u>2,875,119</u>	<u>2,875,119</u>	—	—	—	—	—
Fund balances, June 30	<u>\$ 2,578,185</u>	<u>855,696</u>	<u>2,317,990</u>	<u>1,462,294</u>	<u>99,091</u>	<u>99,091</u>	<u>58,380</u>	<u>(40,711)</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

June 30, 2011

	Special Revenue Funds							
	Community Development Block Grant				In-Lieu Parking District			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Taxes other than property	\$ —	—	—	—	712,598	712,598	607,745	(104,853)
Intergovernmental	256,743	256,743	152,701	(104,042)	—	—	—	—
Use of money and property	—	—	—	—	100,024	100,024	48,422	(51,602)
Net increase in fair value of investments	—	—	—	—	—	—	(6,103)	(6,103)
Total revenues	<u>256,743</u>	<u>256,743</u>	<u>152,701</u>	<u>(104,042)</u>	<u>812,622</u>	<u>812,622</u>	<u>650,064</u>	<u>(162,558)</u>
Expenditures:								
Current:								
Public service	<u>256,743</u>	<u>285,463</u>	<u>251,019</u>	<u>(34,444)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>256,743</u>	<u>285,463</u>	<u>251,019</u>	<u>(34,444)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>(28,720)</u>	<u>(98,318)</u>	<u>(69,598)</u>	<u>812,622</u>	<u>812,622</u>	<u>650,064</u>	<u>(162,558)</u>
Net change in fund balances	<u>—</u>	<u>(28,720)</u>	<u>(98,318)</u>	<u>(69,598)</u>	<u>812,622</u>	<u>812,622</u>	<u>650,064</u>	<u>(162,558)</u>
Fund balances (deficit), July 1	<u>6,740</u>	<u>6,740</u>	<u>6,740</u>	<u>—</u>	<u>1,615,215</u>	<u>1,615,215</u>	<u>1,615,215</u>	<u>—</u>
Fund balances (deficit), June 30	<u>\$ 6,740</u>	<u>(21,980)</u>	<u>(91,578)</u>	<u>(69,598)</u>	<u>2,427,837</u>	<u>2,427,837</u>	<u>2,265,279</u>	<u>(162,558)</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

June 30, 2011

	Special Revenue Funds							
	Parks and Recreation Facilities				Metropolitan Transportation Authority			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
Original	Final	Original			Final			
Revenues:								
Taxes other than property	\$ 2,174,824	2,174,824	2,062,617	(112,207)	—	—	—	—
Intergovernmental	—	—	—	—	—	—	302,631	302,631
Use of money and property	712,835	712,835	721,830	8,995	—	—	8,037	8,037
Net change in fair value of investments	—	—	(17,653)	(17,653)	—	—	(651)	(651)
Total revenues	<u>2,887,659</u>	<u>2,887,659</u>	<u>2,766,794</u>	<u>(120,865)</u>	<u>—</u>	<u>—</u>	<u>310,017</u>	<u>310,017</u>
Expenditures:								
Capital outlay	<u>2,871,207</u>	<u>6,361,748</u>	<u>4,039,679</u>	<u>(2,322,069)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>2,871,207</u>	<u>6,361,748</u>	<u>4,039,679</u>	<u>(2,322,069)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>16,452</u>	<u>(3,474,089)</u>	<u>(1,272,885)</u>	<u>2,201,204</u>	<u>—</u>	<u>—</u>	<u>310,017</u>	<u>310,017</u>
Other financing sources (uses):								
Transfers out	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>(383,548)</u>	<u>(3,874,089)</u>	<u>(1,672,885)</u>	<u>2,201,204</u>	<u>—</u>	<u>—</u>	<u>310,017</u>	<u>310,017</u>
Fund balances, July 1	<u>17,248,521</u>	<u>17,248,521</u>	<u>17,248,521</u>	<u>—</u>	<u>229,424</u>	<u>229,424</u>	<u>229,424</u>	<u>—</u>
Fund balances, June 30	<u>\$ 16,864,973</u>	<u>13,374,432</u>	<u>15,575,636</u>	<u>2,201,204</u>	<u>229,424</u>	<u>229,424</u>	<u>539,441</u>	<u>310,017</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

June 30, 2011

	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	\$ 676,665	676,665	620,390	(56,275)	454,288	454,288	442,944	(11,344)
Charges for Services	120,000	120,000	42,553	(77,447)	15,000	15,000	9,739	(5,261)
Use of money and property	50,000	50,000	75,498	25,498	33,532	33,532	44,106	10,574
Net change in fair value of investments	—	—	(7,125)	(7,125)	—	—	(3,953)	(3,953)
Total revenues	<u>846,665</u>	<u>846,665</u>	<u>731,316</u>	<u>(115,349)</u>	<u>502,820</u>	<u>502,820</u>	<u>492,836</u>	<u>(9,984)</u>
Expenditures:								
Current:								
Public service	825,820	849,762	1,013,600	163,838	522,853	522,853	—	(522,853)
Capital outlay	—	—	—	—	—	625,000	64,480	(560,520)
Total expenditures	<u>825,820</u>	<u>849,762</u>	<u>1,013,600</u>	<u>163,838</u>	<u>522,853</u>	<u>1,147,853</u>	<u>64,480</u>	<u>(1,083,373)</u>
Excess (deficiency) of revenues over expenditures	<u>20,845</u>	<u>(3,097)</u>	<u>(282,284)</u>	<u>(279,187)</u>	<u>(20,033)</u>	<u>(645,033)</u>	<u>428,356</u>	<u>1,073,389</u>
Net change in fund balances	20,845	(3,097)	(282,284)	(279,187)	(20,033)	(645,033)	428,356	1,073,389
Fund balances, July 1	<u>2,998,855</u>	<u>2,998,855</u>	<u>2,998,855</u>	<u>—</u>	<u>1,588,752</u>	<u>1,588,752</u>	<u>1,588,752</u>	<u>—</u>
Fund balances, June 30	<u>\$ 3,019,700</u>	<u>2,995,758</u>	<u>2,716,571</u>	<u>(279,187)</u>	<u>1,568,719</u>	<u>943,719</u>	<u>2,017,108</u>	<u>1,073,389</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

June 30, 2011

	Special Revenue Funds							
	Fine Art				Seized and Forfeited Property			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Taxes other than property	\$ 7,000	7,000	120,150	113,150	—	—	—	—
Intergovernmental	—	—	—	—	—	—	2,281,994	2,281,994
Use of money and property	5,600	5,600	48,752	43,152	23,230	23,230	14,338	(8,892)
Net change in fair value of investments	3,000	3,000	(4,225)	(7,225)	—	—	1,154	1,154
Total revenues	<u>15,600</u>	<u>15,600</u>	<u>164,677</u>	<u>149,077</u>	<u>23,230</u>	<u>23,230</u>	<u>2,297,486</u>	<u>2,274,256</u>
Expenditures:								
Current:								
Public safety	—	—	—	—	—	394,067	334,954	(59,113)
Culture and recreation	43,255	43,255	11,593	(31,662)	—	—	—	—
Capital outlay	—	5,676	1,000	(4,676)	—	451,162	153,694	(297,468)
Total expenditures	<u>43,255</u>	<u>48,931</u>	<u>12,593</u>	<u>(36,338)</u>	<u>—</u>	<u>845,229</u>	<u>488,648</u>	<u>(356,581)</u>
Excess (deficiency) of revenues over expenditures	<u>(27,655)</u>	<u>(33,331)</u>	<u>152,084</u>	<u>185,415</u>	<u>23,230</u>	<u>(821,999)</u>	<u>1,808,838</u>	<u>2,630,837</u>
Net change in fund balances	<u>(27,655)</u>	<u>(33,331)</u>	<u>152,084</u>	<u>185,415</u>	<u>23,230</u>	<u>(821,999)</u>	<u>1,808,838</u>	<u>2,630,837</u>
Fund balances, July 1	<u>653,058</u>	<u>653,058</u>	<u>653,058</u>	<u>—</u>	<u>336,362</u>	<u>336,362</u>	<u>336,362</u>	<u>—</u>
Fund balances, June 30	\$ <u>625,403</u>	<u>619,727</u>	<u>805,142</u>	<u>185,415</u>	<u>359,592</u>	<u>(485,637)</u>	<u>2,145,200</u>	<u>2,630,837</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

June 30, 2011

	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	\$ —	—	31,083	31,083	—	—	—	—
Use of money and property	—	—	8,513	8,513	—	—	—	—
Net change in fair value of investments	—	—	(821)	(821)	—	—	—	—
Total revenues	—	—	38,775	38,775	—	—	—	—
Excess (deficiency) of revenues over expenditures	—	—	38,775	38,775	—	—	—	—
Net change in fund balances	—	—	38,775	38,775	—	—	—	—
Fund balances (deficit), July 1	326,343	326,343	326,343	—	—	—	—	—
Fund balances (deficit), June 30	\$ 326,343	326,343	365,118	38,775	—	—	—	—

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

June 30, 2011

	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	\$ —	—	—	—	855,911	1,182,062	877,287	(304,775)
Use of money and property	—	—	—	—	—	—	3,774	3,774
Net change in fair value of investments	—	—	—	—	—	—	(923)	(923)
Total revenues	—	—	—	—	855,911	1,182,062	880,138	(301,924)
Expenditures:								
Current:								
Public safety	—	—	—	—	102,706	379,972	267,452	(112,520)
Capital outlay	—	—	—	—	—	627,912	577,005	(50,907)
Total expenditures	—	—	—	—	102,706	1,007,884	844,457	(163,427)
Excess (deficiency) of revenues over expenditures	—	—	—	—	753,205	174,178	35,681	(138,497)
Net change in fund balances	—	—	—	—	753,205	174,178	35,681	(138,497)
Fund balances, July 1	—	—	—	—	125,044	125,044	125,044	—
Fund balances (deficit), June 30	\$ —	—	—	—	878,249	299,222	160,725	(138,497)

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

June 30, 2011

	Special Revenue Funds							
	Inmate Welfare				Total			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Taxes other than property	\$ —	—	—	—	2,894,422	2,894,422	2,790,512	(103,910)
Intergovernmental	—	—	—	—	2,960,388	3,286,539	5,553,270	2,266,731
Charges for Services	—	—	—	—	199,091	199,091	110,672	(88,419)
Use of money and property	6,000	6,000	516	(5,484)	990,515	990,515	1,027,273	36,758
Net change in fair value of investments	—	—	2,189	2,189	3,000	3,000	(36,334)	(39,334)
Total revenues	6,000	6,000	2,705	(3,295)	7,047,416	7,373,567	9,445,393	2,071,826
Expenditures:								
Current:								
Public safety	—	—	—	—	102,706	774,039	602,406	(171,633)
Public service	—	—	—	—	1,605,416	1,658,078	1,264,619	(393,459)
Culture and recreation	—	—	—	—	43,255	43,255	11,593	(31,662)
Capital outlay	—	—	—	—	3,903,216	10,825,996	6,286,491	(4,539,505)
Total expenditures	—	—	—	—	5,654,593	13,301,368	8,165,109	(5,136,259)
Excess (deficiency) of revenues over expenditures	6,000	6,000	2,705	(3,295)	1,392,823	(5,927,801)	1,280,284	7,208,085
Other financing sources (uses):								
Transfers out	—	—	—	—	(406,000)	(406,000)	(406,000)	—
Total other financing sources (uses)	—	—	—	—	(406,000)	(406,000)	(406,000)	—
Net change in fund balances	6,000	6,000	2,705	(3,295)	986,823	(6,333,801)	874,284	7,208,085
Fund balances, July 1	21,121	21,121	21,121	—	28,024,554	28,024,554	28,024,554	—
Fund balances, June 30	\$ 27,121	27,121	23,826	(3,295)	29,011,377	21,690,753	28,898,838	7,208,085

