

**CITY of BEVERLY HILLS**  
STATE of CALIFORNIA

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Year Ended June 30, 2004

Prepared by the Staff of the Administrative Services Department  
Under the Direction of Donald J. Oblander, *Chief Financial Officer*



**CITY OF BEVERLY HILLS, CALIFORNIA**

Comprehensive Annual Financial Report

Year Ended June 30, 2004

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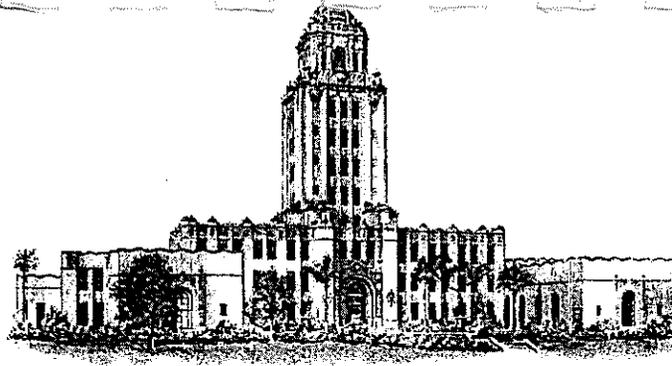
# INTRODUCTORY SECTION

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

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

ADMINISTRATIVE SERVICES DEPARTMENT  
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## CITY OF BEVERLY HILLS

October 17, 2004

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, 2004.

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 KPMG LLP, 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, 2004, 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, 2004, 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.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in the City's separately issued Single Audit 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



The Honorable Mayor, City Council and  
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Letter of Transmittal  
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35,701<sup>1</sup>. 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 other things, for passing ordinances, adopting the budget, appointing committees, and appointing a City Manager, City Attorney and City Clerk. In addition, the City Council appoints the members of the following advisory Commissions and Boards:

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

In addition to sitting as the governing board of the City, the City Council also acts as the Board of Directors of two blended component units: the Parking Authority of the City of Beverly Hills and the Beverly Hills Public Financing Authority. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the City's various departments and offices.

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

The annual budget serves as the foundation for the City's financial planning and control. The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year for the General Fund, special

revenue funds and permanent funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

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

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

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. This comparison, beginning on page 38, is presented as part of the basic financial statements for the General Fund. The budget-to-actual comparisons for nonmajor governmental funds with appropriated annual budgets are presented in the Nonmajor Governmental Funds section of this report, and begin on page 91. The budget-to-actual comparison for the Infrastructure Capital Projects Fund, a Major governmental fund of the City, can be found on page 111.

<sup>1</sup> Estimate – State of California Dept. of Finance.



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

The City Council adopted a conservative budget for FY 2003/2004 that recognized negative impacts on revenues and its own ongoing requirement for adequate financial reserves. The budget reflected the continuing decline in the national economy and the stock markets, the impact of 9/11 on both tourism and business travel nationally and locally, and the impact of the state of California budget deficit and the resulting significant reductions in subventions and other local government reimbursements.

Once again California cities and counties will feel the impact of the State of California's inability to balance its budget. The very same entities that have over the past three decades been forced through legislative action to do more with less and become more entrepreneurial just to continue offering the same level of service to their citizens, now must bail out a State government that has failed time and again to take any responsible action whatsoever. The States failure to reach consensus on how to deal with the economic realities of the new millennium left cities and counties waiting for the other shoe to drop as California legislatures failed to come to grips with the enormity of their problem and the economic future of the State.

At present, the Governor of California has presented a program that appears to have fairly widespread support among legislatures, city and county administrators and elected officials. This plan requires cities and counties to give up a portion of their sales and property tax revenues for a period of 2 years (FY 2004/2005 and 2005/2006). In exchange, the State will reimburse cities and counties for a portion of their losses in FY 2006/2007 and take legislative action to protect cities and counties from future revenue grabs by the State. For Beverly Hills this arrangement represents a loss of about two million dollars (\$2,000,000) each year for a total of approximately four million dollars (\$4,000,000). Our recovery reimbursement amounts to about six hundred thousand dollars (\$600,000) for a total net loss of \$3,400,000. How the reallocation of revenues between sales tax, property tax and vehicle license fees, described as the

triple flip, will impact the City beyond the present budget year is still up for debate.

The proposed General Fund budget for FY 2004/2005 includes the following assumptions:

- Loss of \$2,000,000 due to State budget balancing actions.
- Loss of rental income from the lease expiration of two rental properties in the industrial area.
- Initiation of the loan repayment from the Parking Enterprise for the Beverly/Canon (D-Lot) development project.
- Increase sales and business taxes from the Beverly/Canon tenants.
- An increase in capital contributions of \$3,000,000
- Increases to operating budgets due to PERS contributions.
- Increases to operating budgets due to health benefit and workers' compensation premiums.
- A provision for salary increases.
- Over \$3,000,000 in expenditure cuts due to elimination of positions and reductions in operating costs.

Beverly Hills is stronger financially than at any time in our past. We are better prepared to weather future economic downturns and continue to provide the levels of service required to maintain our world-class reputation. We have learned to be more entrepreneurial and less dependent on tax revenues, and we have built substantial reserves that allow us to expand our economic horizons when opportunities present themselves.

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

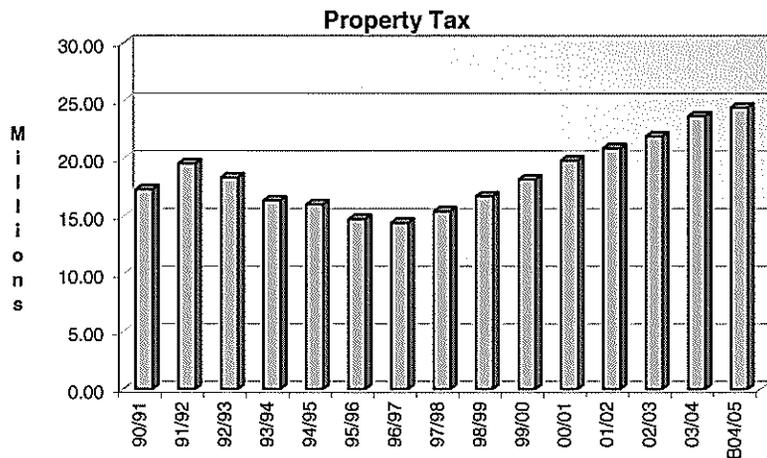
There is a common misconception that property tax pays for a majority of residential services. In fact, the property tax in a post-proposition 13 world does not even pay for the City's Police Department services – let alone Fire, Ambulance, Streets, Parks, Library, Recreation or other direct services. Property tax is an important revenue source, but provides only 19.4% of General Fund revenues.

The graph below illustrates how property tax revenues respond to economic conditions. In FY 90/91 the State and nation entered into a period of economic downturn. But as the chart illustrates, property taxes did not respond to this economic trend as rapidly as other tax based revenues. The



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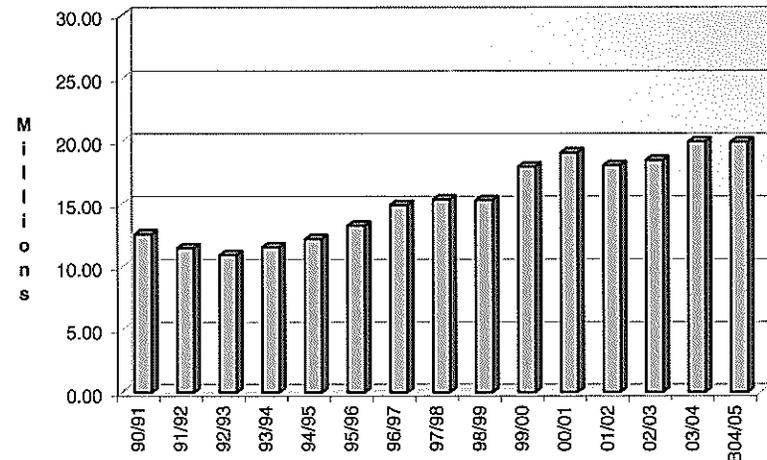
downturn, which began in FY 92/93 and continued through FY 96/97, was the result of three factors; 1) the general economic conditions, 2) State takeaways of property tax revenues, and 3) the reductions of California's real estate values and reassessment of property valuations by the Los Angeles County Assessor. Fiscal year 03/04 saw property tax revenues increase to \$23.69 million, an almost 8% increase over the prior year. Fiscal year 04/05 was budgeted at \$24.4 million, a 4.3% increase over the property tax projections at the time the budget was prepared, but a modest 3.2% increase over the FY 03/04 actual.



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

Sales tax revenue responds much faster to changing economic conditions than property tax. As the accompanying chart shows, sales tax revenue responded almost immediately to the economic downturn of the early 90's and the terrorist events of September 2001. From FY 90/91 through FY 92/93 sales tax revenue declined at the rate of about 6.3% in each of the years. In FY 93/94 sales tax revenues began responding to local economic improvements and continued that growth until September of 2001. We began seeing a rebound from that event in FY 02/03.

Sales Tax



Sales tax revenues ended fiscal year 03/04 at \$19.95 million, a 17.8% increase of fiscal year 02/03 results. The budget for fiscal year 04/05 was considered conservative when developed at \$19.94 million or 2.6% over the then fiscal year 03/04 projections of \$19.41 million. Obviously the City anticipates that our budget number will be exceeded.

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

As the chart illustrates, business taxes have been a barometer of the economic climate in Beverly Hills, responding rapidly to the changing economic climate. Recognizing that significant portions of business tax revenues are based on gross receipts, we can see how downward trends in the economy impact City revenues. Vacant office and retail space - which reflect revenue from real estate rentals - and a reduction in retail sales negatively impacted business tax revenues. In fiscal year 1993/1994, the City began to experience an upward swing in the economy as commercial

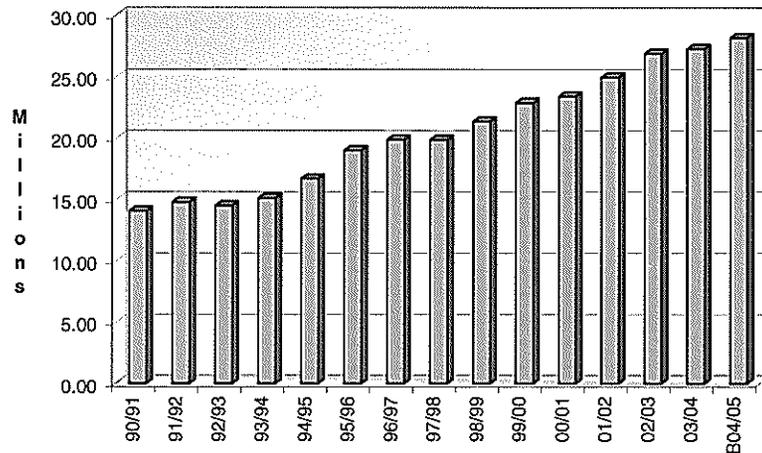


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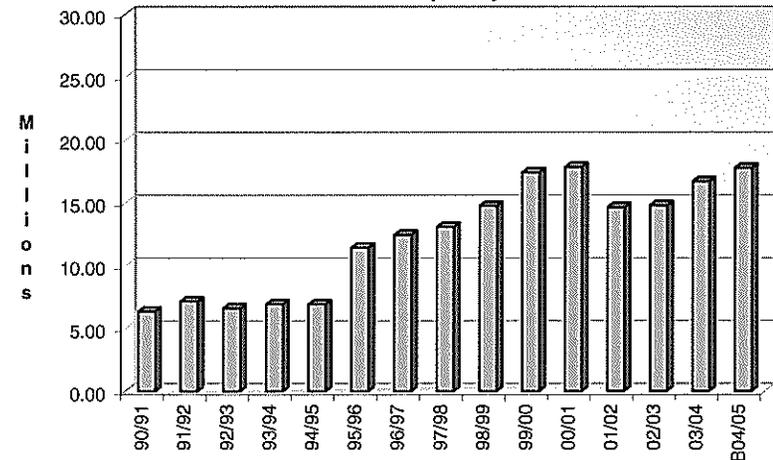
vacancies were reduced and new businesses entered the City. Some portion of the improvement since 1992/1993 reflects a more aggressive tax audit program by the City. Fiscal year 03/04 ended with a slight increase of 1.4% or about \$400,000 for total revenues of \$27.3 million. Business tax revenue is estimated at \$28.2 million a 3.3% increase over the current years revenue.