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

June 30, 2011

	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			\$ 65,432	65,432	—	—	4,928	4,928
Net change in fair value of investments	—	—	(7,951)	(7,951)	—	—	(501)	(501)
Total revenues	—	—	57,481	57,481	—	—	4,427	4,427
Expenditures:								
Debt service:								
Interest	2,866,255	2,866,255	1,500,955	(1,365,300)	—	—	—	—
Principal Payment	—	—	344,461	344,461	—	—	—	—
Total expenditures	2,866,255	2,866,255	1,845,416	(1,020,839)	—	—	—	—
Excess (deficiency) of revenues over expenditures	(2,866,255)	(2,866,255)	(1,787,935)	1,078,320	—	—	4,427	4,427
Other financing sources (uses):								
Transfers in	2,866,234	2,866,234	1,866,200	(1,000,034)	—	—	—	—
Total other financing sources (uses)	2,866,234	2,866,234	1,866,200	(1,000,034)	—	—	—	—
Net change in fund balances	(21)	(21)	78,265	78,286	—	—	4,427	4,427
Fund balances, July 1	4,783,180	4,783,180	4,783,180	—	201,070	201,070	201,070	—
Fund balances, June 30	\$ 4,783,159	4,783,159	4,861,445	78,286	201,070	201,070	205,497	4,427

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

June 30, 2011

	Permanent Funds							
	Burton Green				Total			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Use of money and property	\$ —	—	1,688	1,688	—	—	6,616	6,616
Net change in fair value of investments	—	—	(171)	(171)	—	—	(672)	(672)
Total revenues	—	—	1,517	1,517	—	—	5,944	5,944
Expenditures:								
Current:								
Public service	—	—	1,000	1,000	—	—	1,000	1,000
Total expenditures	—	—	1,000	1,000	—	—	1,000	1,000
Excess (deficiency) of revenues over expenditures	—	—	517	517	—	—	4,944	4,944
Net change in fund balances	—	—	517	517	—	—	4,944	4,944
Fund balances, July 1	68,916	68,916	68,916	—	269,986	269,986	269,986	—
Fund balances, June 30	\$ 68,916	68,916	69,433	517	269,986	269,986	274,930	4,944

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

June 30, 2011

	Total Nonmajor Governmental Funds			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final		
Revenues:				
Taxes other than property	\$ 2,894,422	2,894,422	2,790,512	(103,910)
Intergovernmental	2,960,388	3,286,539	5,553,270	2,266,731
Charges for Services	199,091	199,091	110,672	(88,419)
Use of money and property	990,515	990,515	1,099,321	108,806
Net change in fair value of investments	3,000	3,000	(44,957)	(47,957)
Total revenues	<u>7,047,416</u>	<u>7,373,567</u>	<u>9,508,818</u>	<u>2,135,251</u>
Expenditures:				
Current:				
Public safety	102,706	774,039	602,406	(171,633)
Public service	1,605,416	1,658,078	1,265,619	(392,459)
Culture and recreation	43,255	43,255	11,593	(31,662)
Debt service:				
Interest	2,866,255	2,866,255	1,500,955	(1,365,300)
Principal Payment	—	—	344,461	344,461
Capital outlay	3,903,216	10,825,996	6,286,491	(4,539,505)
Total expenditures	<u>8,520,848</u>	<u>16,167,623</u>	<u>10,011,525</u>	<u>(6,156,098)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,473,432)</u>	<u>(8,794,056)</u>	<u>(502,707)</u>	<u>8,291,349</u>
Other financing sources (uses):				
Transfers in	2,866,234	2,866,234	1,866,200	(1,000,034)
Transfers out	(406,000)	(406,000)	(406,000)	—
Total other financing sources (uses)	<u>2,460,234</u>	<u>2,460,234</u>	<u>1,460,200</u>	<u>(1,000,034)</u>
Net change in fund balances	986,802	(6,333,822)	957,493	7,291,315
Fund balances, July 1	<u>33,077,720</u>	<u>33,077,720</u>	<u>33,077,720</u>	<u>—</u>
Fund balances, June 30	<u>\$ 34,064,522</u>	<u>26,743,898</u>	<u>34,035,213</u>	<u>7,291,315</u>



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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget – Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ —	621,827	139,933	(481,894)
Use of money and property	188,966	188,966	511,613	322,647
Net increase in fair value of investments	—	—	(37,443)	(37,443)
Total revenues	<u>188,966</u>	<u>810,793</u>	<u>614,103</u>	<u>(196,690)</u>
Expenditures:				
Capital outlay	<u>7,154,313</u>	<u>21,010,469</u>	<u>9,621,755</u>	<u>(11,388,714)</u>
Total expenditures	<u>7,154,313</u>	<u>21,010,469</u>	<u>9,621,755</u>	<u>(11,388,714)</u>
Deficiency of revenues over expenditures	(6,965,347)	(20,199,676)	(9,007,652)	11,192,024
Other financing sources:				
Transfers in	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>—</u>
Total other financing sources (uses)	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>—</u>
Deficiency of revenues and other sources over expenditures	(2,965,347)	(16,199,676)	(5,007,652)	11,192,024
Fund balance, July 1	<u>20,974,922</u>	<u>20,974,922</u>	<u>20,974,922</u>	<u>—</u>
Fund balance, June 30	<u>\$ 18,009,575</u>	<u>4,775,246</u>	<u>15,967,270</u>	<u>11,192,024</u>



CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Net Assets

Internal Service Funds

June 30, 2011

	Information Technology	Capital Assets	Vehicles	Office and Opera- tional Equipment	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Administration, Policy & Legal	Eliminations	Total
ASSETS													
Current assets:													
Cash and investments	\$ 15,730,756	31,590,676	7,824,115	6,611,502	1,809,306	4,166,885	10,769,120	16,072,883	273,947	38,562,015	6,721,505	—	140,132,710
Accounts Receivable	—	113,533	—	—	—	165,892	—	—	—	—	14,500	—	293,925
Interest receivable	60,765	72,005	18,450	20,135	5,215	13,941	36,364	62,608	809	86,989	11,582	—	388,863
Interfund receivable	—	1,920,837	398,824	—	—	—	—	—	—	—	—	—	2,319,661
Inventory	—	—	306,721	—	—	—	—	—	—	—	23,252	—	329,973
Prepaid expenses	—	—	—	—	9,786	—	232,500	—	—	247,775	—	—	490,061
Total current assets	15,791,521	33,697,051	8,548,110	6,631,637	1,824,307	4,346,718	11,037,984	16,135,491	274,756	38,896,779	6,770,839	—	143,955,193
Noncurrent assets:													
Restricted assets:													
Cash and investments	—	5,025,993	—	—	—	—	—	—	—	69,476	—	—	5,095,469
Interest and other receivables	—	30,815	—	—	—	—	—	—	—	—	—	—	30,815
Total restricted assets	—	5,056,808	—	—	—	—	—	—	—	69,476	—	—	5,126,284
Deferred bond issuance costs, net	—	1,104,165	—	—	—	—	—	—	—	—	—	—	1,104,165
Advances to (from) other funds	(2,667,147)	19,901,328	11,927,086	—	—	—	—	—	—	—	—	—	29,161,267
Net pension assets	136,132	116,638	96,795	—	31,091	23,560	—	—	—	—	780,629	—	1,184,845
Other post employment benefit asset	—	—	—	—	—	—	—	—	—	6,918,474	—	—	6,918,474
Total other noncurrent assets	(2,531,015)	21,122,131	12,023,881	—	31,091	23,560	—	—	—	6,918,474	780,629	—	38,368,751
Capital assets:													
Land	—	32,041,706	—	—	—	—	—	—	—	—	—	—	32,041,706
Buildings	3,560,756	220,267,969	—	—	—	1,955,819	—	—	—	—	—	—	225,784,544
Improvements other than buildings	—	29,164,247	—	—	—	—	—	—	—	—	—	—	29,164,247
Machinery and equipment	46,502,480	8,939,554	18,355,646	401,728	69,335	1,309,364	—	—	—	—	—	—	75,578,107
Infrastructure	—	—	—	—	—	—	210,520	—	—	—	—	—	210,520
	50,063,236	290,413,476	18,355,646	401,728	69,335	3,265,183	210,520	—	—	—	—	—	362,779,124
Less accumulated depreciation	(31,426,333)	(92,795,731)	(10,724,383)	(93,961)	(69,335)	(860,611)	(2,631)	—	—	—	—	—	(135,972,985)
Construction in progress	618,733	4,027,251	—	—	—	—	—	—	—	—	—	—	4,645,984
Total capital assets, net	19,255,636	201,644,996	7,631,263	307,767	—	2,404,572	207,889	—	—	—	—	—	231,452,123
Total noncurrent assets	16,724,621	227,823,935	19,655,144	307,767	31,091	2,428,132	207,889	—	—	6,987,950	780,629	—	274,947,158
Total assets	32,516,142	261,520,986	28,203,254	6,939,404	1,855,398	6,774,850	11,245,873	16,135,491	274,756	45,884,729	7,551,468	—	418,902,351

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Net Assets, Continued

Internal Service Funds

June 30, 2011

	Information Technology	Capital Assets	Vehicles	Office and Opera- tional Equipment	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Administration, Policy & Legal	Eliminations	Total
LIABILITIES													
Current liabilities:													
Accounts payable	\$ 1,283,557	1,381,242	129,237	72,600	33,311	57,154	653,747	3,251	—	14,163	968,860	—	4,597,122
Accrued payroll	762	60,017	48,920	—	29,945	16,585	4,994	4,994	—	—	574,040	—	740,257
Interest payable	—	382,050	—	—	—	—	—	—	—	64,296	—	—	446,346
Current portion of:													
Compensated absences	—	—	—	—	—	—	—	—	—	1,170,597	—	—	1,170,597
Outstanding claims	—	—	—	—	—	—	6,070,274	2,001,658	14,458	—	—	—	8,086,390
Revenue bonds	—	6,772,047	—	—	—	—	—	—	—	1,147,368	—	—	7,919,415
Intergovernmental payable	—	—	—	—	—	—	—	—	86,216	—	—	—	86,216
Deferred revenue	—	3,378,381	—	—	—	—	—	—	—	—	—	—	3,378,381
Note payable	—	1,396,838	—	—	—	—	—	—	—	—	—	—	1,396,838
Total current liabilities	1,284,319	13,370,575	178,157	72,600	63,256	73,739	6,729,015	2,009,903	100,674	2,396,424	1,542,900	—	27,821,562
Long-term liabilities (net of current portion):													
Compensated absences	—	—	—	—	—	—	—	—	—	13,129,217	—	—	13,129,217
Outstanding claims	—	—	—	—	—	—	377,906	4,563,423	—	—	—	—	4,941,329
Revenue bonds	—	92,753,220	—	—	—	—	—	—	—	17,926,316	—	—	110,679,536
Original issue premium, net	—	6,021,313	—	—	—	—	—	—	—	—	—	—	6,021,313
Original issue discount, net	—	(349,678)	—	—	—	—	—	—	—	—	—	—	(349,678)
Deferred amount on refunding, net	—	(4,513,674)	—	—	—	—	—	—	—	—	—	—	(4,513,674)
Capital Lease	—	1,670,291	—	—	—	—	—	—	—	—	—	—	1,670,291
Note Payable	—	29,939,603	—	—	—	—	—	—	—	—	—	—	29,939,603
Total long-term liabilities	—	125,521,075	—	—	—	—	377,906	4,563,423	—	31,055,533	—	—	161,517,937
Total liabilities	1,284,319	138,891,650	178,157	72,600	63,256	73,739	7,106,921	6,573,326	100,674	33,451,957	1,542,900	—	189,339,499
NET ASSETS													
Invested in capital assets, net of related debt	19,255,636	69,351,873	7,631,263	307,767	—	2,404,572	207,889	—	—	(19,004,208)	—	—	80,154,792
Restricted for:													
Debt service	—	5,025,993	—	—	—	—	—	—	—	—	—	—	5,025,993
Unrestricted	11,976,187	48,251,470	20,393,834	6,559,037	1,792,142	4,296,539	3,931,063	9,562,165	174,082	31,436,980	6,008,568	—	144,382,067
Total net assets (deficit)	\$ 31,231,823	122,629,336	28,025,097	6,866,804	1,792,142	6,701,111	4,138,952	9,562,165	174,082	12,432,772	6,008,568	—	229,562,852

CITY OF BEVERLY HILLS, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
June 30, 2011

	Information Technology	Capital Assets	Vehicles	Office and Opera- tional Equipment	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Administration, Policy & Legal	Eliminations	Total
Operating revenues –													
Sales, service charges and fees	\$ 4,371,350	24,977,302	5,722,546	1,152,291	2,160,584	1,327,067	5,661,653	2,807,969	191,879	7,048,730	34,078,696	(18,745,203)	70,754,864
Operating expenses:													
Salaries and employee benefits	33,692	1,704,209	1,393,037	—	841,773	474,178	112,500	111,468	—	6,319,679	15,113,437	(2,999,850)	23,104,123
Maintenance and operation	415,325	5,027,223	3,026,268	114,080	1,340,623	601,081	6,729,527	326,621	—	—	19,915,889	(15,745,353)	21,751,284
Insurance premiums, settlements and provisions	—	—	—	—	—	—	1,807,949	3,338,013	156,576	—	—	—	5,302,538
Depreciation	4,431,138	6,126,235	2,092,529	44,869	—	67,004	2,631	—	—	—	—	—	12,764,406
Amortization of issuance costs	—	507,713	—	—	—	—	—	—	—	14,749	—	—	522,462
Total operating expenses	4,880,155	13,365,380	6,511,834	158,949	2,182,396	1,142,263	8,652,607	3,776,102	156,576	6,334,428	35,029,326	(18,745,203)	63,444,813
Operating income (loss)	(508,805)	11,611,922	(789,288)	993,342	(21,812)	184,804	(2,990,954)	(968,133)	35,303	714,302	(950,630)	—	7,310,051
Nonoperating revenues (expenses):													
Investment revenue	391,766	899,536	890,504	124,032	39,791	96,129	225,507	385,570	4,178	597,712	154,619	(195,312)	3,614,032
Net change in fair value of investments	(38,914)	80,104	(14,719)	(12,488)	(6,616)	(5,322)	(22,125)	(40,664)	(257)	(76,556)	(39,538)	—	(177,095)
Interest expense	(195,312)	(5,970,627)	—	—	—	—	—	—	—	(687,918)	—	195,312	(6,658,545)
Intergovernmental revenue	225,693	—	—	—	—	—	—	—	—	—	5,033	—	230,726
Gain (loss) on sale of capital assets	—	—	10,612	—	—	—	—	—	—	—	—	—	10,612
Other revenue	730	857,237	—	—	—	2,000	7,757	—	—	—	162,941	—	1,030,665
Total nonoperating revenues (expenses)	383,963	(4,133,750)	886,397	111,544	33,175	92,807	211,139	344,906	3,921	(166,762)	283,055	—	(1,949,605)
Income (loss) before contributions and operating transfers	(124,842)	7,478,172	97,109	1,104,886	11,363	277,611	(2,779,815)	(623,227)	39,224	547,540	(667,575)	—	5,360,446
Transfers in	1,485,069	5,250	1,244,169	1,252,935	—	—	1,000,000	—	—	9,655,900	107,011	(104,935)	14,645,399
Transfers out	—	—	—	—	—	—	(102,000)	—	—	—	(2,935)	104,935	—
Change in net assets	1,360,227	7,483,422	1,341,278	2,357,821	11,363	277,611	(1,881,815)	(623,227)	39,224	10,203,440	(563,499)	—	20,005,845
Net assets (deficit), July 1	29,871,596	115,145,914	26,683,819	4,508,983	1,780,779	6,423,500	6,020,767	10,185,392	134,858	2,229,332	6,572,067	—	209,557,007
Net assets (deficit), June 30	\$ 31,231,823	122,629,336	28,025,097	6,866,804	1,792,142	6,701,111	4,138,952	9,562,165	174,082	12,432,772	6,008,568	—	229,562,852



CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

June 30, 2011

	Information Technology	Capital Assets	Vehicles	Office and Opera- tional Equipment	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Policy, Adm, Legal	Total
Cash flows from operating activities:												
Cash received from customers	\$ 4,390,662	28,239,818	5,722,545	1,152,291	2,160,584	1,323,380	5,661,653	2,807,969	191,879	7,048,730	34,064,195	92,763,706
Cash payments to employees for services	(102,071)	(1,695,125)	(1,392,129)	—	(843,254)	(471,903)	(111,846)	(110,813)	—	(19,619,461)	(14,955,786)	(39,302,388)
Cash payments for goods and services	80,789	(4,557,920)	(2,918,042)	(83,412)	(1,398,007)	(610,477)	—	(2,226,668)	(70,360)	—	(19,519,477)	(31,303,574)
Cash payments for insurance premiums, settle- ments and claims	—	—	—	—	—	—	(6,088,195)	—	—	—	—	(6,088,195)
Net cash provided by operating activities	4,369,380	21,986,773	1,412,374	1,068,879	(80,677)	241,000	(538,388)	470,488	121,519	(12,570,731)	(411,068)	16,069,549
Cash flows from noncapital financing activities –												
Other revenue	730	857,237	—	—	—	2,000	7,757	—	—	—	162,941	1,030,665
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—	—	20,046,248	—	20,046,248
Principal payments on debt	—	—	—	—	—	—	—	—	—	(1,235,088)	—	(1,235,088)
Interest payments on debt	—	—	—	—	—	—	—	—	—	(623,622)	—	(623,622)
Intergovernmental revenue	225,693	—	—	—	—	—	—	—	—	—	5,033	230,726
Payment for unfunded liabilities	6,514	5,581	4,631	—	1,488	1,127	—	—	—	—	37,353	56,694
Cash received from other funds	1,485,069	5,250	1,244,169	1,252,934	—	—	1,000,000	—	—	9,655,900	107,011	14,750,333
Cash paid to other funds	—	—	—	—	—	—	(102,000)	—	—	—	(2,935)	(104,935)
Net cash (used in) noncapital financing activities	1,718,006	868,068	1,248,800	1,252,934	1,488	3,127	905,757	—	—	27,843,438	309,403	34,151,021
Cash flows from capital financing activities:												
Proceeds from sale of property	—	—	10,612	—	—	—	—	—	—	—	—	10,612
Acquisition and construction of capital assets	(4,381,086)	(11,542,967)	(1,604,690)	(200,453)	—	(1,288,133)	(197,244)	—	—	—	—	(19,214,573)
Repayment of construction loan	—	(15,114,198)	—	—	—	—	—	—	—	—	—	(15,114,198)
Proceeds from construction loan	—	32,000,000	—	—	—	—	—	—	—	—	—	32,000,000
Principal received (paid) on interfund advance	(1,239,092)	1,920,837	376,249	—	—	—	—	—	—	—	—	1,057,994
Interest received (paid) on interfund advance	(195,312)	1,379,696	762,130	—	—	—	—	—	—	—	—	1,946,514
Principal payments on debt	—	(6,231,600)	—	—	—	—	—	—	—	—	—	(6,231,600)
Interest payments on debt	—	(5,985,564)	—	—	—	—	—	—	—	—	—	(5,985,564)
Net cash (used in) capital financing activities	(5,815,490)	(3,573,796)	(455,699)	(200,453)	—	(1,288,133)	(197,244)	—	—	—	—	(11,530,815)
Cash flows from investing activities –												
Earnings on investments	386,055	734,795	122,323	102,804	39,083	107,320	223,612	374,707	3,819	578,481	140,578	2,813,577
Net increase (decrease) in cash and cash equivalents	657,951	20,015,840	2,327,798	2,224,164	(40,106)	(936,686)	393,737	845,195	125,338	15,851,188	38,913	41,503,332
Cash and cash equivalents, July 1	15,072,805	16,600,829	5,496,317	4,387,338	1,849,412	5,103,571	10,375,383	15,227,688	148,609	22,780,303	6,682,592	103,724,847
Cash and cash equivalents, June 30	\$ 15,730,756	36,616,669	7,824,115	6,611,502	1,809,306	4,166,885	10,769,120	16,072,883	273,947	38,631,491	6,721,505	145,228,179

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Cash Flows, Continued

Internal Service Funds

June 30, 2011

	Information Technology	Capital Assets	Vehicles	Office and Opera- tional Equipment	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Policy, Adm, Legal	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:												
Operating income (loss)	\$ (508,805)	11,611,922	(789,288)	993,342	(21,812)	184,804	(2,990,954)	(968,133)	35,303	714,302	(950,630)	7,310,051
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:												
Depreciation	4,431,138	6,126,235	2,092,528	44,869	—	67,004	2,631	—	—	—	—	12,764,405
Amortization of issuance costs	—	507,713	—	—	—	—	—	—	—	14,749	—	522,462
Changes in assets and liabilities:												
Increase in unearned revenue	—	3,326,016	—	—	—	—	—	—	—	—	—	3,326,016
Increase in receivables	19,313	—	—	—	—	(3,687)	—	—	—	—	(14,500)	1,126
Increase in inventory	—	—	51,935	—	—	—	—	—	—	—	3,636	55,571
(Increase) decrease in prepaid expenses	—	—	—	—	176	—	(7,872)	—	—	—	—	(7,696)
Increase (decrease) in accounts payable	496,114	502,840	56,291	30,668	(57,561)	(9,396)	192,371	3,251	—	(4,781,359)	392,775	(3,174,006)
Increase (decrease) in intergovernmental payable	—	—	—	—	—	—	—	—	86,216	—	—	86,216
Increase (decrease) in other post-employment benefit obligations	—	—	—	—	—	—	—	—	—	(8,701,909)	—	(8,701,909)
Increase (decrease) in interfund payable	—	(97,037)	—	—	—	—	—	—	—	—	—	(97,037)
Increase (decrease) in accrued payroll	(68,380)	9,084	908	—	(1,480)	2,275	655	655	—	—	157,651	101,368
Increase (decrease) in accrued compensated absences	—	—	—	—	—	—	—	—	—	183,486	—	183,486
Increase (decrease) in outstanding claims	—	—	—	—	—	—	2,264,781	1,434,715	—	—	—	3,699,496
Total adjustments	4,878,185	10,374,851	2,201,662	75,537	(58,865)	56,196	2,452,566	1,438,621	86,216	(13,285,033)	539,562	8,759,498
Net cash provided by operating activities	\$ 4,369,380	21,986,773	1,412,374	1,068,879	(80,677)	241,000	(538,388)	470,488	121,519	(12,570,731)	(411,068)	16,069,549
Cash and investments	\$ 15,730,756	31,590,676	7,824,115	6,611,502	1,809,306	4,166,885	10,769,120	16,072,883	273,947	38,562,015	6,721,505	140,132,710
Restricted cash and investments	—	5,025,993	—	—	—	—	—	—	—	69,476	—	5,095,469
Total cash and equivalents	\$ 15,730,756	36,616,669	7,824,115	6,611,502	1,809,306	4,166,885	10,769,120	16,072,883	273,947	38,631,491	6,721,505	145,228,179
Less nonpooled investments	—	—	—	—	—	—	—	—	—	—	—	—
Cash and cash equivalents	\$ 15,730,756	36,616,669	7,824,115	6,611,502	1,809,306	4,166,885	10,769,120	16,072,883	273,947	38,631,491	6,721,505	145,228,179
Significant noncash investing and financing activity:												
- Amortization of bond issuance costs, premiums, discounts and deferred amounts on refunding (note 9)	\$ —	507,713	—	—	—	—	—	—	—	14,749	—	522,462
- Value of capital asset under lease (note 9)	—	1,670,291	—	—	—	—	—	—	—	—	—	1,670,291
- Change in fair value of nonpooled investments	(38,914)	80,104	(14,719)	(12,488)	(6,616)	(5,322)	(22,125)	(40,664)	(257)	(76,556)	(39,538)	(177,095)