\$16.7 million. For next year we are anticipating revenue growth of about 6.5% to \$17.8 million, a return to their pre 9-11 level. While early trends indicate our budget is obtainable, the recent sale of the Beverly Hills Hilton and subsequent major remodeling project may cause a slight decrease from our projections.

**Business Tax**



**Transient Occupancy Tax**



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

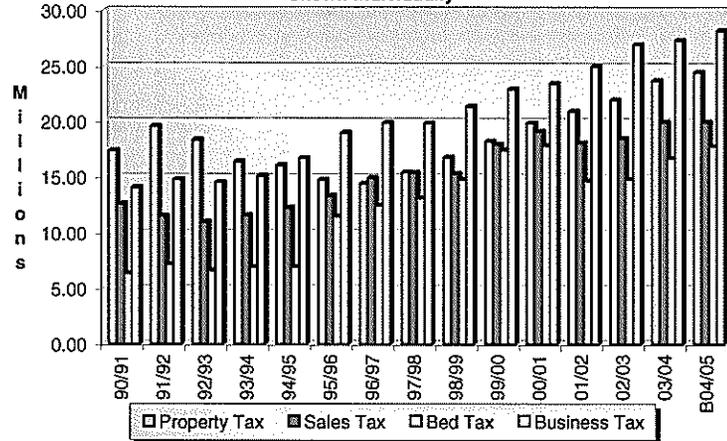
By reviewing the above charts one can see the effect of the economy on the City's revenues and how that impacts our ability to provide services. When necessary, the City acted promptly in reducing costs to match reductions in activity. Concurrently, the City moved, in concert with the Chamber of Commerce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

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



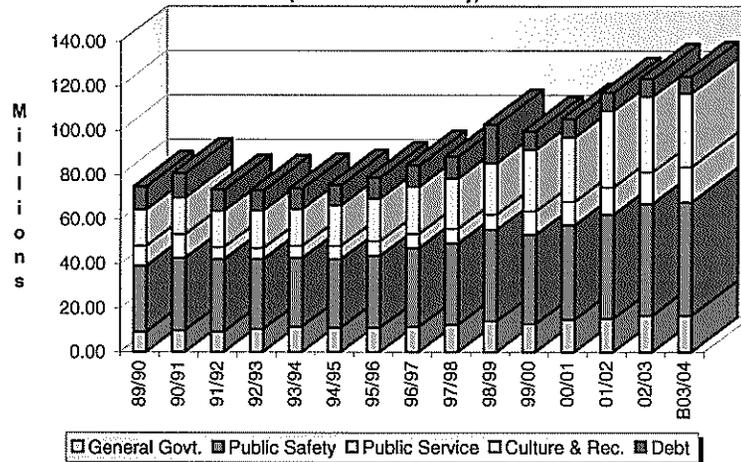
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**Total Tax Revenues**  
 Shown Individually



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

**Governmental Operating Expenses**  
 (Shown Cumulatively)



**NOTE:** A point of clarification for readers of this letter. The foregoing 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.

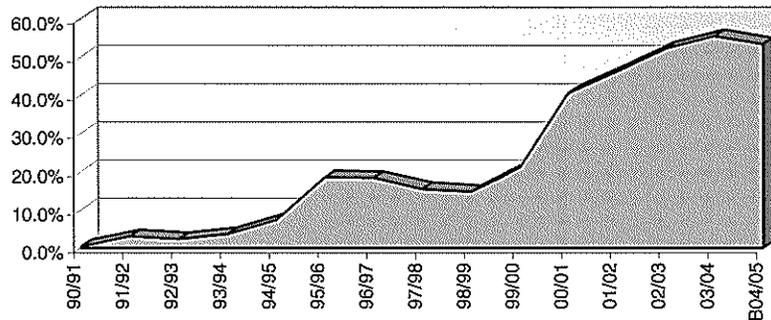
The continued improvements in taxes provide the City with a strong economic base to build upon for the future. Recent increases in property values, as evidenced by current property transactions, indicate that the real estate market is continuing to show strong growth. The City has adopted a balanced budget for FY 04/05. However, this budget assumes that the City will further reduce expenditures through hiring freezes and elimination of staff positions, and consider service reductions throughout the City for future cost savings. 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 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 its annual General Fund expenditure budget. For Beverly Hills, that would equate to reserves between \$30 million and \$60.1 million for FY 04/05. In the chart below, 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. From this base, the City can confidently move into the 21<sup>st</sup> century.



The Honorable Mayor, City Council and  
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Letter of Transmittal  
October 17, 2004

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



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

- Continue to review options for the development of the "T" surface parking lot. This development, as proposed, would include hotel, retail, a civic "square" and subterranean parking.
- Complete the accelerated street resurfacing program. The City normally spends about \$2.5 million a year on street resurfacing programs, in addition to alley and sidewalk programs totaling about \$1.2 million per year.
- Continue replacement of the conduit and wiring of the City's streetlights. This is a multi-year project to replace the City's aging 5,000-volt serial street lighting system in both the residential and business sectors of the City.
- Complete development of the Municipal Services Center, which will provide space and facilities for the City's vehicle repair shop and several other repair facilities. When completed, this facility will centralize several of the City's Public Works divisions currently located in several older facilities. Demolition of these older facilities will provide additional development opportunities for the City.

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

**Cash Management Policies and Practices.** Under the direction of the City Treasurer, an elected official, cash temporarily idle during the year was invested in demand deposits, obligations of the U.S. Treasury and various U.S. Agencies, as well as mutual fund investments, primarily the State Local Agency Investment Fund. The annual yield on investments was 3.48% for the general portfolio and 1.24% for the portfolio held by fiscal agents.

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

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

**Debt Administration.** At June 30, 2004, the City had a number of debt issues outstanding. These issues, net of unamortized original issue discounts, premiums and deferred amounts on refunding, include \$221,323,187 of revenue bonds. During the year, outstanding bonds were reduced by a total of \$7.8 million.

Under current state statutes, the City's general obligation bonded debts are subject to a legal limitation based on 3.75% of total assessed value of real and personal property. The City has no general obligation debt applicable to the debt limit. The legal limit for general obligation debt for the City at June 30, 2004 was \$494,881,155, which when reduced by the current general obligation debt of \$0 provides a net available debt margin of \$494,881,155. In addition to the restriction of the legal debt limitations, California's Constitution requires that a two-thirds majority vote be obtained for California cities to issue general obligation debt.



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### Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, California (City) as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, California, as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 17 through 27 and the pension plan supplemental information on page 83 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

November 5, 2004

KPMG LLP



The Honorable Mayor, City Council and  
Citizens of the City of Beverly Hills, California  
Letter of Transmittal  
October 17, 2004

**Risk Management.** The City maintains a limited risk management program for liability, workers' compensation and unemployment benefits claims. This program includes the accumulation of resources in the self-insurance internal service funds to meet potential losses. In addition, various risk control techniques, including accident prevention training, have been implemented to minimize accident-related losses. The City is self-insured for the first \$350,000 of each workers' compensation claim and the first \$500,000 of each general liability claim. Workers' compensation claims in excess of \$350,000 up to \$10 million per accident or employee disease are covered by insurance. General liability claims in excess of \$500,000 up to \$25.5 million combined-single-limit per occurrence are covered by insurance. Excess insurance coverage for workers' compensation claims was cancelled effective July 1, 2003 when the Risk Manager determined that the significant increases in premiums for such excess coverage were not cost justified based on the City's historical claims against such coverage. Risk Management estimates predict significantly increased loss exposure for workers' compensation in future years. This prediction is based upon increased benefits mandated by the State of California.

**Pension and Other Postemployment Benefits.** The City provides its full-time and certain part-time employees retirement and disability benefits, annual cost-of-living adjustments and death benefits to members and their beneficiaries through two defined benefit pension plans, one for its safety employees and one for its miscellaneous employees. Effective May 7, 2001, the City amended the plans to increase the safety members retirement benefit to 3% at 50 (from 2% at 50) and the miscellaneous members retirement benefit to 2% at 55 (from 2% at 60). These plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), agent-multiple employer plans administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. The City makes contributions to the plans based on amounts determined by CalPERS actuaries. The City also contributes the employees' required contributions on their behalf and for their account. As a result of the 2001 Plan Amendments and the poor performance of CalPERS' investments over the past three years, the safety plan is no longer over-funded and the miscellaneous plan is also expected to no longer be over-funded in the following period. As of the latest plan valuation date, July 1, 2002, the

funded status of the plans are 91.0% and 113.0% of the actuarial accrued liability of the safety and miscellaneous employees plans, respectively.

The City also provides postretirement health care benefits to its employees in accordance with agreements reached with the various employees bargaining groups. The City is currently enrolled in various health care plans administered by CalPERS. The City pays for retirees' health care premiums in these plans up to limits established in the agreements with the bargaining units. These payments are financed on a pay-as-you-go basis. As of June 30, 2004, the City was providing benefits to an average of 123 participants at an annualized cost of \$780,883.

**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, 2003. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. The report satisfied both generally accepted accounting principles and applicable legal requirements.

The California Society of Municipal Finance Officers (CSMFO) awarded a Certificate of Award for Excellence in Public Communication to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2003. The criteria for award of this certificate from the CSMFO is similar to that established for the GFOA program. The certificate recognizes the achievement of excellence in producing a public communication document that enhances general public understanding of city government and encourages citizen participation.

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



The Honorable Mayor, City Council and  
Citizens of the City of Beverly Hills, California  
Letter of Transmittal  
October 17, 2004

**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,

Roderick J. Wood  
*City Manager*

Donald J. Oblander  
*Chief Financial Officer*

# CITY OF BEVERLY HILLS, CALIFORNIA

## Principal City Officials

June 30, 2004

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### Elected Officials

#### City Council

Mayor	Mark Egerman
Vice Mayor	Linda J. Briskman
Councilmember	Steven P. Webb
Councilmember	Jimmy Delshad
Councilmember	Thomas S. Levyn

#### City Treasurer

Frank M. Fenton

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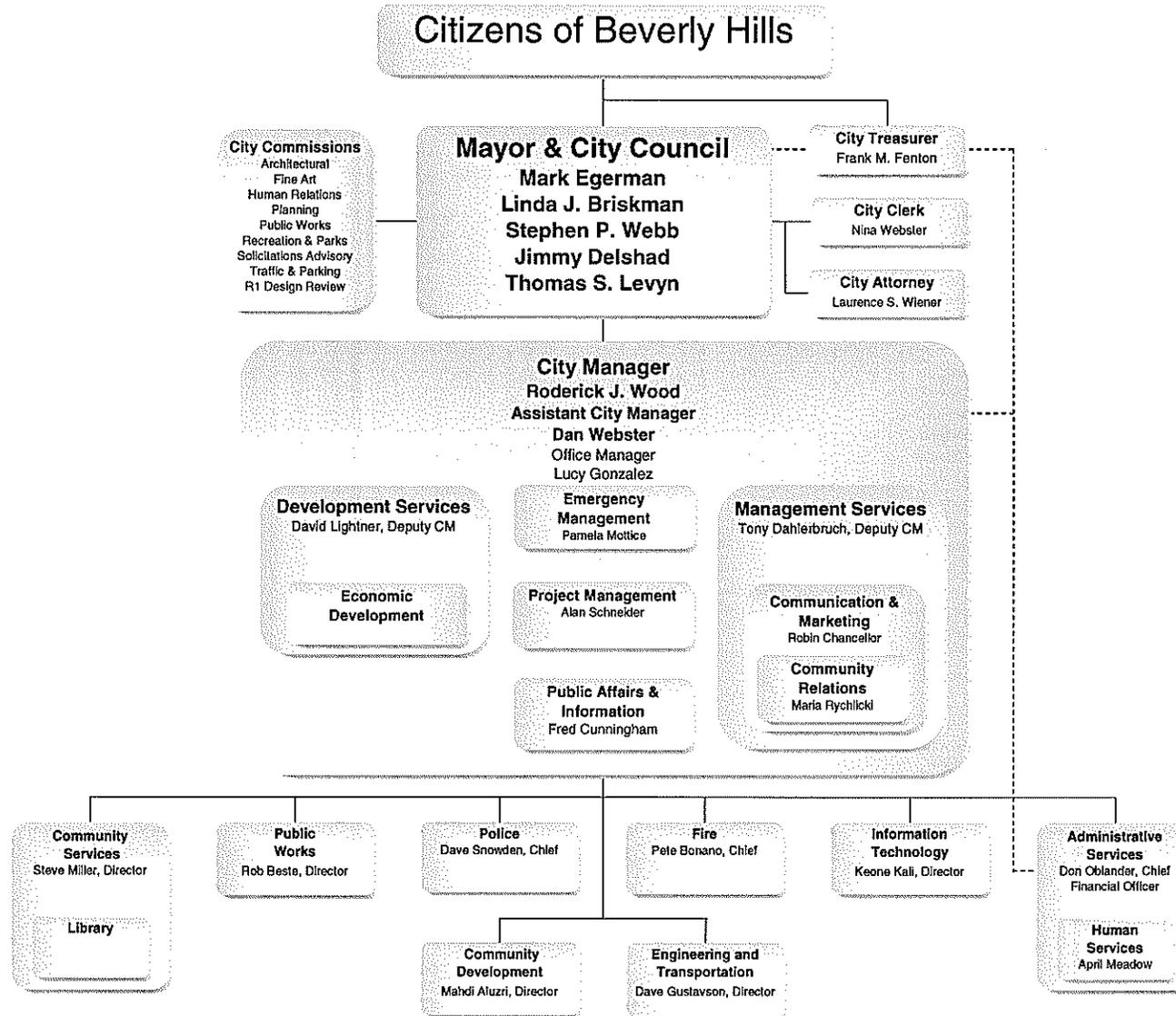
### Appointed Officials