CITY OF BEVERLY HILLS, CALIFORNIA

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

June 30, 2011 with comparative amounts for June 30, 2010

	<u>2011</u>	<u>2010</u>
Governmental funds capital assets by type, function and activity:		
Land	\$ 19,559,986	19,559,986
Construction in progress	<u>17,896,671</u>	<u>6,739,633</u>
Infrastructure	121,753,012	120,131,782
Building	1,202,013	1,202,013
Improvements other than buildings	2,429,503	2,353,211
Machinery and Equipment	1,713,879	535,356
Less accumulated depreciation	<u>(49,361,452)</u>	<u>(47,278,308)</u>
Net infrastructure assets – public works – streets and subdrains	77,736,955	76,944,054
Fine Art Collection – general government – art and culture	<u>1,746,411</u>	<u>1,746,411</u>
Total governmental funds capital assets	<u>\$ 116,940,023</u>	<u>104,990,084</u>
Investments in governmental capital assets by source:		
2007 Lease Revenue Bonds	\$ 31,428,414	32,213,342
Capital projects general revenues	40,105,849	32,649,740
General Fund revenues	23,934,825	24,350,203
Special revenue funds revenues	<u>21,470,935</u>	<u>15,776,799</u>
Total investment in governmental capital assets by source	<u>\$ 116,940,023</u>	<u>104,990,084</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, 2011

Function and Activity	Construction in Progress	Infrastructure	Fine Art Collection	Land	Building	Improvements Other than Buildings	Machinery and Equipment	Total
General government - land	\$ —	—	—	19,559,986	—	—	—	19,559,986
Construction in progress	17,896,671	—	—	—	—	—	—	17,896,671
General government – art and culture	—	—	1,746,411	—	—	—	—	1,746,411
General government – Improvements other than buildings	—	—	—	—	—	2,429,503	—	2,429,503
Public works – streets and subdrains	—	72,391,560	—	—	1,202,013	—	1,713,879	75,307,452
Total	\$ <u>17,896,671</u>	<u>72,391,560</u>	<u>1,746,411</u>	<u>19,559,986</u>	<u>1,202,013</u>	<u>2,429,503</u>	<u>1,713,879</u>	<u>116,940,023</u>

CITY OF BEVERLY HILLS, CALIFORNIA

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

June 30, 2011

<u>Function and Activity</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance June 30, 2011</u>
Land	\$ 19,559,986	—	—	—	19,559,986
Construction in progress	<u>6,739,633</u>	<u>15,435,905</u>	<u>(135,489)</u>	<u>(4,143,378)</u>	<u>17,896,671</u>
General government –					
Art and culture – fine art collection	<u>1,746,411</u>	—	—	—	<u>1,746,411</u>
Total general government	<u>1,746,411</u>	—	—	—	<u>1,746,411</u>
Public works:					
Street and subdrain:					
Buildings	1,202,013	—	—	—	1,202,013
Infrastructure	120,131,782	—	(1,267,333)	2,888,563	121,753,012
Improvements other than buildings	2,353,211	—	—	76,292	2,429,503
Machinery and equipment	535,356	—	—	1,178,523	1,713,879
Less accumulated depreciation	<u>(47,278,308)</u>	<u>(3,350,477)</u>	<u>1,267,333</u>	—	<u>(49,361,452)</u>
Total public works	<u>76,944,054</u>	<u>(3,350,477)</u>	—	<u>4,143,378</u>	<u>77,736,955</u>
Total	\$ <u>104,990,084</u>	<u>12,085,428</u>	<u>(135,489)</u>	—	<u>116,940,023</u>



CITY OF BEVERLY HILLS CALIFORNIA

Statistical Section

June 30, 2011

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

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

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



CITY OF BEVERLY HILLS, CALIFORNIA

Net Assets by Component

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Activities										
Invested in capital assets, net of related debt	\$ 87,124,580	\$90,099,003	\$99,347,030	\$134,615,771	\$170,857,755	\$144,226,802	\$152,497,188	\$171,765,870	\$170,538,512	\$163,965,905
Restricted	60,288,794	39,327,127	48,645,518	47,305,578	57,024,038	43,920,555	51,705,842	77,375,444	69,500,607	34,272,483
Unrestricted	86,636,302	105,473,162	106,416,210	90,742,468	100,385,884	171,148,855	191,470,975	167,201,554	207,130,349	276,815,819
Total governmental activities net assets	<u>234,049,676</u>	<u>234,899,292</u>	<u>254,408,758</u>	<u>272,663,817</u>	<u>328,267,677</u>	<u>359,296,212</u>	<u>395,674,005</u>	<u>416,342,868</u>	<u>447,169,468</u>	<u>475,054,207</u>
Business-type Activities										
Invested in capital assets, net of related debt	52,451,937	72,030,679	81,381,640	99,448,107	84,137,521	84,451,122	98,198,238	145,755,878	158,450,102	198,616,368
Restricted	13,267,746	3,553,994	3,497,160	3,341,717	3,446,471	9,126,915	3,199,748	9,463,187	10,172,350	10,175,732
Unrestricted	45,712,937	45,504,872	37,260,239	25,584,985	43,025,422	43,590,057	43,407,339	3,586,842	-1,066,250	-28,275,807
Total business-type activities net assets	<u>111,432,620</u>	<u>121,089,545</u>	<u>122,139,039</u>	<u>128,374,809</u>	<u>130,609,414</u>	<u>137,168,094</u>	<u>144,805,325</u>	<u>158,805,907</u>	<u>167,556,202</u>	<u>180,516,293</u>
Primary Government										
Invested in capital assets, net of related debt	139,576,517	162,129,682	180,728,670	234,063,878	254,995,276	228,677,924	250,695,426	317,521,748	328,988,614	362,582,273
Restricted	73,556,540	42,881,121	52,142,678	50,647,295	60,470,509	47,367,026	54,905,590	86,838,631	79,672,957	44,448,215
Unrestricted	132,349,239	150,978,034	143,676,449	116,327,453	143,411,306	214,738,912	234,878,314	170,788,396	206,064,099	248,540,012
Total primary government net assets	<u>345,482,296</u>	<u>355,988,837</u>	<u>376,547,797</u>	<u>401,038,626</u>	<u>458,877,091</u>	<u>496,464,306</u>	<u>540,479,330</u>	<u>575,148,775</u>	<u>614,725,670</u>	<u>655,570,500</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Assets

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Expenses										
Governmental Activities:										
General Government	\$ 15,233,544	\$ 16,612,650	\$ 17,060,296	\$ 16,860,217	\$ 3,746,165	\$ 15,314,194	\$ 9,502,490	\$ 9,307,931	\$ 7,160,618	\$ 6,908,383
Public Safety	46,927,534	50,467,538	53,964,163	60,706,720	75,061,162	84,401,851	85,943,252	87,728,743	85,792,885	94,175,921
Public Service	12,235,436	14,098,820	14,145,177	13,973,670	14,993,054	17,709,545	19,102,837	18,658,621	17,366,155	19,915,311
Culture and Recreation	34,499,747	34,093,337	34,503,604	34,855,959	39,675,546	40,121,139	41,779,877	45,771,755	44,365,466	46,237,415
Interest on long-term debt	8,338,292	8,112,750	7,874,136	7,380,629	7,200,250	7,191,097	7,569,292	7,416,895	7,344,177	8,222,287
Total governmental activities expenses	<u>117,234,553</u>	<u>123,385,095</u>	<u>127,547,376</u>	<u>133,777,195</u>	<u>140,676,177</u>	<u>164,737,826</u>	<u>163,897,748</u>	<u>168,883,945</u>	<u>162,029,301</u>	<u>175,459,317</u>
Business-type Activities:										
Water	14,059,928	15,139,918	20,047,179	17,522,958	19,724,346	21,529,204	22,832,227	26,030,993	23,693,096	27,099,129
Parking	11,151,044	11,899,951	10,657,245	12,852,588	13,438,609	15,495,363	16,978,426	18,606,662	19,439,356	23,552,635
Solid-waste	8,384,540	9,096,548	9,705,225	10,686,276	10,312,744	11,477,489	12,864,011	12,894,756	13,865,053	13,892,957
Wastewater	5,318,642	4,435,872	4,929,043	3,957,544	5,436,889	6,858,330	7,177,057	6,916,169	6,323,201	6,449,692
Stormwater	1,463,552	1,627,994	1,923,141	1,558,291	2,165,250	1,524,634	2,195,022	3,267,417	2,781,886	3,136,667
Total business-type activities expenses	<u>40,377,706</u>	<u>42,200,283</u>	<u>47,261,833</u>	<u>46,577,657</u>	<u>51,077,838</u>	<u>56,885,020</u>	<u>62,046,743</u>	<u>67,715,997</u>	<u>66,102,592</u>	<u>74,131,080</u>
Total primary government expenses	<u>157,612,259</u>	<u>165,585,378</u>	<u>174,809,209</u>	<u>180,354,852</u>	<u>191,754,015</u>	<u>221,622,846</u>	<u>225,944,491</u>	<u>236,599,942</u>	<u>228,131,893</u>	<u>249,590,397</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Assets Continued