City Manager	Roderick J. Wood	Fire Chief	Peter Bonano
Assistant City Manager	Daniel N. Webster	Police Chief	David Snowden
City Attorney	Laurence S. Wiener	Director of Community Development	Mahdi Aluzri
City Clerk	Nina Webster	Director of Community Services	Steve Miller
Chief Financial Officer	Donald J. Oblander	Director of Engineering and Transportation	David Gustavson
Deputy City Manager/Development	David Lightner	Director of Public Works	Rob Beste
Deputy City Manager/Community	Anton Dahlerbruch	Director of Information Technology	Keone Kali

# CITY OF BEVERLY HILLS, CALIFORNIA

## Organizational Chart

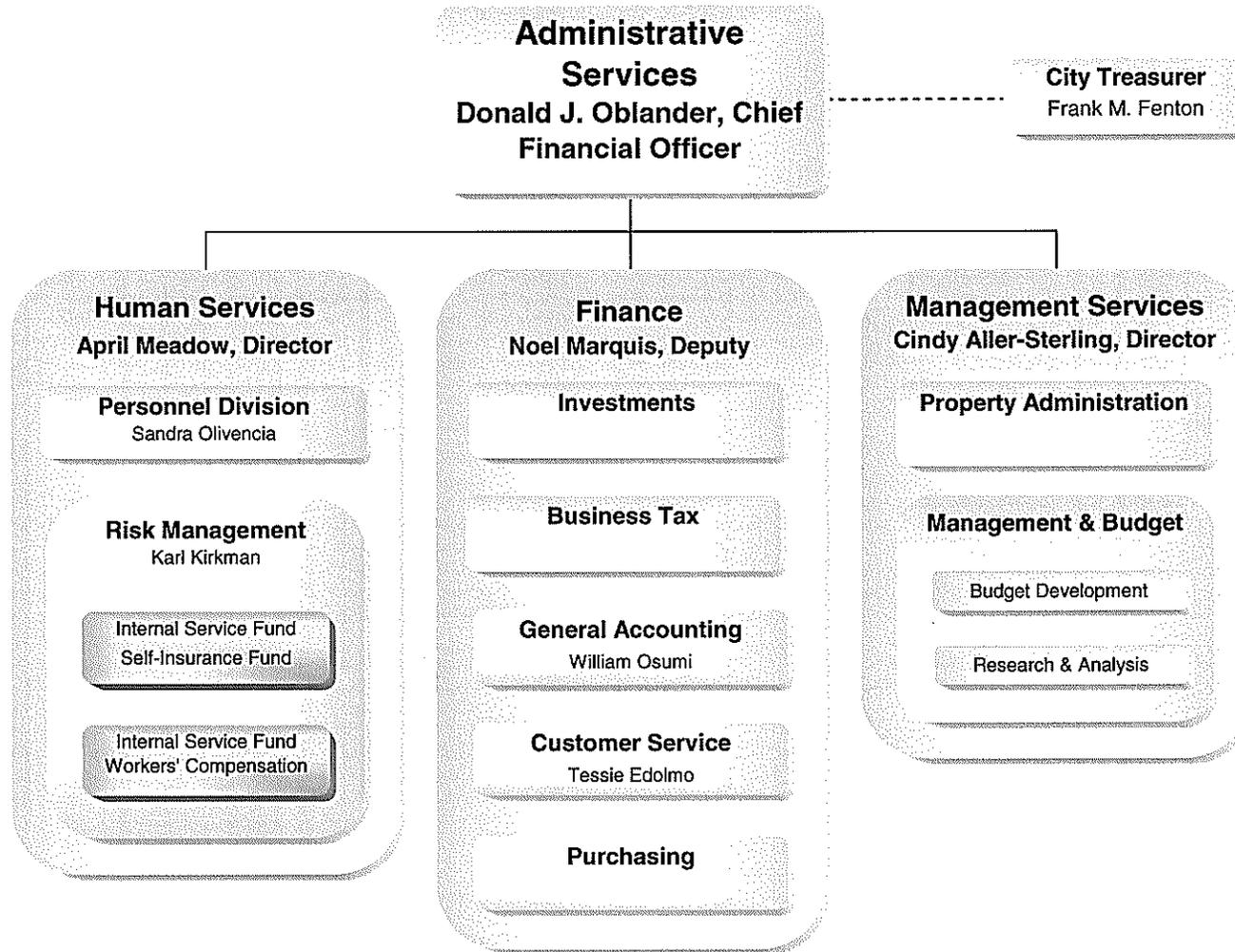
June 30, 2004



**CITY OF BEVERLY HILLS, CALIFORNIA**

Department of Administrative Services  
Operations Chart

June 30, 2004



CITY OF BEVERLY HILLS, CALIFORNIA

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

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

City of Beverly Hills,  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

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, 2003. This was the thirteenth 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.



*Nancy L. Zielle*

President

*Jeffrey R. Enos*

Executive Director

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

*California Society of  
Municipal Finance Officers*

**Certificate of Award**

***Outstanding Financial Reporting 2002-2003***

**Presented to the**

***City of Beverly Hills***

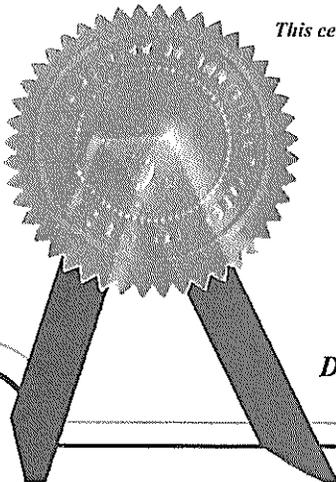
*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

***March 1, 2004***

*Bret M. Plimlee*

**Chair, Professional & Technical Standards Committee**

***Dedicated to Excellence in Municipal Financial Management***





# FINANCIAL SECTION

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



# CITY OF BEVERLY HILLS, CALIFORNIA

## Management's Discussion and Analysis

June 30, 2004

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, 2004. 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 - 9 of this report.

### (A) Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$376,547,797 (*net assets*). Of this amount, \$143,676,449 (*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 \$20,558,960.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$101,946,083, an increase of \$5,299,741 from the prior year. Of this amount, \$63,434,700 or approximately 62.2% of total fund balances are available for spending at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$46,637,118, or 41% of total General Fund expenditures.
- The City's net capital assets increased by \$10,230,000 or 2.4% from the prior year. Significant additions consist primarily of infrastructure and utility system improvements.
- The City's net long-term liabilities decreased \$7,912,000 or 209%.

### (B) Overview of the Financial Statements

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

### Government-wide Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on page 30-32 of this report.

**CITY OF BEVERLY HILLS, CALIFORNIA**  
Management's Discussion and Analysis, Continued

June 30, 2004

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds (the City has no fiduciary funds at June 30, 2004).

**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 33-39 of this report.

**Proprietary Funds**

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater and solid waste utilities, its parking facilities operations and its stormwater activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the following activities:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2004

- Unemployment insurance, and
- Employee benefits.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater, Solid Waste, Parking Facility and Stormwater operations, each of which is considered a major fund of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements in the *Additional Financial Information* section of this report.

The basic proprietary fund financial statements can be found on pages 40-46 of this report.

**Fiduciary Funds**

The City has no fiduciary funds at June 30, 2004.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 47-82 of this report.

**Other Information**

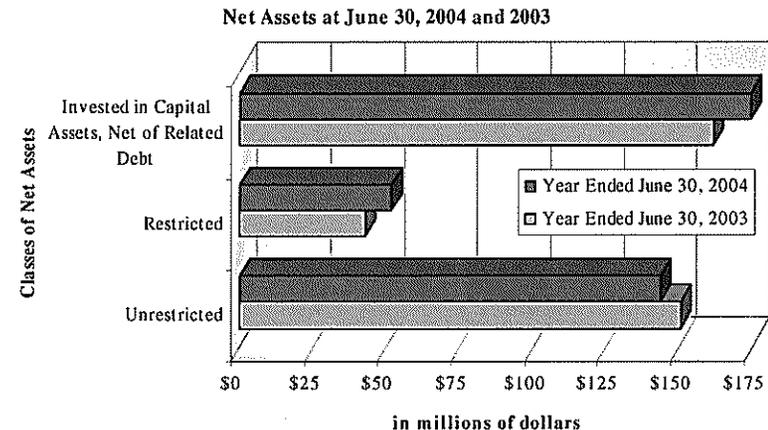
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 83 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds, together with information on the Infrastructure Capital Projects Fund budget comparison and capital assets used in the operation of governmental funds (those

capital assets not included in internal service funds), are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules, and information on governmental fund capital assets can be found on pages 85-115 of this report.

**(C) Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$376,547,797 at the close of the most recent fiscal year.



The second largest portion of the City's net assets (38%) 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 (48%) reflects its investment in capital assets (e.g., land, buildings, utility and general government infrastructure, machinery and equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided

**CITY OF BEVERLY HILLS, CALIFORNIA**  
**Management's Discussion and Analysis, Continued**

June 30, 2004

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

An additional portion of the City's net assets (14%) represents resources that are subject to external restrictions on how they may be used. Of these restricted net assets, 13% is for repayment of long-term debt, 56% is for construction of capital assets (unspent proceeds from long-term debt issues) and the balance relates to restrictions in the City's special revenue and permanent funds.

City of Beverly Hills' Net Assets (000's)						
As of June 30, 2004 and 2003						
	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Current assets	\$ 141,507	130,579	49,034	55,912	190,541	186,491
Restricted and other assets	54,360	57,185	(10,822)	(10,647)	43,538	46,538
Capital assets	242,340	236,946	187,350	182,733	429,690	419,679
<b>Total assets</b>	<b>438,207</b>	<b>424,710</b>	<b>225,562</b>	<b>227,998</b>	<b>663,769</b>	<b>652,708</b>
Current liabilities	24,214	24,946	13,243	12,293	37,457	37,239
Long-term liabilities, net of current portion	159,584	164,865	88,151	92,520	247,735	257,385
Other liabilities	-	-	2,029	2,095	2,029	2,095
<b>Total liabilities</b>	<b>183,798</b>	<b>189,811</b>	<b>103,423</b>	<b>106,908</b>	<b>287,221</b>	<b>296,719</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	99,347	90,099	81,382	72,031	180,729	162,130
Restricted	48,646	39,327	3,497	3,554	52,143	42,881
Unrestricted	106,416	105,473	37,260	45,505	143,676	150,978
<b>Total net assets</b>	<b>\$ 254,409</b>	<b>234,899</b>	<b>122,139</b>	<b>121,090</b>	<b>376,548</b>	<b>355,989</b>

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

The City's governmental current assets increased by \$10,928,000, which resulted primarily from increases in cash and investments of \$10,402,591. The City's business-type current assets decreased by \$6.8 million, which resulted primarily from purchases of capital assets. The

City's restricted assets decreased \$3 million, primarily from draws of bond construction funds to pay for applicable capital improvements.

The City reported a net increase of \$10 million in capital assets, \$5.4 million in governmental activities and \$4.6 million in business-type activities. The net increase in governmental activities resulted from construction in a wide variety of projects (e.g., street resurfacing, street light system installation) totaling \$13.3 million, \$4.2 million of capital assets were completed and transferred to completed features, \$2.1 million of various equipment purchases, disposition of equipment with a net book value of approximately \$55,000, and provision for depreciation of approximately \$11.2 million. The net increase in business-type activities results from completion of the WTP and the PWF, construction on the Water and Wastewater utility systems, the "D-Lot" subterranean parking and surface retail project, and provision for depreciation of \$7.2 million.

The City's net assets increased by \$20.6 million during the current fiscal year, a 95% larger increase than the prior year. Total adjusted revenues increased 10.9% (\$19.2 million) with the largest impact being a contribution from the Community Facilities District (\$8.7 million) for construction of the Urban Design Project within the Business Triangle of the City. An 8.6% increase in tax revenues (\$7.4 million), a 7.5% increase in charges for services (\$5.3 million) and a 56.0% decline in investment revenues (\$6.8 million). The tax increases reflect improving economic conditions and a strong real estate market. Service charge increases reflect pricing adjustments to reflect City costs. The decrease in cash balances for capital construction funding and record low interest rates resulted in the continuing decline in investment revenues. Expenses increased by 5.6% (\$9.2 million) over the prior year. The increases resulted from planned salary increases, significant increases in healthcare and other benefit and pension costs (15% to 25% increases), increased public safety costs related to the increased security measures following 9/11 and the Iraq conflict, significantly increased property and liability insurance costs, and significant maintenance efforts in various City facilities.

**CITY OF BEVERLY HILLS, CALIFORNIA**  
**Management's Discussion and Analysis, Continued**

June 30, 2004

City of Beverly Hills' Changes in Net Assets (000's)						
For the Years Ended June 30, 2004 and 2003						
	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
<b>Revenues:</b>						
Program revenues:						
Charges for services \$	28,102	26,153	47,690	44,346	75,792	70,499
Op. grants & cont.	2,076	1,895	-	-	2,076	1,895
Cap. grants & cont.	11,127	204	-	-	11,127	204
General revenues:						
Taxes	92,710	85,352	-	-	92,710	85,352
Investment earnings	4,929	9,838	352	2,238	5,281	12,076
Other	8,112	5,977	-	89	8,112	6,066
Transfers	-	(5,184)	268	5,184	268	-
<b>Total revenues</b>	<b>147,056</b>	<b>124,235</b>	<b>48,310</b>	<b>51,857</b>	<b>195,366</b>	<b>176,092</b>
<b>Expenses:</b>						
General government	17,060	16,613	-	-	17,060	16,613
Public safety	53,964	50,468	-	-	53,964	50,468
Public services	14,145	14,099	-	-	14,145	14,099
Culture and recreation	34,504	34,093	-	-	34,504	34,093
Interest on LT debt	7,874	8,113	-	-	7,874	8,113
Water	-	-	20,047	15,140	20,047	15,140
Parking facilities	-	-	10,657	11,900	10,657	11,900
Solid waste	-	-	9,705	9,096	9,705	9,096
Wastewater	-	-	4,929	4,436	4,929	4,436
Stormwater	-	-	1,923	1,628	1,923	1,628
<b>Total expenses</b>	<b>127,547</b>	<b>123,386</b>	<b>47,261</b>	<b>42,200</b>	<b>174,808</b>	<b>165,586</b>
Increase in net assets	19,509	849	1,049	9,657	20,558	10,506
Net assets, July 1	234,899	234,050	121,090	111,433	355,989	345,483
Net assets, June 30	\$ 254,408	234,899	122,139	121,090	376,547	355,989

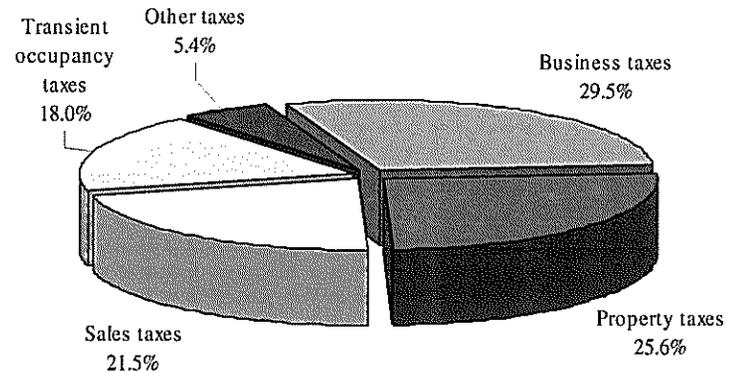
**Governmental Activities**

Governmental activities increased the City's net assets by \$19,500,000 thereby accounting for 95% 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, 63% of total governmental activities revenues, increased by \$7.4 million (8.6%) from the prior year. Business taxes, which are primarily levied based on the gross receipts of the business in the prior calendar year, increased by \$.4 million (1.4%) because of the increased activity in calendar year 2003. 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 2003/2004 have been brisk due to high demand and historic low mortgage rates. This resulted in a \$1.8 million (8.33%) increase over FY 2003. Sales taxes are a direct reflection of the general economy; the increase of \$1.4 million (7.84%) reflects the continuing recovery of the economy and the stock market. Transient occupancy tax revenues were significantly affected by 9/11 and decreased sharply thereafter. As confidence returns, business and pleasure travel has started to increase, resulting in a 12.73% (\$1.9 million) increase over the prior year. Other taxes, such as the fine art and parks and recreation taxes, are related to building activity. The strong real estate market and recovering economy reflect a turn-around in this activity resulting in an increase of \$1.8 million (56.97%) over FY 2003. The four major tax sources are relatively evenly split, reducing the City's reliance on any one source.

**Taxes by Type**



- Investment earnings decreased by \$4.9 million (50%) during the year. This was primarily a result of a change in the fair market value of investments of almost \$3 million dollars and a decline of \$2.4 million in cash and cash equivalents for capital construction and continued record low interest rates.

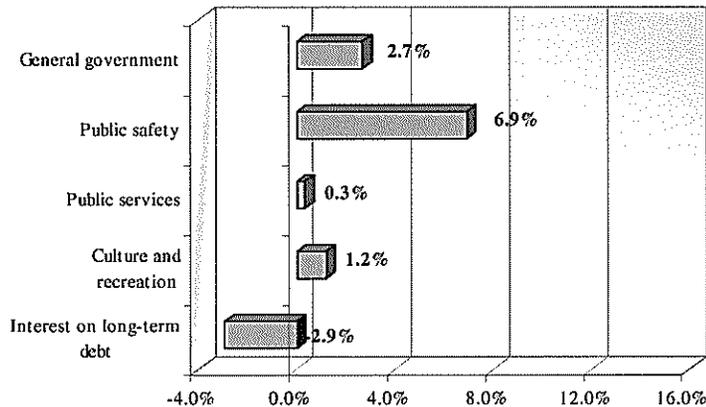
# CITY OF BEVERLY HILLS, CALIFORNIA

## Management's Discussion and Analysis, Continued

June 30, 2004

- While the City continued its efforts to maintain effective cost controls, governmental activities expenses increased 3.4% during FY 2004. All functional expenses increased resulting from planned salary increases (part of contract terms with bargaining units made in prior years) and significant increases in healthcare and other benefit and pension costs (15% to 25% increases). In addition:
  - Increases in general government related to increased litigation costs.
  - Increases in public safety related primarily to increased security measures following 9/11 and the Iraq conflict.
  - Public services increased due to completion of several large street maintenance programs.
  - Culture and recreation increased 1.2% due primarily to expansion of tree and turf management programs.
  - Interest on long-term debt declined slightly due to the refunding of the 1993 Refunding Lease Revenue Bonds.

Percent Change in Governmental Activities Functional Expenses  
Between Fiscal Years 2002 and 2003



### Business-type Activities

Business-type activities increased the City's net assets by \$1.0 million, accounting for 5% 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 99% of total business-type activities revenues, increased by \$3.3 million (7.5%) over the prior year. The increases were primarily a result of various utility rate increases.
- Expenses in the business-type activities were generally held constant in FY 2004 except for across the board increases in salaries and related healthcare benefits of approximately 3% and 15% – 25%, respectively. Wastewater charges from the City of Los Angeles related to capital upgrades to the Amalgamated System were capitalized resulting in a reduction in overall expenses in this fund.

### (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 \$101,946,083, an increase of \$5,299,741 from the prior year. This increase is primarily a result of two factors. The continuing improvement of business activity revenues resulting in an overall revenue increase of \$8.0 million and a contribution in aid of construction of \$8.7 million from the Community Facilities District 2002-A for ongoing construction of the Urban Design Program within the City's Business Triangle. Approximately 60% of fund balances (\$63.4 million) constitute the unreserved fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new

## CITY OF BEVERLY HILLS, CALIFORNIA

### Management's Discussion and Analysis, Continued

June 30, 2004

spending because it 1) has already been committed to liquidate contracts and purchase orders of the prior period (\$19.0 million), 2) represents net assets that are not available spendable resources, in this case the amounts corresponding to the advance to the Parking Facilities Enterprise Fund from the General Fund (\$15.9 million), 3) represents assets set aside to pay debt service (\$3.5 million), and 4) represents endowments established to generate income to pay for library and parks uses and scholarship awards according to the terms of the Buck and Burton Green endowments. (\$81,381).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$46,637,118, while the total fund balance reached \$63,434,700. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance represents 40.8% of General Fund expenditures, while the total fund balance represents 55.5% of that same amount.

The fund balance of the City's General Fund increased by \$6,381,160 during the current fiscal year. This represents an increase of 11.2% compared to the change in fund balance in FY 2003. Key factors in this increase are as follows:

- Tax revenues increase \$5.7 million (6.9%). 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 2003 are: business taxes increased by \$.4 million (1.4%), property taxes increased by \$1.8 million (8.33%), sales taxes increased \$1.4 million (7.84%) and transient occupancy taxes increased \$1.9 million (12.73%).
- Investment revenues decreased \$1.7 million (91.6%). The major change in investment earnings was a reduction in the fair market value of the City's investments of \$.9 million.
- The City continued its efforts to maintain effective cost controls. Nevertheless there was an increase of 6.3% (\$6.8 million) in General Fund expenditures during FY 2004. The reasons for the in-

creases in certain expenditures in the General Fund were previously described in the analysis of governmental activities expenses. General Government expenses increased \$1.45 million (9.9%), Public Safety increased by \$3.79 million (7.7%), Public Service \$1.47 million (10.50%) and Culture and recreation \$94,871 (3.2%).

Activities in the Infrastructure Capital Projects Fund continued in full swing in FY 2004. 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 \$1.5 million (8.2%) during FY 2004. This resulted primarily from improved revenues in the Parks and Recreation Facilities fund resulting in an overall contribution to the nonmajor governmental fund balances of \$2.5 million. This contribution was offset by a reduction of fund balance within the Streets and Highways State Gas Tax fund of \$990,055 resulting from the use of resources for major street projects.

#### **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 \$37.3 million a decrease of \$8.2 million (18.1%) while total growth in net assets for these funds was \$1.0 million a decrease of \$8.6 million (89.1%). Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

#### **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, and cable television operations. 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

# CITY OF BEVERLY HILLS, CALIFORNIA

## Management's Discussion and Analysis, Continued

June 30, 2004

business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

### **(E) Budgetary Highlights**

The City adopts annual appropriated operating budgets for its governmental funds (General Fund, special revenue funds, debt service fund, capital projects fund and permanent funds), and reports the results of operations on a budgetary comparison basis. The City also uses annual financial plans as a management tool for its enterprise and internal service funds, although the City does not report the results of these funds on a budgetary comparison basis.

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

#### **General Fund**

The General Fund reflected a net total favorable budget variance of \$6.4 million (before transfers) when comparing actual amounts to the final budget for the current fiscal year. This positive budget variance reflects a positive variance in revenues of \$7.4 million and a negative variance in total expenditures of \$1.0 million. The expenditure variances are primarily due to timing differences in planned expenditures.

### **(F) Capital Asset and Debt Administration**

#### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities amounts to \$429,690,149 (net of accumulated de-

preciation of \$210,610,090) as of June 30, 2004. 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 7.7% before depreciation (2.0% for governmental activities and 16.1% for business-type activities).

The increase in governmental activity capital assets primarily reflects additions to construction in progress and infrastructure for various capital projects and ongoing purchase of information technology equipment as part of an overall upgrade project. The increase in business-type activity capital assets primarily reflects additions for the water treatment plant, the public works facility and water utility systems.