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 5,592,429	\$ 6,014,375	\$ 5,718,636	\$ 8,585,134	\$ 1,880,850	\$ 1,741,610	\$ 1,380,417	\$ 1,858,869	\$ 2,105,290	\$ 1,277,077
Public Safety	7,715,870	8,871,402	10,628,062	10,374,135	17,392,742	19,445,890	21,871,626	29,253,080	27,733,231	17,462,244
Public Service	7,335,819	7,848,207	8,053,012	8,646,841	17,058,816	18,199,550	21,655,844	11,000,598	11,649,975	27,036,465
Culture and Recreation	2,709,933	3,418,883	3,702,268	3,362,647	5,679,408	4,992,910	5,272,492	7,266,355	6,996,873	8,565,374
Operating grants and contributions	1,564,700	1,895,037	2,076,083	1,933,510	2,188,255	1,752,919	2,664,454	4,677,754	3,702,698	4,858,326
Capital grants and contributions	1,064,604	203,578	11,127,637	3,255,196	27,642,764	42,373	435,366	646,089	1,506,992	1,385,363
Total governmental activities program revenues	<u>25,983,355</u>	<u>28,251,482</u>	<u>41,305,698</u>	<u>36,157,463</u>	<u>71,842,835</u>	<u>46,175,252</u>	<u>53,280,199</u>	<u>54,702,745</u>	<u>53,695,059</u>	<u>60,584,849</u>
Business-type Activities:										
Charges for services:										
Water	15,175,703	15,429,217	17,389,245	17,066,774	17,809,880	22,814,061	23,743,626	24,839,114	24,676,468	31,819,782
Parking	11,370,208	11,363,546	10,097,567	10,893,544	12,772,987	15,240,221	15,647,848	20,096,481	20,933,475	25,075,328
Solid Waste	8,212,357	9,264,620	10,569,402	11,156,033	11,796,598	12,011,266	14,275,112	14,617,004	13,369,393	14,577,120
Wastewater	6,531,029	6,528,102	7,871,955	7,356,176	7,604,664	7,820,781	8,986,631	11,481,781	12,805,556	13,005,741
Stormwater	1,763,126	1,760,311	1,762,746	1,748,528	1,804,169	1,749,609	1,788,559	1,774,572	1,845,504	1,824,798
Operating grants and contributions	33,218	-	-	-	-	-	-	35,823	2,928	17,421
Capital grants and contributions	-	-	-	-	-	-	-	-	-	373,040
Total business-type activities program revenues	<u>43,085,641</u>	<u>44,345,796</u>	<u>47,690,915</u>	<u>48,221,055</u>	<u>51,788,298</u>	<u>59,635,938</u>	<u>64,441,776</u>	<u>72,844,775</u>	<u>73,633,324</u>	<u>86,693,230</u>
Total Primary Government Program Revenues:	<u>69,068,996</u>	<u>72,597,278</u>	<u>88,996,613</u>	<u>84,378,518</u>	<u>123,631,133</u>	<u>105,811,190</u>	<u>117,721,975</u>	<u>127,547,520</u>	<u>127,328,383</u>	<u>147,278,079</u>
Net (expense) revenue										
Governmental Activities	(91,251,198)	(95,133,613)	(86,241,678)	(97,619,732)	(68,833,342)	(118,562,574)	(110,617,549)	(114,181,200)	(108,334,242)	(114,874,468)
Business-type Activities	2,707,935	2,145,513	429,082	1,643,398	710,460	2,750,918	2,395,033	5,128,778	7,530,732	12,562,150
Total Primary government net expense	<u>(88,543,263)</u>	<u>(92,988,100)</u>	<u>(85,812,596)</u>	<u>(95,976,334)</u>	<u>(68,122,882)</u>	<u>(115,811,656)</u>	<u>(108,222,516)</u>	<u>(109,052,422)</u>	<u>(100,803,510)</u>	<u>(102,312,318)</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Assets Continued

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets:										
Governmental Activities:										
Taxes:										
Business	\$ 24,976,171	\$ 26,925,080	\$ 27,303,220	\$ 28,188,103	\$ 31,634,820	\$ 33,637,997	\$ 34,371,407	\$ 34,976,554	\$ 35,481,235	\$ 33,993,715
Property	20,910,263	21,939,489	23,766,694	25,726,587	29,053,621	33,109,566	34,572,307	38,654,691	42,859,199	41,814,780
Sales	18,070,898	18,496,094	19,945,850	22,577,220	24,817,499	26,034,685	24,797,691	23,777,904	19,671,342	22,052,861
Transient Occupancy	14,648,226	14,799,776	16,683,673	19,263,710	22,842,265	25,870,676	29,101,920	24,001,879	23,447,458	26,594,808
Other	2,559,155	3,191,878	5,010,222	4,793,930	3,909,671	7,336,430	4,329,692	4,132,321	1,793,385	3,706,048
Grants and Contributions not restricted to specific programs	2,851,607	3,150,585	2,500,228	1,345,997	1,943,643	2,727,966	3,167,742	2,927,277	419,910	575,314
Unrestricted investment earnings	11,108,942	9,734,466	7,912,553	8,574,015	10,251,387	16,572,050	14,637,553	12,184,239	11,492,231	11,094,647
Net change in fair value of investments	1,235,374	103,542	(2,983,022)	(1,000,699)	(1,056,975)	753,662	139,064	481,383	1,479,844	(33,470)
Pers credit	1,946,640	2,165,337	2,154,131	-	-	-	-	-	-	-
All street meters	-	-	2,257,223	-	-	-	-	-	-	-
Gain on sale of capital assets	161,146	42,974	20,005	1,958,607	86,031	2,138,495	64,215	(115,136)	-	-
Miscellaneous	567,519	617,816	1,180,367	1,118,830	946,446	1,409,582	1,813,751	541,425	1,834,044	1,949,835
Restatements	-	-	3,328,491	-	-	-	-	-	-	-
Transfers	721,623	(5,183,808)	-	-	8,794	-	-	(6,712,474)	682,194	1,010,669
Total Governmental Activities:	<u>99,757,564</u>	<u>95,983,229</u>	<u>109,079,635</u>	<u>112,546,300</u>	<u>124,437,202</u>	<u>149,591,109</u>	<u>146,995,342</u>	<u>134,850,063</u>	<u>139,160,842</u>	<u>142,759,207</u>
Business-type Activities:										
Unrestricted investment earnings	3,059,933	2,037,601	1,597,597	1,578,276	1,900,660	3,544,531	5,044,063	1,932,029	1,361,396	1,506,869
Net change in fair value of investments	708,468	200,825	(1,245,713)	(451,046)	(411,843)	223,093	100,938	192,936	505,896	(132,624)
Gain on sale of capital assets	37,865	39,990	-	-	-	-	-	-	-	-
Miscellaneous	-	49,188	268,528	66,715	44,122	40,138	97,197	34,365	34,461	34,365
Restatements	-	-	3,398,427	-	-	-	-	-	-	-
Transfers	(721,623)	5,183,808	-	-	(8,794)	-	-	6,712,474	(682,194)	(1,010,669)
Total Business-type Activities:	<u>3,084,643</u>	<u>7,511,412</u>	<u>4,018,839</u>	<u>1,193,945</u>	<u>1,524,145</u>	<u>3,807,762</u>	<u>5,242,198</u>	<u>8,871,804</u>	<u>1,219,559</u>	<u>397,941</u>
Total Primary Government:	<u>102,842,207</u>	<u>103,494,641</u>	<u>113,098,474</u>	<u>113,740,245</u>	<u>125,961,347</u>	<u>153,398,871</u>	<u>152,237,540</u>	<u>143,721,867</u>	<u>140,380,401</u>	<u>143,157,148</u>
Change in Net Assets										
Governmental Activities	8,506,366	849,616	22,837,957	14,926,568	5,874,628	31,028,535	36,377,793	20,668,863	30,826,600	27,884,739
Business-type Activities	5,792,578	9,656,925	4,447,921	2,837,343	4,275,063	6,558,680	7,637,231	14,000,582	8,750,291	12,960,091
Total Primary Government:	<u>14,298,944</u>	<u>10,506,541</u>	<u>27,285,878</u>	<u>17,763,911</u>	<u>10,149,691</u>	<u>37,587,215</u>	<u>44,015,024</u>	<u>34,669,445</u>	<u>39,576,891</u>	<u>40,844,830</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Fund Balances of Governmental Funds

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 7,399,194	\$ 16,897,631	\$ 16,824,428	\$ 19,613,934	\$ 18,677,717	\$ 18,404,138	\$ 18,670,005	\$ -	\$ -	\$ -
Unreserved	43,405,486	40,182,755	46,637,118	39,149,922	50,378,595	62,990,905	74,634,257	-	-	-
Nonspendable	-	-	-	-	-	-	-	24,920,411	24,369,188	24,194,752
Restricted	-	-	-	-	-	-	-	32,000,000	32,000,000	-
Committed	-	-	-	-	-	-	-	16,364,502	16,109,814	8,480,041
Assigned	-	-	-	-	-	-	-	957,235	3,284,204	1,447,295
Unassigned	-	-	-	-	-	-	-	19,198,909	21,801,773	63,862,068
Total General Fund	<u>50,804,680</u>	<u>57,080,386</u>	<u>63,461,546</u>	<u>58,763,856</u>	<u>69,056,312</u>	<u>81,395,043</u>	<u>93,304,262</u>	<u>157,303,125</u>	<u>97,564,979</u>	<u>97,984,156</u>
Capital Projects Fund										
Reserved	-	15,505,809	15,505,809	8,141,312	2,516,874	1,733,178	12,160,704	-	-	-
Unreserved	25,557,848	5,955,987	3,372,897	4,151,113	13,488,391	7,474,736	7,866,356	-	-	-
Restricted	-	-	-	-	-	-	-	18,863,534	20,974,922	15,967,270
Total Capital Projects Fund	<u>25,557,848</u>	<u>21,461,796</u>	<u>18,878,706</u>	<u>12,292,425</u>	<u>16,005,265</u>	<u>9,207,914</u>	<u>20,027,060</u>	<u>18,863,534</u>	<u>20,974,922</u>	<u>15,967,270</u>
All other governmental funds										
Reserved	5,120,988	6,495,625	6,181,146	4,375,776	4,908,272	14,173,244	15,687,641	-	-	-
Unreserved, reported in:										
Special revenue funds	18,924,503	11,452,115	13,269,678	16,678,355	19,168,742	15,006,948	14,547,746	-	-	-
Permanent funds	150,535	156,420	155,007	156,214	158,782	169,963	176,338	-	-	-
Nonspendable	-	-	-	-	-	-	-	8,191,852	7,951,613	81,381
Restricted	-	-	-	-	-	-	-	10,622,748	11,415,127	13,256,219
Committed	-	-	-	-	-	-	-	13,165,078	3,803,123	12,008,977
Assigned	-	-	-	-	-	-	-	1,588,368	4,020,109	8,780,214
Unassigned	-	-	-	-	-	-	-	(192,753)	5,887,748	(91,578)
Total all other governmental funds	<u>24,196,026</u>	<u>18,104,160</u>	<u>19,605,831</u>	<u>21,210,345</u>	<u>24,235,796</u>	<u>29,350,155</u>	<u>30,411,725</u>	<u>33,375,293</u>	<u>33,077,720</u>	<u>34,035,213</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified -accrual basis of accounting)

(Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 81,099,662	\$ 85,468,000	\$ 92,630,838	\$ 99,689,948	\$ 111,358,106	\$ 125,141,065	\$ 129,782,974	\$ 124,775,239	\$ 123,240,516	\$ 128,393,179
Licenses and Permits	5,443,584	6,364,895	8,131,835	8,010,556	10,536,677	12,226,052	12,122,383	11,425,387	9,591,105	12,123,447
Intergovernmental	5,072,804	5,249,200	5,061,331	3,427,136	4,213,782	4,523,258	5,864,032	8,251,120	5,429,676	6,588,277
Charges for Services	8,477,614	8,739,671	9,304,335	12,006,613	8,752,581	9,661,290	10,199,910	9,131,916	10,642,968	10,266,039
Fines, forfeitures and penalties	5,012,130	4,731,482	4,508,502	4,962,465	6,177,549	6,990,860	8,155,085	9,296,387	10,127,770	9,532,623
Use of money and property	8,389,863	7,752,047	5,789,525	6,366,557	7,107,586	9,411,973	8,851,189	7,233,267	6,479,178	7,494,753
Net change in fair value of investments	525,051	(130,270)	(1,399,763)	(406,404)	(448,507)	350,958	75,545	249,796	661,198	143,625
All street meters	-	-	2,257,223	-	-	-	-	-	-	-
Contribution in aid of construction	-	-	8,686,829	3,086,159	4,300,000	-	-	-	-	-
Miscellaneous	2,514,159	2,783,153	2,680,718	1,118,830	946,446	1,409,582	1,753,751	1,175,999	973,399	863,170
Total Revenues	116,534,867	120,958,178	137,651,373	138,261,860	152,944,220	169,715,038	176,804,869	171,539,111	167,145,810	175,405,113
Expenditures										
Current										
General government	17,700,643	14,697,979	16,148,980	16,682,422	6,468,832	11,209,334	6,475,903	6,598,816	5,876,352	5,625,097
Public Safety	48,174,155	49,456,957	53,441,949	59,500,871	72,360,587	80,983,337	85,916,413	88,152,321	82,109,842	82,213,794
Public Service	15,031,337	15,625,877	16,964,454	16,017,702	15,043,236	17,101,857	19,903,166	21,639,515	19,164,931	20,807,903
Culture and Recreation	33,559,704	30,550,748	30,426,938	30,695,540	35,369,733	36,321,278	35,444,083	41,940,546	41,050,006	38,936,209
Debt Service										
Interest	1,766,075	1,766,075	1,766,075	1,766,075	1,766,075	1,504,183	1,511,527	1,512,819	1,512,625	1,500,955
Finance Charges	3,850	4,350	3,875	4,125	4,825	433,351	-	-	333,697	344,461
Capital outlay	9,768,219	8,033,379	13,540,353	12,840,014	2,140,614	3,873,580	6,329,172	6,629,225	7,620,966	16,018,334
Total Expenditures	126,003,983	120,135,365	132,292,624	137,506,749	133,153,902	151,426,920	155,580,264	166,473,242	157,668,419	165,446,753
Excess of revenues over expenditures	(9,469,116)	822,813	5,358,749	755,111	19,790,318	18,288,118	21,224,605	5,065,869	9,477,391	9,958,360
Other financing sources (uses)										
Transfers in	5,211,671	448,783	99,027	429,230	230,344	2,180,509	9,436,798	4,387,555	2,068,840	1,500,000
Proceeds of bonds	-	-	-	-	-	35,135,045	-	-	-	-
Insurance Recoveries	-	-	-	-	-	-	60,000	39,281	10,055	45,388
Transfers out	(3,606,406)	(5,183,808)	(158,035)	(64,723)	(2,989,915)	(9,816,594)	(6,931,468)	(7,555,868)	(5,618,549)	(15,134,730)
Payment to bond escrow agent	-	-	-	-	-	(35,131,339)	-	-	-	-
Total other financing sources (uses)	1,605,265	(4,735,025)	(59,008)	364,507	(2,759,571)	(7,632,379)	2,565,330	(3,129,032)	(3,539,654)	(13,589,342)
Special Item, pension contribution	-	-	-	(13,420,437)	-	-	-	-	-	-
Restatement	-	-	2,621,362	-	-	-	-	-	-	-
Net change in fund balances	(7,863,851)	(3,912,212)	7,921,103	(12,300,819)	17,030,747	10,655,739	23,789,935	1,936,837	5,937,737	(3,630,982)
Debt service as a percentage of noncapital expenditures	1.52%	1.58%	1.49%	1.42%	1.35%	1.31%	1.01%	0.95%	1.23%	1.23%

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification A Tax Due	Total Revenue Classification A Tax Paid	Total Revenue Classification A Percentage Paid	Total Direct Classification A Base Tax Rate ¹	Total Direct Classification A Additional Tax Rate ¹
2011	\$ 1,304,048	1,706,240	130.84%	237.10	0.05000
2010	1,113,626	1,573,720	141.31%	235.00	0.04907
2009	1,495,961	1,236,629	82.66%	232.00	0.48540
2008	1,113,856	1,137,522	102.12%	222.36	0.04658
2007	1,251,491	1,209,995	96.68%	215.56	0.04537
2006	1,110,923	1,088,021	97.94%	207.39	0.04345
2005	1,195,093	1,177,781	98.55%	197.07	0.04128
2004	1,185,094	1,169,135	98.65%	193.81	0.04060
2003	1,214,580	1,204,494	99.17%	187.60	0.03930
2002	1,192,573	1,180,681	99.00%	183.15	0.03836

1. Business Tax Classifications and associated rate structures:

Classification A - Business Services:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification B Tax Due	Total Revenue Classification B Tax Paid	Total Revenue Classification B Percentage Paid	Total Revenue Classification B Minimum Tax Rate ¹	Total Revenue Classification B Additional Tax Rate ¹
2011	\$ 3,418,895	3,776,219	110.45%	75.00	0.00125
2010	3,074,933	3,227,558	104.96%	75.00	0.00125
2009	3,613,053	3,572,124	98.87%	75.00	0.00125
2008	3,979,385	3,973,626	99.86%	75.00	0.00125
2007	3,706,470	3,646,756	98.39%	75.00	0.00125
2006	3,510,620	3,488,038	99.36%	75.00	0.00125
2005	3,256,101	3,247,327	99.73%	75.00	0.00125
2004	3,034,898	3,029,840	99.83%	75.00	0.00125
2003	2,890,044	2,881,423	99.70%	75.00	0.00125
2002	2,955,269	2,934,122	99.28%	75.00	0.00125

1. Business Tax Classifications and associated rate structures:

Classification B - Retail, Wholesale % Manufacturing:

-Minimum

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

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification C Tax Due	Total Revenue Classification C Tax Paid	Total Revenue Classification C Percentage Paid	Total Revenue Classification C Base Tax Rate ¹	Total Revenue Classification C Professional Payroll Tax Rate ¹	Total Revenue Classification C-1 Tax Due	Total Revenue Classification C-1 Tax Paid	Total Revenue Classification C-1 Non-Professional Payroll Tax Rate ¹
2011	\$ 4,054,866	4,469,390	110.22%	1,313.70	0.63164	850,549	1,000,304	0.12689
2010	4,092,325	4,392,554	107.34%	1,302.00	0.62601	846,522	857,807	0.12576
2009	3,910,791	3,974,905	101.64%	1,288.00	0.61920	935,859	909,219	0.12439
2008	3,790,129	3,806,890	100.44%	1,236.02	0.59424	13,007	807,117	0.11938
2007	3,786,305	3,669,272	96.91%	1,203.76	0.57873	819	704,506	0.11626
2006	4,117,922	4,022,750	97.69%	1,152.81	0.55424	-	670,399	0.11134
2005	4,085,790	4,011,585	98.18%	1,095.41	0.52664	-	622,335	0.10580
2004	4,056,169	3,995,910	98.51%	1,077.31	0.51794	577,307	27,704	0.10405
2003	4,052,604	4,004,914	98.82%	1,042.79	0.50135	534,071	28,857	0.10071
2002	3,929,097	3,885,775	98.90%	1,018.05	0.48945	-	496,411	0.09832

1. Business Tax Classifications and associated rate structures:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification D Tax Due	Total Revenue Classification D Tax Paid	Total Revenue Classification D Percentage Paid	Total Revenue Classification D Minimum Tax Rate ¹	Total Revenue Classification D Additional Tax Rate ¹
2011	\$ 397,325	397,325	100.00%	255.00	0.0030
2010	409,032	409,106	100.02%	255.00	0.0030
2009	292,324	292,309	99.99%	255.00	0.0030
2008	365,873	365,941	100.02%	255.00	0.0030
2007	352,937	349,646	99.07%	255.00	0.0030
2006	316,780	316,780	100.00%	255.00	0.0030
2005	205,933	205,933	100.00%	255.00	0.0030
2004	195,540	195,540	100.00%	255.00	0.0030
2003	193,238	193,238	100.00%	255.00	0.0030
2002	208,388	208,388	100.00%	255.00	0.0030

1. Business Tax Classifications and associated rate structures:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Classification E Tax Due	Classification E Tax Paid	Classification E Percentage Paid	Classification E Tax Rate ¹	Classification F Tax Due	Total Revenue Classification F Tax Paid	Total Revenue Classification F Percentage Paid	Total Revenue Classification F Tax Rate ¹
2011	\$ 4,294,773	4,496,336	104.69%	0.0120	13,711,498	14,291,742	104.23%	0.02350
2010	4,060,778	4,195,169	103.31%	0.0120	14,201,325	14,577,480	102.65%	0.02350
2009	4,797,380	4,838,172	100.85%	0.0120	14,257,997	14,577,480	102.24%	0.02350
2008	4,689,574	4,604,390	98.18%	0.0120	12,674,689	12,688,193	100.11%	0.02350
2007	4,101,037	4,047,342	98.69%	0.0120	11,867,324	11,403,119	96.09%	0.02350
2006	3,612,397	3,590,766	99.40%	0.0120	10,512,617	10,414,647	99.07%	0.02350
2005	3,264,531	3,261,926	99.92%	0.0120	10,481,624	10,421,110	99.42%	0.02350
2004	3,019,859	3,019,646	99.99%	0.0120	10,073,178	10,027,327	99.54%	0.02350
2003	2,930,346	2,929,104	99.96%	0.0120	9,756,471	9,755,242	99.99%	0.02350
2002	2,989,834	2,989,360	99.98%	0.0120	9,670,243	9,643,987	99.73%	0.02350

1. Business Tax Classifications and associated rate structures:

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification G Tax Due	Total Revenue Classification G Tax Paid	Total Revenue Classification G Percentage Paid	Total Revenue Classification G Tax Rate ¹	Total Revenue Classification G1 Tax Due ²	Total Revenue Classification G1 Tax Paid ²	Total Revenue Classification G1 ² Percentage Paid	Total Revenue Classification G1 ² Tax Rate ¹
2011	\$ 3,797,779	4,205,601	110.74%	0.00350	94,523	175,133	185.28%	0.00100
2010	3,726,945	4,018,195	107.81%	0.00350	116,591	175,133	150.21%	0.00100
2009	3,399,337	3,483,909	102.49%	0.00350	51,831	44,074	85.03%	0.00100
2008	4,460,328	4,363,312	97.82%	0.00350	-	-	N/A	0.00100
2007	6,342,778	5,254,920	82.85%	0.00350	-	-	N/A	0.00100
2006	5,189,759	4,773,106	91.97%	0.00350	28,923	8,881	30.71%	0.00100
2005	6,001,981	5,653,590	94.20%	0.00350	147,190	112,009	76.10%	N/A
2004	4,883,326	4,633,712	94.89%	0.00350	-	-	N/A	N/A
2003	4,628,555	4,464,970	96.47%	0.00350	-	-	N/A	N/A
2002	4,553,941	4,551,257	99.94%	0.00350	-	-	N/A	N/A

1. Business Tax Classifications and associated rate structures:

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification O.1 Tax Due	Total Revenue Classification O.1 Tax Paid	Total Revenue Classification O.1 Percentage Paid	Total Revenue Classification O.1 Minimum Tax Rate ¹	Total Revenue Classification O.1 Additional Tax Rate ¹
2011	\$ 56,000	56,728	101.30%	1,933.20	0.14
2010	84,890	84,423	99.45%	1,916.00	0.14
2009	69,679	69,679	100.00%	1,895.00	0.14
2008	72,408	72,328	99.89%	1,818.55	0.13
2007	75,482	75,402	99.89%	1,771.09	0.12
2006	114,881	114,881	100.00%	1,696.12	0.12
2005	110,942	110,942	100.00%	1,611.67	0.11
2004	118,460	118,460	100.00%	1,585.04	0.11
2003	125,905	125,905	100.00%	1,534.25	0.11
2002	128,707	128,707	100.00%	1,497.85	0.11

1. Business Tax Classifications and associated rate structures:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Business Tax Payers²

June 30, 2011

(Unaudited)