The City has an aggressive capital improvement program totaling over \$121 million over the next five years (the City budgets its capital program in rolling 5-year increments). The City budgets these projects in six major categories: general government buildings, infrastructure and properties; streets, alleys and sidewalks; parks and recreation facilities; enterprise buildings, infrastructure and properties; and major development and infrastructure projects. Among these categories, the major projects include scheduled replacement of vehicles (\$7.5 million), construction of a municipal services center (\$15.3 million), replacing/updating computer and telephone systems (\$2.3 million), replacing water mains and hydrants (\$11.5 million), replacing the Coldwater Canyon Reservoir (\$8.8 million), repairs to sewer system (\$5.7 million) capital contributions to the Los Angeles Amalgamated Wastewater Treatment and Collection System (\$9.5 million), street and alley resurfacing (\$6.1 million) and construction of a parking structure and public gardens (\$36.7 million). The City had construction commitments of \$15.4 million at June 30, 2004 and has budgeted capital projects expenditures totaling \$80.8 million for FY 2005.

Additional information on the City's capital assets can be found in note 8 to the basic financial statements on pages 65-69 of this report.

## CITY OF BEVERLY HILLS, CALIFORNIA

### Management's Discussion and Analysis, Continued

June 30, 2004

City of Beverly Hills' Capital Assets, Net of Accumulated Depreciation (000's)						
As of June 30, 2004 and 2003						
	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Land	\$ 35,559	35,559	25,954	25,954	61,513	61,513
Buildings	103,990	107,542	70,485	40,165	174,475	147,707
Utility systems	-	-	81,892	81,645	81,892	81,645
Improvements other						
than buildings	18,157	18,147	665	731	18,822	18,878
Infrastructure	54,775	53,062	-	-	54,775	53,062
Machinery and equipment	13,412	15,765	1,444	1,670	14,856	17,435
Fine art collection	1,119	874	-	-	1,119	874
Construction in progress	15,328	5,997	6,910	32,568	22,238	38,565
Total capital assets, net	\$ 242,340	236,946	187,350	182,733	429,690	419,679

#### Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$221,323,187, including current portion of \$8,385,000. Of this amount, 221,323,187 represents revenue bonds secured solely by specified revenue sources. Other long-term obligations include employee-compensated absences of \$11,466,300, including current portion of \$3,896,347; capital leases payable of \$20,457,678, including current portion of \$602,343; and outstanding claims of \$10,723,743, including current portion of \$3,351,732.

Additions to the City's long-term debt included current year claims totaling \$3.5 million and additions to compensated absences of \$4.5 million. Deductions include payments against claims totaling \$3.3 million, payment of compensated absences totaling \$4.2 million and payment of capital leases totaling \$567,380.

City of Beverly Hills' Outstanding Long-Term Debt (000's)						
As of June 30, 2004 and 2003						
	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
GO bonds	-	-	-	240	-	240
Revenue bonds	149,529	153,631	71,794	75,236	221,323	228,867
Capital leases	-	-	20,458	21,025	20,458	21,025
Compensated absences	10,884	10,496	582	717	11,466	11,213
Claims	10,724	10,538	-	-	10,724	10,538
Total debt	\$ 171,137	174,665	92,834	97,218	263,971	271,883

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 (including the Water general obligation (GO) bonds), other lease revenue bonds, capital leases, compensated absences and outstanding claims. Accordingly, the debt limit at June 30, 2004 is \$494.9 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.)

Additional information on the City's long-term debt can be found in note 9 to the basic financial statements on pages 70-78 of this report.

**CITY OF BEVERLY HILLS, CALIFORNIA**

Management’s Discussion and Analysis, Continued

June 30, 2004

City of Beverly Hills’ Debt Ratings			
Debt Issue	Moody's	Fitch’s	S & P
General obligation bonds:			
1973 Water	Aa1	—	—
Revenue bonds:			
1998 Refunding Water	Aaa	AAA	—
1998 Refunding Wastewater	Aaa	AAA	AA-
1998 Lease Revenue	Aa3	—	—
1999 Refunding Lease	Aaa	AAA	—
2001 Refunding Lease	Aaa*	—	AAA
2003 Refunding Lease	Aaa*	AA	—

\* Underlying rating is Aa3.

**(G) Economic Factors and Next Year’s Budgets and Rates**

While the national, state and local economies are seeing signs of rebound, the likely impacts of the State budget crisis on local governments continue to play havoc with budgetary planning. The improvement in the economy and the strong real estate market is providing a positive impact on expected tax collections. However, the impacts from the State budget crisis and the unknown impact of potential local government takeaways, the continuing impact of double digit annual increases for employee healthcare costs, and the lagging impact from poor CalPERS investment performance over the past several years on future contribution rates led the City to develop its FY 2004/2005 budget conservatively projecting only moderate increases in General Fund revenues of approximately \$3.7 million, or 3.0% over the FY 2003/2004 actual.. Budgetary expectations reflect:

- A 3.2% increase in property taxes (\$760,221) because of the significant increase in real estate sales activity (typically lagging two years behind other tax revenues in its response to economic changes);
- A 3.2% increase in business taxes (\$0.9 million) (business taxes are largely based on gross receipts of the business for the preced-

ing calendar year; although directly impacted by the economy, this tax revenue typically lags one year);

- Sales tax remaining at the same level as FY 2003/2004;
- A 6.7% increase in transient occupancy taxes (\$1.1 million), a good recovery after the significant impacts that 9/11 had on both business and leisure travel;
- A large 53% decline in subventions from the State of California because of the enormous state budget deficit.
- The state budget deficit, put at over \$20 billion at June 30, 2003, was partially “balanced” through the proposed issuance of deficit bonds and the tripling of the state auto registration fees, both of which are in jeopardy from court challenges. Reasons to expect a positive future economic direction include:
  1. A two year sunset of State takeaways (approximately \$1,900,000 per year) after FY 2005/2006, with constitutional protection against future takeaways and unfunded mandates.
  2. A one time “recovery” of more than \$600,000 in FY 2006/2007.
  3. Moderation of CALPERS contribution costs as (if) CALPERS investments revert to a positive return following the 3 year pattern of poor performance (relative to the 8.25% assumption implicit in CALPERS actuarial valuations).
  4. Increased revenues from full utilization of the D-lot development.
- The City Council has proposed the elimination of the one or two hour free parking in City-owned parking lots beginning in FY 2004/2005 to be replaced by a parking validation program. This program is still being studied and final recommendations should be before the Council by mid year.
- The City Council has proposed the elimination of the one or two hour free parking in City-owned parking lots beginning in FY 2004/2005 to be replaced by a parking validation program. This program is still being studied and final recommendations should be before the Council by mid year.

## CITY OF BEVERLY HILLS, CALIFORNIA

### Management's Discussion and Analysis, Continued

June 30, 2004

The City's operating budget for FY 2004/2005 reflects both the City Council's anticipation of moderate revenue growth, its conservative approach to expected declines in reimbursements from the state of California as the State further revises its budget, as well as significant anticipated increases in employment benefit costs over the next few years (for example, healthcare benefits are expected to increase again in FY 2004/2005 on top of a similar increase in FY2002 and FY2003). Although the City Council has budgeted an increase in the total General Fund operating budget of 5.2% over the FY 2003/2004 actual expenditures (\$6.1 million), this results from these largely uncontrollable cost increases (at least in the short-term) rather than new or enhanced service or program commitments.

The continuing impacts of annual double digit increases to employee healthcare and pension contribution costs, and especially the impacts on the City as the state of California attempts to balance its own budgets over the next few years add more than the usual uncertainty to the budgetary process. However, the City Council's ongoing commitment to maintain large reserves (the General Fund unreserved fund balance at June 30, 2004 represents over 51.9% of the FY 2004/2005 operating budget) acts as a buffer against such uncertainty. In addition, staff projects operating activity out at least 5 years in the budgetary process providing City Council the benefit of planning for economic hard times

rather than reacting to them. Longer-term projections indicate that the City must continue to keep a tight rein on spending. Significant reductions in program activities and staffing levels may be required as revenue realization becomes better defined.

The City's unemployment rate was 3.5% at the end of FY 2004. This compares favorably to the state of California's unemployment rate of 6.4% and the County of Los Angeles' unemployment rate of 6.9%.

The City implemented a rate increase of 2% for all Wastewater utility services in FY2005. The City has adopted a policy of annual reviews and appropriate rate increases to give greater assurance of maintaining healthy enterprise operations.

#### **(H) Requests for Information**

This financial report is designed to provide a general overview of the City's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, City of Beverly Hills, 455 N. Rexford Drive, Room 250, Beverly Hills, California 90210-4817. Additional information, including the prior years CAFR and prior and current year budgets are available on the City's WEB site at [www.beverlyhills.org](http://www.beverlyhills.org).



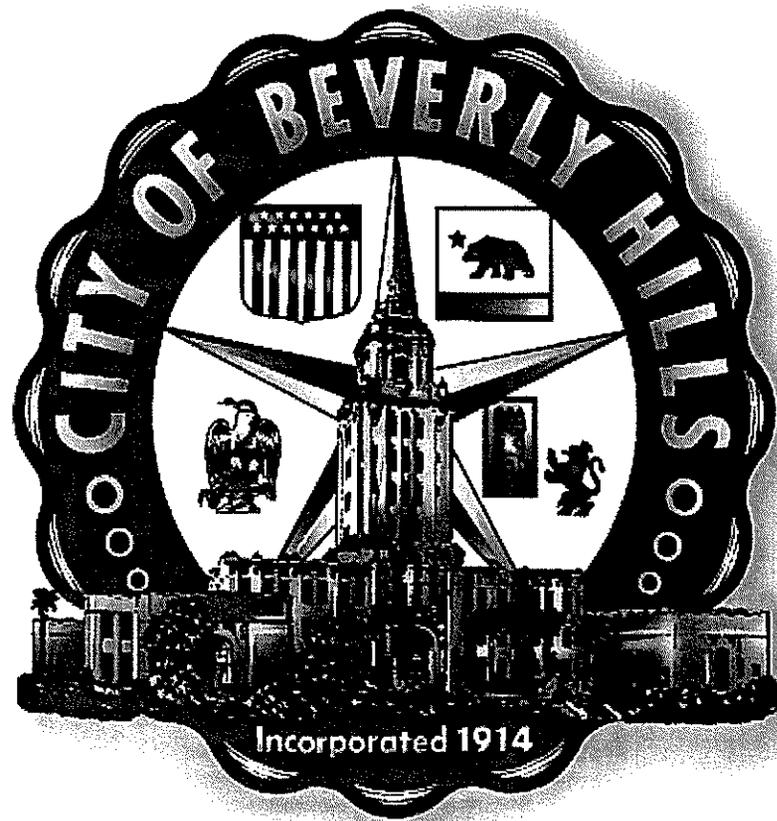


# BASIC FINANCIAL STATEMENTS

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

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

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



CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments (note 4)	\$ 130,482,030	45,126,301	175,608,331
Accounts receivable, net (note 5)	1,657,440	3,005,733	4,663,173
Interest receivable (note 5)	1,260,492	438,746	1,699,238
Taxes receivable (note 5)	5,502,770	—	5,502,770
Intergovernmental receivables (note 5)	2,103,067	—	2,103,067
Inventories	248,105	460,081	708,186
Prepaid expenses	253,111	—	253,111
Deposits	—	3,470	3,470
Total current assets	<u>141,507,015</u>	<u>49,034,331</u>	<u>190,541,346</u>
<b>Noncurrent assets:</b>			
<b>Restricted assets:</b>			
<b>Temporarily restricted:</b>			
Cash and investments (notes 4C and 9)	31,684,704	3,493,389	35,178,093
Interest receivable (note 5)	58,986	3,771	62,757
<b>Permanently restricted:</b>			
Cash and investments (note 4C)	81,381	—	81,381
Total restricted assets	<u>31,825,071</u>	<u>3,497,160</u>	<u>35,322,231</u>
<b>Other noncurrent assets:</b>			
Deferred bond issuance costs, net (note 9)	6,683,179	1,533,079	8,216,258
Advances to (from) other funds (note 6)	15,852,042	(15,852,042)	—
Total other noncurrent assets	<u>22,535,221</u>	<u>(14,318,963)</u>	<u>8,216,258</u>
<b>Capital assets (notes 8 and 14):</b>			
Land	35,559,359	25,953,793	61,513,152
Buildings	151,417,624	115,587,591	267,005,215
Utility systems	—	118,588,566	118,588,566
Improvements other than buildings	26,261,617	1,549,147	27,810,764
Infrastructure	91,192,960	—	91,192,960
Machinery and equipment	43,109,136	7,723,377	50,832,513
Fine art collection	1,119,390	—	1,119,390
	<u>348,660,086</u>	<u>269,402,474</u>	<u>618,062,560</u>
Less accumulated depreciation	(121,647,853)	(88,962,237)	(210,610,090)
Construction in progress	15,327,673	6,910,006	22,237,679
Total capital assets, net	<u>242,339,906</u>	<u>187,350,243</u>	<u>429,690,149</u>
Total noncurrent assets	<u>296,700,198</u>	<u>176,528,440</u>	<u>473,228,638</u>
Total assets	<u>438,207,213</u>	<u>225,562,771</u>	<u>663,769,984</u>