Rank	2011 Taxpayer¹	2002 Taxpayer¹
1	William Morris Endeavor Ent, LLC	Ed Doran
2	B W Hotel LLC	Tamar Singer
3	Oasis West Realty LLC	Pro Sports Healing Inc.
4	Two Rodeo Dr.	Moutazalmawaldi
5	Sajahtera, Inc	FMS Services LTD, LLC
6	Peninsula Beverly Hills	Arlene Walsh
7	United Talent Agency Inc.	Blaine and Associates, Inc.
8	DE2000, LLC	Daybreak Moon Productions
9	Douglas Emmett 2008 LLC	Omneity Entertainment
10	Trea Wilshire Rodeo LLC	Field Scofield LLC

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

CITY OF BEVERLY HILLS, CALIFORNIA

Property Tax Levies and Collections

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Secured Taxes						Unsecured Taxes					Total Levy	Total Collections to Date	
	Total Levy	Collections		Delinquency ¹		Total Levy	Collections		Delinquency ¹ (Delinquencies Collected)		Amount	Amount	Percent of Levy	
		Amount	Percent	Amount	Percent		Amount	Percent ²	Amount	Percent				
2011	\$ 37,246,849	34,627,655	92.97%	2,619,194	7.03%	1,542,493	1,547,253	100.31%	(4,760)	-0.31%	38,789,342	36,174,908	93.26%	
2010	37,997,237	34,923,926	91.91	3,073,311	8.09	1,542,801	1,640,503	106.33	(97,702)	-6.33	39,540,038	36,564,429	92.47%	
2009	35,712,203	32,595,949	91.27	3,116,254	8.73	1,291,430	1,363,777	105.60	(72,347)	-5.60	37,003,633	33,959,726	91.77%	
2008	32,319,660	29,450,707	91.12	2,868,953	8.88	1,291,430	1,287,733	99.71	3,697	0.29	33,611,090	30,738,440	91.45%	
2007	27,687,280	25,526,817	92.20	2,160,463	7.80	1,242,848	1,195,746	96.21	47,102	3.79	28,930,128	26,722,563	92.37%	
2006	25,332,035	22,650,471	89.41	2,681,564	10.59	1,223,537	1,236,965	101.10	(13,428)	-1.10	26,555,572	23,887,436	89.95%	
2005	23,053,582	21,930,784	95.13	1,122,798	4.87	1,210,988	1,208,802	99.82	2,186	0.18	24,264,570	23,139,586	95.36%	
2004	21,401,458	20,446,150	95.54	955,308	4.46	1,257,766	1,224,093	97.32	33,673	2.68	22,659,224	21,670,243	95.64%	
2003	20,079,300	19,285,914	96.05	793,386	3.95	1,296,475	1,202,994	92.79	93,481	7.21	21,375,775	20,488,908	95.85%	
2002	19,006,555	18,030,992	94.87	975,563	5.13	1,296,903	1,170,601	90.26	126,302	9.74	20,303,458	19,201,593	94.57%	

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

CITY OF BEVERLY HILLS, CALIFORNIA

Assessed and Estimated Actual Value of Taxable Property¹

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Real Property Exemptions	Net Assessed Value	Estimated Actual Value	Ratio of Net Assessed Value to Estimated Actual Value	Total Direct and Overlapping Tax Rate²
2011	\$ 20,534,364,962	541,088,467	35,105,000	21,040,348,429	21,075,453,429	99.83%	1.109648
2010	21,055,787,380	578,769,365	35,515,200	21,599,041,545	21,634,556,745	99.84	1.087422
2009	19,813,776,889	567,725,139	35,618,800	20,345,883,228	20,381,502,028	99.83	1.165423
2008	17,690,479,457	543,352,271	35,725,200	18,198,106,528	18,233,831,728	99.80	1.153668
2007	16,239,966,588	451,072,766	35,728,000	16,655,311,354	16,691,039,354	99.79	1.139866
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	-

1. Source – Taxpayers’ Guide compiled by the Los Angeles County Auditor-Controller’s Office.
2. Source - Muniservices, LLC 2009-2010. Total Direct and Overlapping Tax rates are not available for FY 2001 - 2006.

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						
	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 ³	Sanitation District No. 4	School Services ³	Metropolitan Water District	West Mosquito Abatement District	Total
2011	1.0000	0.0154	1.0154	0.0502	0.1870	0.0231					0.0037		1.2794
2010	1.0000	0.0147	1.0147	0.0453	0.1495	0.0231	—	—	—	—	0.0043	—	1.2369
2009	1.0000	0.0142	1.0142	0.0484	0.1247	0.0221	—	—	—	—	0.0043	—	1.2137
2008	1.0000	0.0170	1.0170	0.0499	0.1233	0.0088	0.0007	—	—	—	0.0045	—	1.2042
2007	1.0000	0.0062	1.0062	0.0546	0.1067	0.0215	0.0007	0.0001	—	—	0.0047	—	1.1944
2006	1.0000	0.0061	1.0061	0.0605	0.0842	0.0143	0.0008	0.0000	—	—	0.0052	—	1.1712
2005	1.0000	0.0061	1.0061	0.0619	0.0888	0.0181	0.0009	0.0002	—	—	0.0058	—	1.1818
2004	1.0000	0.0062	1.0062	0.0668	0.0771	0.0199	0.0010	0.0005	0.0000	—	0.0061	—	1.1776
2003	1.0000	0.0064	1.0064	0.0678	0.0369	0.0146	0.0010	0.0009	0.0010	—	0.0067	—	1.1353
2002	1.0000	0.0064	1.0064	0.0420	0.0481	0.0160	0.0011	0.0011	0.0010	—	0.0077	—	1.1234

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Property Tax Levies for All Overlapping Governments¹

Last Ten Fiscal Years
(Unaudited)

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Property Taxpayers

Year Ended June 30, 2011

(Unaudited)

		<u>2011¹</u>				<u>2002²</u>	
<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>
Douglas Emmett LLC	Office buildings	\$ 502,583,614	2.39%	Sajahtera, Inc.	Hotel	172,000,000	1.57
Sloane Two Rodeo LLC	Shopping center	279,846,815	1.33	Arden Realty LP	Office buildings	162,044,871	1.48
Sajahtera Inc.		230,391,640	1.09	B W Hotel LLC	Hotel	156,553,524	1.43
Project Lotus LLC	Office/store/residential/parking	215,000,000	1.02	Rodeo Owner Corporation	Shopping center	122,200,000	1.12
B W Hotel LLC	Hotel	179,175,282	0.85	Griffel	Hotel	105,638,866	0.97
TREA Wilshire Rodeo LLC	Office buildings	176,307,000	0.84	Wilroad Association LP	Office/store/residential/parking	87,234,480	0.80
Maple Plaza LP	Office buildings	140,238,128	0.67	State Street Bank & Trust	Office building	60,800,000	0.56
Oasis West Realty LLC	Office buildings	138,490,854	0.66	Maple Plaza, Ltd.	Office buildings	52,899,564	0.48
BHP Holdings		106,700,000	0.51	Belvedere Hotel Partnership	Hotel	52,810,346	0.48
Beverly Wilshire Owner LP	Shopping center	101,639,874	0.48	Gilbert, Arthur, et. al.	Department Store	45,955,991	0.42
Total of principal property taxpayers		2,070,373,207	9.84	Total of principal property taxpayers		1,018,137,642	9.31
All other property taxpayers		18,969,975,222	90.16	All other property taxpayers		9,921,901,435	90.69
3. T Total		\$ <u>21,040,348,429</u>	100.00%	Total		\$ <u>10,940,039,077</u>	100.00%

1. Source – 2010-2011 County assessor Data, Muniservice, LLC 2010-2011

2. Source - Los Angeles County 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 Income factor	Per Capita
	Revenue Bonds		Revenue Bonds	Capital Leases				
2011 ¹	\$	152,885,822	164,843,128	-	317,728,950	10.4912%	84657	3,753
2010 ¹		139,920,811	127,564,570	-	267,485,381	8.8322%	84657	3,160
2009 ¹		146,313,284	122,987,903	-	269,301,187	8.8922%	84657	3,181
2008 ¹		152,323,541	127,529,455	-	279,852,996	9.5397%	81526	3,433
2007 ¹		158,012,245	110,637,929	18,536,904	287,185,316	10.0402%	79269	3,623
2006 ²		140,288,157	64,163,600	19,215,841	223,667,598	—	—	—
2005 ²		144,999,466	68,050,505	19,855,335	232,905,306	19.4670%	33362	6,981
2004 ²		149,528,882	71,794,305	20,457,678	241,780,865	21.0599%	31918	7,575
2003 ²		153,630,608	75,235,792	23,311,857	252,178,257	23.0278%	30674	8,221
2002 ²		150,509,035	81,627,111	-	232,136,146	21.7724%	30161	7,697

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Computation of Direct and Overlapping Debt

June 30, 2011

(Unaudited)

<u>Jurisdiction</u>	<u>Gross Debt²</u>	<u>Net Assessed Valuation³</u>	<u>Amount of Gross Debt Applicable to the City²</u>		<u>Total Direct And Overlapping Debt</u>	<u>Gross Debt Applicable to the City</u>
			<u>Direct</u>	<u>Overlapping</u>		
City of Beverly Hills ¹	\$ 152,885,822	21,040,348,429	152,885,822	1,528,858	154,414,680	100.000%
Beverly Hills Unified School District	185,926,849	20,980,174,124	—	185,545,699	185,545,699	99.795
Los Angeles Unified School District	11,596,250,000	438,807,765,739	—	472,547,188	472,547,188	4.075
Los Angeles Community College District	3,536,745,000	571,470,188,209	—	144,122,359	144,122,359	4.075
County of Los Angeles	1,496,977,755	1,055,470,089,596	—	34,520,307	34,520,307	2.306
Los Angeles County Flood Control District	53,795,000	1,010,924,746,323	—	1,244,278	1,244,278	2.313
County Sanitation District No. 4 Authority	3,186,372	Direct Assessment	—	80,360	80,360	2.522
Mountains Recreation/Conservation Authority	12,315,000	Direct Assessment	—	99	99	0.001
	<u>\$ 17,038,081,798</u>		<u>152,885,822</u>	<u>839,589,148</u>		

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

CITY OF BEVERLY HILLS, CALIFORNIA

Legal Debt Margin Information

Last Ten Fiscal Years
(Unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	\$ 445,377,051	\$ 467,039,865	\$ 494,881,155	\$ 529,376,876	\$ 577,177,113	\$ 625,913,976	\$ 683,768,690	\$ 764,306,326	\$ 811,295,787	\$ 790,329,504
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	445,377,051	467,039,865	494,881,155	529,376,876	577,177,113	625,913,976	683,768,690	764,306,326	811,295,878	790,329,504
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed valuations:

Net assessed value	21,040,348,429 ¹
Add back exempt real property	<u>35,105,000 ²</u>
Total assessed value	<u>21,075,453,429</u>

Legal debt margin:

Debt limitation (3.75% of total assessed value)	790,329,504
Debt applicable to limitation:	
Total long-term liabilities	379,632,764
Amounts to be paid from:	
Water revenue	71,492,507
Parking revenue	79,982,739
Wastewater revenue	13,367,882
Unearned Revenue	538,653
Deferred Credit from sale-leaseback transactions	1,030,896
Other lease revenue bonds	152,885,822
Compensated absences	14,299,814
Outstanding claims	13,027,719
Capital lease	1,670,291
Notes payable	<u>31,336,441</u>
Total long-term liabilities excluded from computation	<u>379,632,764</u>
Total debt applicable to limit	<u>-</u>
Legal debt margin	<u>790,329,504</u>

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

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

Last Ten Fiscal Years
(Unaudited)

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Ratios of Debt Service Per Capita