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

A-1-2

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 4,060,491	4,297,739	8,358,230
Contracts payable	929,730	350,714	1,280,444
Accrued payroll	3,105,250	275,827	3,381,077
Interest payable (note 9)	614,233	281,345	895,578
Current portion of long-term liabilities (note 9):			
Compensated absences	3,728,847	167,500	3,896,347
Outstanding claims	3,351,732	—	3,351,732
Capital leases	—	602,343	602,343
Revenue bonds	4,472,268	3,912,732	8,385,000
Intergovernmental liabilities	147,569	1,558,325	1,705,894
Customer deposits	3,804,134	1,796,173	5,600,307
<b>Total current liabilities</b>	<u>24,214,254</u>	<u>13,242,698</u>	<u>37,456,952</u>
Long-term liabilities, net of current portion (note 9):			
Compensated absences	7,155,576	414,377	7,569,953
Outstanding claims	7,372,011	—	7,372,011
Capital leases	—	19,855,335	19,855,335
Revenue bonds	144,681,765	70,423,235	215,105,000
Original issue premium, net	4,426,782	2,011,540	6,438,322
Original issue discount, net	(274,097)	(76,369)	(350,466)
Deferred amount on refunding, net	(3,777,836)	(4,476,833)	(8,254,669)
<b>Total long-term liabilities</b>	<u>159,584,201</u>	<u>88,151,285</u>	<u>247,735,486</u>
Deferred credit from sale-leaseback transactions (note 11)	—	1,271,451	1,271,451
Deferred revenue (note 5)	—	758,298	758,298
<b>Total liabilities</b>	<u>183,798,455</u>	<u>103,423,732</u>	<u>287,222,187</u>
<b>NET ASSETS (note 14)</b>			
Invested in capital assets, net of related debt	99,347,030	81,381,640	180,728,670
Restricted for:			
Debt service	3,528,284	3,497,160	7,025,444
Construction of capital assets	29,039,368	—	29,039,368
Parks and recreation facilities	9,838,188	—	9,838,188
Streets, highways, bikeways, public transit and other related purposes	4,780,221	—	4,780,221
Endowment or trust agreement:			
Expendable	155,007	—	155,007
Nonexpendable	81,381	—	81,381
Other purposes	1,223,069	—	1,223,069
Unrestricted	106,416,210	37,260,239	143,676,449
<b>Total net assets</b>	<u>\$ 254,408,758</u>	<u>122,139,039</u>	<u>376,547,797</u>

See accompanying notes to basic financial statements.

**CITY OF BEVERLY HILLS, CALIFORNIA**

Statement of Activities  
For the Year Ended June 30, 2004

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	\$ (17,060,296)	5,718,636	—	—	(11,341,660)	—	(11,341,660)
Public safety	(53,964,163)	10,628,062	497,579	68,100	(42,770,422)	—	(42,770,422)
Public service	(14,145,177)	8,053,012	1,259,351	10,684,533	5,851,719	—	5,851,719
Culture and recreation	(34,503,604)	3,702,268	319,153	375,004	(30,107,179)	—	(30,107,179)
Interest on long-term debt	(7,874,136)	—	—	—	(7,874,136)	—	(7,874,136)
Total governmental activities	<u>(127,547,376)</u>	<u>28,101,978</u>	<u>2,076,083</u>	<u>11,127,637</u>	<u>(86,241,678)</u>	<u>—</u>	<u>(86,241,678)</u>
Business-type activities:							
Water	(20,047,179)	17,389,245	—	—	—	(2,657,934)	(2,657,934)
Parking facilities	(10,657,245)	10,097,567	—	—	—	(559,678)	(559,678)
Solid waste	(9,705,225)	10,569,402	—	—	—	864,177	864,177
Wastewater	(4,929,043)	7,871,955	—	—	—	2,942,912	2,942,912
Stormwater	(1,923,141)	1,762,746	—	—	—	(160,395)	(160,395)
Total business-type activities	<u>(47,261,833)</u>	<u>47,690,915</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>429,082</u>	<u>429,082</u>
Total	\$ <u>(174,809,209)</u>	<u>75,792,893</u>	<u>2,076,083</u>	<u>11,127,637</u>	<u>(86,241,678)</u>	<u>429,082</u>	<u>(85,812,596)</u>
General revenues:							
Taxes:							
Business					27,303,220	—	27,303,220
Property					23,766,694	—	23,766,694
Sales					19,945,850	—	19,945,850
Transient occupancy					16,683,673	—	16,683,673
Other					5,010,222	—	5,010,222
Grants and contributions not restricted to specific programs					2,500,228	—	2,500,228
Unrestricted investment earnings					7,912,553	1,597,597	9,510,150
Net change in fair value of investments					(2,983,022)	(1,245,713)	(4,228,735)
PERS credit (note 10)					2,154,131	—	2,154,131
All street meters					2,257,223	—	2,257,223
Gain on sale of capital assets					20,005	—	20,005
Other					1,180,367	268,528	1,448,895
Total general revenues and transfers					<u>105,751,144</u>	<u>620,412</u>	<u>106,371,556</u>
Change in net assets					19,509,466	1,049,494	20,558,960
Net assets, July 1					234,899,292	121,089,545	355,988,837
Net assets, June 30					\$ <u>254,408,758</u>	<u>122,139,039</u>	<u>376,547,797</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Balance Sheet  
Governmental Funds  
June 30, 2004

Assets	General	Infrastructure	Other	Eliminations	Total
	Fund	Capital Projects Fund	Governmental Funds		Governmental Funds
Cash and investments (note 4)	\$ 49,596,255	2,055,397	16,509,271	—	68,160,923
Accounts receivable, net (note 5)	1,618,432	—	39,008	—	1,657,440
Interest receivable (note 5)	473,618	19,989	160,554	—	654,161
Taxes receivable (note 5)	5,502,770	—	—	—	5,502,770
Interfund receivables (note 6)	265,666	—	—	(265,666)	—
Intergovernmental receivables (note 5)	1,675,712	—	427,355	—	2,103,067
Advances to other funds (note 6)	15,852,042	—	—	—	15,852,042
Restricted assets:					
Cash and investments (note 4C)	—	17,975,524	3,654,988	—	21,630,512
Interest receivable (note 5)	—	29,610	4,022	—	33,632
Total assets	\$ 74,984,495	20,080,520	20,795,198	(265,666)	115,594,547
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 2,671,751	405,421	407,883	—	3,485,055
Contracts payable	—	765,231	—	—	765,231
Accrued payroll	2,941,407	3,230	9,791	—	2,954,428
Compensated absences (note 9)	544,739	—	1,368	—	546,107
Interfund payables (note 6)	—	—	265,666	(265,666)	—
Intergovernmental payables	146,237	—	—	—	146,237
Customer deposits	3,336,398	—	467,736	—	3,804,134
Deferred revenue (note 5)	1,882,417	27,932	36,923	—	1,947,272
Total liabilities	11,522,949	1,201,814	1,189,367	(265,666)	13,648,464
Fund balances:					
Reserved for:					
Encumbrances	972,386	15,505,809	2,571,746	—	19,049,941
Advances to other funds	15,852,042	—	—	—	15,852,042
Debt service	—	—	3,528,019	—	3,528,019
Endowment or Trust Agreement	—	—	81,381	—	81,381
Unreserved, reported in:					
General Fund	46,637,118	—	—	—	46,637,118
Special revenue funds	—	—	13,269,678	—	13,269,678
Capital projects funds	—	3,372,897	—	—	3,372,897
Permanent funds	—	—	155,007	—	155,007
Total fund balances	63,461,546	18,878,706	19,605,831	—	101,946,083
Total liabilities and fund balances	\$ 74,984,495	20,080,520	20,795,198	(265,666)	115,594,547

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, 2004

Total Governmental fund balances (page 33)	\$ 101,946,083
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.	67,624,881
- Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	164,645
- Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,782,627
- 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.	116,620,832
- Governmental long-term liabilities, excluding those liabilities in the City's internal service funds, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(33,730,310)</u>
Net assets of governmental activities (page 31)	\$ <u>254,408,758</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, 2004

	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
<b>Revenues:</b>					
Taxes, net	\$ 88,719,852	—	3,910,986	—	92,630,838
Licenses and permits	8,131,835	—	—	—	8,131,835
Intergovernmental	2,551,560	—	2,509,771	—	5,061,331
Charges for service	9,304,335	—	—	—	9,304,335
Fines, forfeitures and penalties	4,508,502	—	—	—	4,508,502
Use of money and property	5,073,482	229,522	486,521	—	5,789,525
Net change in fair value of investments	(922,011)	(81,909)	(395,843)	—	(1,399,763)
All street meters	2,257,223	—	—	—	2,257,223
Other	2,603,609	—	77,109	—	2,680,718
<b>Total revenues</b>	<b>122,228,387</b>	<b>147,613</b>	<b>6,588,544</b>	<b>—</b>	<b>128,964,544</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	16,148,980	—	—	—	16,148,980
Public safety	53,034,140	—	407,809	—	53,441,949
Public service	15,473,543	290,086	1,200,825	—	16,964,454
Culture and recreation	29,675,227	—	751,711	—	30,426,938
<b>Debt service:</b>					
Interest	—	—	1,766,075	—	1,766,075
Finance charges	—	—	3,875	—	3,875
Capital outlay	—	11,127,446	2,412,907	—	13,540,353
<b>Total expenditures</b>	<b>114,331,890</b>	<b>11,417,532</b>	<b>6,543,202</b>	<b>—</b>	<b>132,292,624</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>7,896,497</b>	<b>(11,269,919)</b>	<b>45,342</b>	<b>—</b>	<b>(3,328,080)</b>
<b>Other financing sources (uses):</b>					
Transfers in (note 7)	294,635	—	1,800,446	(1,996,054)	99,027
Transfers out (note 7)	(1,809,972)	—	(344,117)	1,996,054	(158,035)
Contribution in aid of construction	—	8,686,829	—	—	8,686,829
<b>Total other financing sources (uses)</b>	<b>(1,515,337)</b>	<b>8,686,829</b>	<b>1,456,329</b>	<b>—</b>	<b>8,627,821</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>6,381,160</b>	<b>(2,583,090)</b>	<b>1,501,671</b>	<b>—</b>	<b>5,299,741</b>
Fund balances, July 1	57,080,386	21,461,796	18,104,160	—	96,646,342
Fund balances, June 30	\$ 63,461,546	18,878,706	19,605,831	—	101,946,083

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, 2004

Excess of revenues and other sources over expenses and other uses – total governmental funds (page 35)	\$ 5,299,741
Amounts reported for governmental activities in the statement of activities are different because (note 2):	
– Property tax revenues:	
• Certain property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,782,627
• Property tax revenues that become available and are recognized in the current year that relate to prior years are not reported as revenues in the statement of activities.	(1,703,806)
– Interest revenues:	
• Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	164,645
• 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	(104,211)
– 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.	3,030,011
– 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.	11,065,206
– 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.	(24,747)
Change in net assets of governmental activities (page 32)	\$ <u>19,509,466</u>

See accompanying notes to basic financial statements.