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Per Capita ¹
	Principal	Interest	Principal	Interest		
2011	\$ 7,811,149	6,901,445	6,438,851	7,412,750	28,564,195	835
2010	7,181,213	6,788,760	4,688,787	5,603,809	24,262,569	675
2009	6,037,268	7,295,907	4,692,732	5,657,844	23,683,751	662
2008 ²	5,715,718	7,524,535	2,999,282	4,333,646	20,573,181	572
2007	4,820,830	5,740,760	4,284,170	3,725,437	18,571,197	515
2006	6,420,238	7,091,662	2,780,837	1,882,432	18,175,169	508
2005	4,472,269	5,384,700	3,007,102	1,818,017	14,682,088	411
2004	4,044,580	7,499,719	2,425,420	1,957,097	15,926,816	447
2003	1,848,570	7,686,546	976,430	2,323,925	12,835,471	363
2002	3,501,379	7,899,223	1,628,621	2,648,184	15,677,407	449

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Water Enterprise Fund Long-Term Debt Coverage

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Water Enterprise Fund Operations			Water Enterprise Long-Term Debt Service Requirements ³			Coverage
	Gross Revenues ¹	Expenses Net of Depreciation and Interest ²	Net Revenue Available for Debt Service	Principal	Interest Expense ⁴	Total	
2011	32,201,380	20,065,768	12,135,612	1,575,000	2,680,904	4,255,904	2.85
2010	25,159,048	17,723,125	7,435,923	1,690,000	2,748,504	4,438,504	1.68
2009	25,501,072	19,693,842	5,807,230	1,465,000	2,788,791	4,253,791	1.37
2008	26,132,391	16,556,523	9,575,868	670,000	2,190,839	2,860,839	3.35
2007	24,730,942	16,150,895	8,580,047	500,000	1,036,009	1,536,009	5.59
2006	18,491,068	14,881,353	3,609,715	475,000	542,048	1,017,048	3.55
2005	17,616,827	12,817,261	2,522,234	460,000	560,448	1,020,448	2.47
2004	17,789,695	15,267,461	4,157,948	680,000	579,581	1,259,581	3.30
2003	16,594,748	12,436,800	5,228,502	655,000	607,548	1,262,548	4.14
2002	16,879,558	11,651,056	5,885,672	910,000	647,361	1,557,361	3.78

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

CITY OF BEVERLY HILLS, CALIFORNIA

Wastewater Enterprise Fund Long-Term Debt Coverage

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Wastewater Enterprise Fund Operations			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	
2011	13,397,886	4,432,745	8,965,141	1,045,000	576,730	1,621,730	5.53
2010	13,173,309	4,326,481	8,810,828	1,000,000	613,397	1,613,397	5.46
2009	11,705,763	4,883,899	6,821,864	910,000	695,453	1,605,453	4.25
2008	9,347,275	5,136,271	4,211,004	870,000	758,071	1,628,071	2.59
2007	8,387,722	4,773,246	4,521,302	835,000	867,721	1,702,721	2.66
2006	7,917,174	3,395,872	4,521,302	800,000	899,721	1,699,721	2.66
2005	7,549,042	1,949,560	5,599,482	775,000	930,721	1,705,721	3.28
2004	7,928,519	2,933,966	4,994,553	745,000	958,038	1,703,038	2.93
2003	6,764,202	2,473,840	4,290,362	700,000	994,209	1,694,209	2.53
2002	6,886,113	3,367,825	3,518,288	660,000	1,039,621	1,699,621	2.07

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 Statistics¹

Last Ten Fiscal Years
(Unaudited)

Year	Population ²	Median Household Income ^{3,4}	Personal Income ⁴	Per Capita Personal Income ⁴	Unemployment Rate ⁵
2011	34,210	\$ 81,726	\$ 2,241,664,460	\$ 65,526	8.60%
2010	35,953	84,356	2,308,470,224	64,208	8.10%
2009	35,774	84,657	2,305,169,238	64,437	5.20%
2008	35,983	81,526	2,232,903,115	62,054	3.40%
2007	36,084	79,269	2,177,160,255	60,336	3.20%
2006	35,813	-	2,096,283,817	58,450	3.30%
2005	35,754	-	2,021,351,317	56,535	3.40%
2004	35,648	-	1,949,314,987	54,682	4.20%
2003	35,353	-	1,883,037,596	53,264	4.50%
2002	34,880	-	1,816,446,109	52,077	4.40%

1. Note: Per MuniServices, LLC, this table is being restated from the previous CAFR to correct an error in column heading for data reported. The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark. Therefore, the estimates for 2010 and 2011 published in this report might be noticeably different from the previous year estimates.

In the interest of presenting up-to-date information, restated and previously unavailable data for median household income, personal income, and per capita income are being reported. This information became available from MuniServices, LLC as of October 25, 2011.

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

CITY OF BEVERLY HILLS, CALIFORNIA

Demographic Statistical Data

June 30, 2011
(Unaudited)

Percent of Population in Various Age Groups ¹:

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

Population Distribution by Race (2010 Census) ¹:

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

Average income levels (Estimated 2008-2010) ³:

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

Household Size (2010 Census) ¹:

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

Housing Units (2010 Census) ¹:

16,394

Housing Units (Estimated 2008-2010) ³:

	Total	Percent
Single	5,812	35.10%
Multiple	8,386	64.40
Mobile	—	0.00
Boat,RV,van	68	0.40

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

\$1,000,001+

3. The informε 14,266 100.00%

School Enrollment:

BHUSD (K-12) ² :	4,702
All schools (Nursery - 12) (Est. 2008-2010) ¹ :	5,634

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

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Employers

Current Year and Ten Years Ago³
(Unaudited)

Rank	Employer	2011 ¹		Employer	2004 ²	
		Employees	Percentage of Total City Employment		Employees	Percentage of Total City Employment
1	City of Beverly Hills	953	2.1%	City of Beverly Hills	1,042	2.2%
2	Beverly Hilton Hotel	680	1.5%	Beverly Hills Unified School District	642	1.4%
3	Regent Beverly Wilshire Hotel	771	1.7%	Regent Beverly Wilshire Hotel	620	1.3%
4	William Morris Agency, Inc	625	1.4%	Beverly Hilton Hotel	599	1.3%
5	Beverly Hills Unified School District	600	1.3%	Beverly Hills Hotel	500	1.1%
6	Beverly Hills Hotel	525	1.1%	William Morris Agency, Inc.	500	1.1%
7	Peninsula Beverly Hills Hotel*	479	1.0%	Saks Fifth Avenue	460	1.0%
8	Saks Fifth Avenue	390	0.9%	Neiman Marcus Group, Inc.	450	1.0%
9	Advance Building Maintenance	190	0.4%	Creative Artists Agency	425	0.9%
10	Beverly Hills BMW	160	0.3%	Peninsula Beverly Hills Hotel	400	0.9%
	Total	5,373	11.7%	Total	5,638	12.1%
	All others:	40,454	88.3%	All others:	40,081	87.80%
	Total	45,827	100%	Total	45,719	100%

1. Source -MuniServices, LLC 2010-2011

2. Source - Dun & Bradstreet, Info USA, Burr Consulting. The most recent period prior to Fiscal Year 2010-2011, in which such information is available is Fiscal Year 2004.

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

CITY OF BEVERLY HILLS, CALIFORNIA

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years
(Unaudited)

	Full-time Equivalent Employees									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function										
General Government	93.05	93.78	90.15	89.02	97.63	100.51	108.21	114.47	100.73	101.91
Public Safety	429.31	434.91	426.16	422.27	393.72	394.3	403.90	326.87	301.27	279.87
Public Service	277.39	269.08	254.88	246.93	263.51	235.1	283.47	319.32	304.64	311.57
Culture and Recreation	201.42	211.41	207.46	194.8	163.94	137.07	178.59	206.53	208.26	168.67
Total	<u>1,001.17</u>	<u>1,009.18</u>	<u>978.65</u>	<u>953.02</u>	<u>918.80</u>	<u>866.98</u>	<u>974.17</u>	<u>967.19</u>	<u>914.90</u>	<u>862.02</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Operating Indicators

Current Year and Nine Years Ago⁸

(Unaudited)

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
Business licenses issued ¹	11,751	11,884	11,488	11,620	11,620	12,300	14,000	10,500	10,250	11,204
Public Safety										
Police										
Physical arrests ²	221	275	221	1,272	0	1,180	1,040	1,057	1,047	1,074
Traffic violations:										
Signed Citations ²	11,912	13,376	14,598	9,737	0	14,690	14,693	14,105	16,289	17,422
Non-Moving Citations ²	—	—	—	7,311	0	6,700	5,905	5,115	6,616	7,168
Parking Citations ³	—	—	120,852	109,189	132,578	139,134	146,059	168,273	168,000	8,276
Calls For Service by Patrol ²	57,851	61,393	51,856	48,111	0	47,512	48,855	47,453	42,667	42,824
Fire ⁴										
Number of calls answered	—	—	—	—	5,187	5,645	6,065	6,073	5,942	6,230
Building and Safety										
Inspections	16,893	17,956	17,979	15,146	10,642	4,733	10,544	10,358	8,741	8,165
Building permits issued	2,228	2,319	2,447	2,743	0	2,298	2,396	1,922	1,130	2,440
Public Service										
Street resurfacing (miles)	—	—	—	—	1	3	3	12	14	13
Potholes repaired ⁵	—	—	—	—	678	832	750	596	650	990
New water connections	9	10	7	23	31	26	44	39	40	42
Water main breaks	17	29	25	20	29	32	35	18	22	15
Gallons of water (average daily consumption in millions)	11.75	10.30	10.30	10.30	10.30	11.20	12.01	11.40	11.20	10.00
Culture and Recreation										
Number of children participating in library programs ⁶	18,574	19,912	16,889	13,667	17,305	25,152	7,466	9,546	10,293	10,184
Total enrollment in City offered classes ⁷	—	—	8,787	11,094	13,041	16,990	14,270	18,272	16,067	11,451
Total participating art show artists	449	462	467	476	471	482	484	463	481	480

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

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

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

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

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

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

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

8. Source- Various City Departments

CITY OF BEVERLY HILLS, CALIFORNIA

Capital Asset Statistics by Function

Last Ten Fiscal Years¹
(Unaudited)

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	40	40	40	43	43	48	49	45	45	43
Fire										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Fire Trucks ²	—	—	—	—	16	25	25	25	25	25
Public Service										
Miles of streets (all paved)	102	102	102	102	109	109	109	109	109	109
Miles of alleys (all paved)	41	41	41	41	41	41	41	41	41	41
Street lights	5,683	5,683	5,683	5,683	5,017	5,017	5,018	5,018	5,018	5,019
Alley lights	858	858	858	858	858	858	858	858	858	585
Traffic Signalized intersections	94	94	94	94	95	95	96	98	97	97
Parking meters (on street)	3. The information	2,770	2,770	2,770	2,762	3,150	3,129	2,756	2,756	2,541
Water mains (miles)	171	171	171	171	171	171	171	171	171	171
Meters in service	10,728	10,728	10,728	10,728	10,728	11,114	11,158	11,158	11,158	11,200
Fire hydrants	1,200	1,200	1,200	1,200	1,200	1,200	1,305	1,305	1,345	1,346
Sanitary sewers (miles)	96	96	96	96	96	96	98	98	98	98
Storm drains (miles) ³	84	84	84	84	84	84	32	32	32	32
Culture and Recreation										
Parks acreage	97.4	97.4	97.4	97.4	97.4	97.4	97.4	97.4	97.4	97.4
Mini-parks acreage	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
School playground acreage	16	16	16	16	16	16	16	16	16	16

1. Source- Various City Departments

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

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