**CITY OF BEVERLY HILLS, CALIFORNIA**

A-7

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
 General Fund  
 For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget – Over (Under)</b>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Business	\$ 25,125,506	25,125,506	27,303,220	2,177,714
Property	22,744,529	22,744,529	23,687,873	943,344
Sales	19,100,580	19,100,580	19,945,850	845,270
Transient occupancy	15,998,191	15,998,191	16,683,673	685,482
Other	780,442	780,442	1,099,236	318,794
Licenses and permits	6,518,173	6,518,173	8,131,835	1,613,662
Intergovernmental	830,292	830,292	2,551,560	1,721,268
Charges for services	8,546,589	8,230,444	9,304,335	1,073,891
Fines, forfeitures and penalties	5,587,600	5,587,600	4,508,502	(1,079,098)
Use of money and property	6,408,558	6,408,558	5,073,482	(1,335,076)
Net change in fair value of investments	—	—	(922,011)	(922,011)
All street meters	2,442,110	2,442,110	2,257,223	(184,887)
Miscellaneous	1,100,084	1,100,084	2,603,609	1,503,525
Total revenues	<u>115,182,654</u>	<u>114,866,509</u>	<u>122,228,387</u>	<u>7,361,878</u>
Expenditures:				
Current:				
General government:				
City Council	788,871	851,899	845,715	(6,184)
City Manager	2,875,486	3,177,046	2,731,807	(445,239)
Human services	1,665,128	1,673,310	1,386,915	(286,395)
Risk management	323,530	323,999	177,845	(146,154)
City Attorney	2,478,891	2,297,577	2,064,953	(232,624)
City Clerk	824,633	807,979	778,018	(29,961)
Financial services	4,412,844	4,438,411	5,019,507	581,096
Economic development	1,070,383	1,105,486	1,034,947	(70,539)
General services	(1,142,743)	(2,134,622)	2,109,273	4,243,895
Total general government	<u>13,297,023</u>	<u>12,541,085</u>	<u>16,148,980</u>	<u>3,607,895</u>
Public safety:				
Police services	31,689,600	32,183,034	32,317,787	134,753
Fire control	16,481,322	16,649,129	16,639,637	(9,492)
Building and safety	3,967,072	4,035,231	4,076,716	41,485
Total public safety	<u>52,137,994</u>	<u>52,867,394</u>	<u>53,034,140</u>	<u>166,746</u>

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

A-7-2

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

General Fund

For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final		
Public service:				
Engineering and administration	\$ 5,277,859	5,286,322	5,272,236	(14,086)
Parking meters	429,070	426,622	454,937	28,315
Streets and subdrains	3,738,454	4,061,545	3,930,355	(131,190)
Planning services	2,920,817	2,971,867	2,607,462	(364,405)
Community services	3,617,973	3,729,973	3,208,553	(521,420)
Total public service	<u>15,984,173</u>	<u>16,476,329</u>	<u>15,473,543</u>	<u>(1,002,786)</u>
Culture and recreation:				
Recreation and parks	12,275,914	12,303,323	11,840,178	(463,145)
Library	8,994,643	9,085,974	8,280,745	(805,229)
Education	6,735,000	6,735,000	6,773,540	38,540
Promotion and tourism	3,333,791	3,312,935	2,780,764	(532,171)
Total culture and recreation	<u>31,339,348</u>	<u>31,437,232</u>	<u>29,675,227</u>	<u>(1,762,005)</u>
Total expenditures	<u>112,758,538</u>	<u>113,322,040</u>	<u>114,331,890</u>	<u>1,009,850</u>
Excess of revenues over expenditures	<u>2,424,116</u>	<u>1,544,469</u>	<u>7,896,497</u>	<u>6,352,028</u>
Other financing sources (uses):				
Transfers in (note 7)	6,000	6,000	294,635	288,635
Transfers out (note 7)	(1,766,075)	(1,800,446)	(1,809,972)	9,526
Total other financing sources (uses)	<u>(1,760,075)</u>	<u>(1,794,446)</u>	<u>(1,515,337)</u>	<u>279,109</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	664,041	(249,977)	6,381,160	6,631,137
Fund balance, July 1	<u>57,080,386</u>	<u>57,080,386</u>	<u>57,080,386</u>	<u>—</u>
Fund balance, June 30	<u>\$ 57,744,427</u>	<u>56,830,409</u>	<u>63,461,546</u>	<u>6,631,137</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

Proprietary Funds

June 30, 2004

	Business-type Activities – Enterprise Funds					Governmental	
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater	Activities – Internal Service Funds	
<b>ASSETS</b>							
Current assets:							
Cash and investments (note 4)	\$ 23,358,216	6,875,692	4,590,768	7,006,308	3,295,317	45,126,301	62,321,107
Accounts receivable, net (note 5)	1,462,051	10,527	1,124,659	317,868	90,628	3,005,733	—
Interest receivable (note 5)	220,840	66,754	44,646	74,458	32,048	438,746	606,331
Inventory	460,081	—	—	—	—	460,081	248,105
Prepaid expenses	—	—	—	—	—	—	253,111
Deposits	3,470	—	—	—	—	3,470	—
Total current assets	25,504,658	6,952,973	5,760,073	7,398,634	3,417,993	49,034,331	63,428,654
Noncurrent assets:							
Restricted assets:							
Cash and investments (notes 4C and 9)	1,024,090	762,652	—	1,706,647	—	3,493,389	10,135,573
Interest and other receivables (note 5)	522	2,378	—	871	—	3,771	25,354
Total restricted assets	1,024,612	765,030	—	1,707,518	—	3,497,160	10,160,927
Deferred bond issuance costs, net	171,833	1,119,571	—	241,675	—	1,533,079	6,365,413
Total other noncurrent assets	171,833	1,119,571	—	241,675	—	1,533,079	6,365,413
Capital assets (note 8):							
Land	5,269,705	11,975,088	—	8,709,000	—	25,953,793	35,559,359
Buildings	16,330,800	99,256,791	—	—	—	115,587,591	151,417,624
Utility systems	70,050,972	—	—	38,697,168	9,840,426	118,588,566	—
Improvements other than buildings	—	1,549,147	—	—	—	1,549,147	26,261,617
Machinery and equipment	4,266,085	2,944,774	209,400	295,442	7,676	7,723,377	43,109,136
	95,917,562	115,725,800	209,400	47,701,610	9,848,102	269,402,474	256,347,736
Less accumulated depreciation	(30,129,921)	(46,481,856)	(209,400)	(7,055,112)	(5,085,948)	(88,962,237)	(85,229,962)
Construction in progress	6,695,505	214,501	—	—	—	6,910,006	3,597,251
Total capital assets, net	72,483,146	69,458,445	—	40,646,498	4,762,154	187,350,243	174,715,025
Total noncurrent assets	73,679,591	71,343,046	—	42,595,691	4,762,154	192,380,482	191,241,365
Total assets	99,184,249	78,296,019	5,760,073	49,994,325	8,180,147	241,414,813	254,670,019

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

A-8-2

Statement of Net Assets, Continued

Proprietary Funds

June 30, 2004

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 3,358,782	446,866	481,592	10,396	103	4,297,739	575,436
Contracts payable	233,741	116,973	—	—	—	350,714	164,499
Accrued payroll	80,253	84,921	63,958	15,688	31,007	275,827	150,822
Interest payable (note 14B)	57,813	145,972	—	77,560	—	281,345	467,060
Current portion of (note 9):							
Compensated absences	52,457	25,847	39,270	15,567	34,359	167,500	3,182,740
Outstanding claims	—	—	—	—	—	—	3,351,732
Capital leases	602,343	—	—	—	—	602,343	—
General obligation bonds	—	—	—	—	—	—	—
Revenue bonds	638,106	2,499,626	—	775,000	—	3,912,732	4,472,268
Intergovernmental payable	—	—	—	1,558,325	—	1,558,325	1,332
Customer deposits	1,532,069	264,066	38	—	—	1,796,173	—
Deferred revenue (note 5)	—	—	—	—	—	—	—
Other current liabilities	—	—	—	—	—	—	—
Total current liabilities	<u>6,555,564</u>	<u>3,584,271</u>	<u>584,858</u>	<u>2,452,536</u>	<u>65,469</u>	<u>13,242,698</u>	<u>12,365,889</u>
Long-term liabilities (net of current portion) (note 9):							
Compensated absences	222,078	1,412	71,788	69,005	50,094	414,377	7,155,576
Outstanding claims	—	—	—	—	—	—	7,372,011
Capital leases	19,855,335	—	—	—	—	19,855,335	—
Advances from other funds (note 6)	—	15,852,042	—	—	—	15,852,042	—
Revenue bonds	14,417,842	36,335,393	—	19,670,000	—	70,423,235	110,506,765
Original issue premium, net	197,377	1,814,163	—	—	—	2,011,540	4,426,782
Original issue discount, net	(49,783)	—	—	(26,586)	—	(76,369)	—
Deferred amount on refunding, net	(916,105)	(2,337,188)	—	(1,223,540)	—	(4,476,833)	(3,777,836)
Total long-term liabilities	<u>33,726,744</u>	<u>51,665,822</u>	<u>71,788</u>	<u>18,488,879</u>	<u>50,094</u>	<u>104,003,327</u>	<u>125,683,298</u>
Deferred credit from sale-leaseback transactions (note 11)	—	1,271,451	—	—	—	1,271,451	—
Deferred revenue (note 5)	—	758,298	—	—	—	758,298	—
Total liabilities	<u>40,282,308</u>	<u>57,279,842</u>	<u>656,646</u>	<u>20,941,415</u>	<u>115,563</u>	<u>119,275,774</u>	<u>138,049,187</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	38,512,207	16,413,980	—	21,693,299	4,762,154	81,381,640	65,452,459
Restricted for:							
Debt service	1,024,612	765,030	—	1,707,518	—	3,497,160	265
Construction of capital assets	—	—	—	—	—	—	10,160,662
Unrestricted	<u>19,365,122</u>	<u>3,837,167</u>	<u>5,103,427</u>	<u>5,652,093</u>	<u>3,302,430</u>	<u>37,260,239</u>	<u>41,007,446</u>
Total net assets	<u>\$ 58,901,941</u>	<u>21,016,177</u>	<u>5,103,427</u>	<u>29,052,910</u>	<u>8,064,584</u>	<u>122,139,039</u>	<u>116,620,832</u>

See accompanying notes to basic financial statements.

**CITY OF BEVERLY HILLS, CALIFORNIA**

A-9

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2004

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
Operating revenues –							
Sales, service charges and fees	\$ 17,389,245	10,097,567	10,569,402	7,871,955	1,762,746	47,690,915	42,093,432
Operating expenses:							
Salaries and employee benefits	2,168,043	1,803,270	1,803,913	520,771	866,162	7,162,159	4,501,189
Maintenance and operation	13,099,418	3,618,220	7,893,928	2,413,195	874,267	27,899,028	16,506,106
Insurance premiums, settlements and provisions	—	—	—	—	—	—	5,747,889
Depreciation and amortization (note 8)	2,763,119	3,267,110	7,384	953,775	182,712	7,174,100	9,008,786
Total operating expenses	18,030,580	8,688,600	9,705,225	3,887,741	1,923,141	42,235,287	35,763,970
Operating income (loss)	(641,335)	1,408,967	864,177	3,984,214	(160,395)	5,455,628	6,329,462
Nonoperating revenues (expenses):							
Investment revenue	814,291	320,004	129,202	229,809	104,291	1,597,597	2,062,594
Net change in fair value of investments	(638,175)	(249,946)	(102,002)	(173,245)	(82,345)	(1,245,713)	(1,583,259)
Interest expense	(2,016,599)	(1,968,645)	—	(1,041,302)	—	(5,026,546)	(6,083,314)
Intergovernmental revenue	—	—	—	—	—	—	653,780
Gain on sale of capital assets	—	—	—	—	—	—	20,005
Contribution in aid of construction	—	—	—	—	—	—	1,955,788
Other revenue (expense)	224,334	34,365	9,829	—	—	268,528	—
Total nonoperating revenues (expenses)	(1,616,149)	(1,864,222)	37,029	(984,738)	21,946	(4,406,134)	(2,974,406)
Income (loss) before contributions and operating transfers	(2,257,484)	(455,255)	901,206	2,999,476	(138,449)	1,049,494	3,355,056
Transfers in (note 7)	—	—	—	—	—	—	158,035
Transfers out (note 7)	—	—	—	—	—	—	(99,027)
Infrastructure assets completed and transferred	—	—	—	—	—	—	(384,053)
Change in net assets	(2,257,484)	(455,255)	901,206	2,999,476	(138,449)	1,049,494	3,030,011
Net assets, July 1	61,159,425	21,471,432	4,202,221	26,053,434	8,203,033	121,089,545	113,590,821
Net assets, June 30	\$ 58,901,941	21,016,177	5,103,427	29,052,910	8,064,584	122,139,039	116,620,832

See accompanying notes to basic financial statements.



CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2004

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
Cash flows from operating activities:							
Cash received from customers	\$ 17,247,529	4,566,389	10,291,490	7,794,272	1,746,837	41,646,517	44,714,068
Rents received under property leases	50,194	5,582,282	—	—	—	5,632,476	—
Cash payments to employees for services	(2,200,512)	(1,894,088)	(1,806,833)	(507,660)	(852,348)	(7,261,441)	(4,734,389)
Cash payments for goods and services	(11,275,794)	(3,772,333)	(7,826,720)	(2,287,040)	(881,338)	(26,043,225)	(19,820,625)
Cash payments for insurance premiums, settle- ments and claims	—	—	—	—	—	—	(5,562,123)
Other nonoperating revenue (expense)	—	—	9,830	—	—	9,830	—
Net cash provided by operating activities	3,821,417	4,482,250	667,767	4,999,572	13,151	13,984,157	14,596,931
Cash flows from noncapital financing activities –							
Grant receipts	224,334	—	—	—	—	224,334	653,780
Transfers in	—	—	—	—	—	—	158,035
Transfers out	—	—	—	—	—	—	(99,027)
Net cash provided by (used in) noncapital financing activities	224,334	—	—	—	—	224,334	712,788
Cash flows from capital financing activities:							
Proceeds from sale of property	—	—	—	—	—	—	20,005
Acquisition and construction of capital assets	(4,519,169)	(5,994,720)	—	(2,485,062)	9,472	(12,989,479)	(5,337,741)
Capital contributions received	—	—	—	—	—	—	1,955,788
Payment of capital leases	(567,380)	—	—	—	—	(567,380)	—
Principal payments on debt	(833,690)	(2,271,730)	—	(745,000)	—	(3,850,420)	(4,044,580)
Interest payments on debt	(1,957,193)	(1,796,710)	—	(922,979)	—	(4,676,882)	(5,745,364)
Net cash used in capital financing activities	(7,877,432)	(10,063,160)	—	(4,153,041)	9,472	(22,084,161)	(13,151,892)
Cash flows from investing activities:							
Purchase of investments	(6,293)	—	—	(10,624)	—	(16,917)	—
Earnings on investments	155,362	92,694	11,477	27,763	13,994	301,290	252,175
Net cash provided by investing activities	149,069	92,694	11,477	17,139	13,994	284,373	252,175
Net increase (decrease) in cash and cash equivalents	(3,682,612)	(5,488,216)	679,244	863,670	36,617	(7,591,297)	2,410,002
Cash and cash equivalents, July 1	27,040,828	12,363,908	3,911,524	6,142,638	3,258,700	52,717,598	59,911,105
Cash and cash equivalents, June 30	\$ 23,358,216	6,875,692	4,590,768	7,006,308	3,295,317	45,126,301	62,321,107

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

A-10-2

Statement of Cash Flows, Continued

Proprietary Funds

For the Year Ended June 30, 2004

	Business-type Activities – Enterprise Funds					Governmental Activities – Internal Service Funds	
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		Total
Reconciliation of operating income to net cash provided by operating activities:							
Operating income	\$ (641,335)	1,408,967	864,177	3,984,214	(160,395)	5,455,628	6,329,462
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation and amortization	2,763,119	3,267,110	7,384	953,775	182,712	7,174,100	9,008,786
Changes in assets and liabilities:							
Decrease in restricted cash	—	—	—	—	—	—	45,600
(Increase) decrease in accounts receivable	(339,044)	55,471	(277,950)	(77,683)	(15,910)	(655,116)	—
Increase in inventory	(11,041)	—	—	—	—	(11,041)	(27,544)
Decrease in prepaid expenses	—	—	—	—	—	—	282,541
Increase (decrease) in accounts payable	1,835,544	(152,619)	67,241	3,781	(7,070)	1,746,877	(1,618,899)
Increase (decrease) in intergovernmental payable	(220)	(1,495)	—	122,374	—	120,659	1,086
Increase (decrease) in accrued payroll	11,253	15,266	3,763	(526)	6,192	35,948	6,230
Decrease in other liabilities	(661)	—	(33)	—	—	(694)	—
Increase (decrease) in accrued compensated absences	(43,721)	(106,084)	(6,682)	13,637	7,622	(135,228)	383,903
Increase in outstanding claims	—	—	—	—	—	—	185,766
Decrease in deferred revenue	—	(31,506)	—	—	—	(31,506)	—
Increase in customer deposits	247,523	27,140	38	—	—	274,701	—
Other nonoperating revenue (expense)	—	—	9,829	—	—	9,829	—
Total adjustments	4,462,752	3,073,283	(196,410)	1,015,358	173,546	8,528,529	8,267,469
Net cash provided by operating activities	\$ 3,821,417	4,482,250	667,767	4,999,572	13,151	13,984,157	14,596,931
Cash and investments	\$ 23,358,216	6,875,692	4,590,768	7,006,308	3,295,317	45,126,301	62,321,107
Restricted cash and investments	1,024,090	762,652	—	1,706,647	—	3,493,389	10,135,573
Total cash and investments	24,382,306	7,638,344	4,590,768	8,712,955	3,295,317	48,619,690	72,456,680
Less nonpooled investments	(1,024,090)	(762,652)	—	(1,706,647)	—	(3,493,389)	(10,135,573)
Cash and cash equivalents	\$ 23,358,216	6,875,692	4,590,768	7,006,308	3,295,317	45,126,301	62,321,107

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows, Continued

Proprietary Funds

For the Year Ended June 30, 2004

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
Significant noncash investing and financing activities:							
- Amortization of bond issuance costs, premiums, discounts and deferred amounts on refunding (note 9)	\$ 54,413	149,083	—	83,263	—	286,759	349,670
- Change in fair value of nonpooled investments	—	—	—	—	—	—	(23,981)

See accompanying notes to basic financial statements.

# CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2004

## (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
- Civil Service Commission
- Fine Art Commission
- Health Commission
- Planning Commission
- Recreation and Parks Commission
- Public Works Commission
- Seismic Safety Appeals Board
- Solicitations Advisory Commission
- Traffic and Parking Commission

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

#### Parking Authority of the City of Beverly Hills

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

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 Finance Administration 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

# CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2004

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

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 Finance Administration 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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary 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. All other

# CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2004

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

revenue items are considered measurable and available only when cash is received by the City. 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 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

# CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2004

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

billing, legislative assistance and similar services to business-type activities, as well as certain other charges to business-type activities and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

### D. Assets, Liabilities, Net Assets or Equity

#### Cash and Investments

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

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on month-end balances and is adjusted at year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

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:

- Securities of the U.S. government or its agencies
- Certificates of deposit (or time deposits) placed with commercial banks and/or savings and loan associations
- Negotiable certificates of deposit
- Bankers' acceptances
- Commercial paper
- State Treasurer's Local Agency Investment Fund (LAIF)
- Corporate medium-term notes
- Shares of money market funds

The City's investments are carried at fair value, except for certain short-term money market investments, which are carried at amortized cost. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF determines the fair value of its portfolio quarterly and reports a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund on a quarterly basis. Based on management decision, investment income of certain funds has been assigned to the General Fund. Such transfers are included in transfers.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

to the General Fund. For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted, non-pooled investments with initial maturities of three months or less. The City early implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures—An Amendment of GASB Statement No. 3*, effective July 1, 2002.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as inter-fund receivables/interfund payables (i.e., the current portion of inter-fund loans) or advances to/from other funds (the noncurrent portion of inter-fund 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 \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2004.

# CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2004

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

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

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

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. Periodic restoration and maintenance costs on particular items are charged to expense as incurred.

**Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation and sick leave benefits are accrued as earned by employees. A portion of unused sick leave benefits, varying by employee bargaining unit, vests and is payable upon retirement. For proprietary funds, a current liability is reported for that portion of the estimated value of vacation and sick leave benefits to be used during the subsequent year, and the estimated value of vested sick leave benefits of employees approaching or at their respective retirement ages. The balance is considered a long-term obligation. For governmental funds, the portion of the compensated absences paid in the first 60 days after year-end is reported as a fund liability, the balance of the portion of 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. Amortization of bond premiums or discounts, issuance costs and deferred amounts on refunding is included in interest expense.

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) and include unspent proceeds of bonds issued to acquire or construct capital assets. 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.

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

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

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

**Estimates**

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

**Self-Insurance Programs**

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

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

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

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

The City is fully self-insured for workers' compensation claims and the first \$1,000,000 of each liability claim. Workers' compensation insurance. Such insurance was cancelled effective July 1, 2003 when the Risk

Manager determined that the significant increases in premiums for such excess coverage were not cost justified based on the City's historical claims against such coverage. 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 three fiscal years. Also during this period, no claim settlement exceeded insurance coverage.

The following represents changes in the aggregate liabilities for claims for each of the City's self-insurance funds (general liability, workers' compensation and unemployment) for the years ended June 30, 2004 and 2003:

<u>FY</u>	<u>Liability Balance – Beginning of FY</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability Balance – End of FY</u>
<i>General Liability:</i>				
2003	\$ 1,873,018	3,438,437	(1,041,818)	4,269,637
2004	4,269,637	1,755,092	(1,529,165)	4,495,564
<i>Workers' Compensation:</i>				
2003	\$ 4,985,929	2,789,950	(1,522,587)	6,253,292
2004	6,253,292	1,658,550	(1,694,299)	6,217,543
<i>Unemployment Insurance:</i>				
2003	\$ 8,919	72,449	(66,320)	15,048
2004	15,048	38,131	(42,543)	10,636

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

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

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(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	Infrastructure		Internal Service Funds <sup>3</sup>	Reclassifications and Eliminations <sup>4</sup>	Statement of Net Assets Totals
		Capital Assets <sup>1</sup>	Long-Term Liabilities <sup>2</sup>			
<b>ASSETS</b>						
Cash and investments	\$ 68,160,923	—	—	62,321,107	—	130,482,030
Accounts receivable, net	1,657,440	—	—	—	—	1,657,440
Interest receivable	654,161	—	—	606,331	—	1,260,492
Taxes receivable	5,502,770	—	—	—	—	5,502,770
Intergovernmental receivables	2,103,067	—	—	—	—	2,103,067
Inventory	—	—	—	248,105	—	248,105
Prepaid expenses	—	—	—	253,111	—	253,111
Deposits	—	—	—	—	—	—
Restricted assets:						
Cash and investments	21,630,512	—	—	10,135,573	—	31,766,085
Interest receivable	33,632	—	—	25,354	—	58,986
Deferred bond issuance costs, net	—	—	317,766	6,365,413	—	6,683,179
Advances to other funds	15,852,042	—	—	—	—	15,852,042
Capital assets, net	—	67,624,881	—	174,715,025	—	242,339,906
Total assets	<u>115,594,547</u>	<u>67,624,881</u>	<u>317,766</u>	<u>254,670,019</u>	<u>—</u>	<u>438,207,213</u>
<b>LIABILITIES</b>						
Accounts payable	3,485,055	—	—	575,436	—	4,060,491
Contracts payable	765,231	—	—	164,499	—	929,730
Accrued payroll	2,954,428	—	—	150,822	—	3,105,250
Interest payable	—	—	147,173	467,060	—	614,233
Current portion of long-term liabilities	546,107	—	—	11,006,740	—	11,552,847
Intergovernmental payables	146,237	—	—	1,332	—	147,569
Customer deposits	3,804,134	—	—	—	—	3,804,134
Deferred revenue	1,947,272	—	—	—	(1,947,272)	—
Long-term liabilities, net of current portion:						
Compensated absences	—	—	—	7,155,576	—	7,155,576
Outstanding claims	—	—	—	7,372,011	—	7,372,011
Revenue bonds	—	—	34,175,000	110,506,765	—	144,681,765
Original issue discount, net	—	—	(274,097)	—	—	(274,097)
Original issue premium, net	—	—	—	4,426,782	—	4,426,782
Deferred amount on refunding, net	—	—	—	(3,777,836)	—	(3,777,836)
Total liabilities	<u>13,648,464</u>	<u>—</u>	<u>34,048,076</u>	<u>138,049,187</u>	<u>(1,947,272)</u>	<u>183,798,455</u>
<b>FUND BALANCES/NET ASSETS</b>						
Fund balances:						
Reserved	38,511,383	—	—	—	(38,511,383)	—
Unreserved	63,434,700	—	—	—	(63,434,700)	—
Net assets:						
Invested in capital assets, net of related debt	—	67,624,881	(33,730,310)	65,452,459	—	99,347,030
Restricted	—	—	—	10,160,927	38,484,591	48,645,518
Unrestricted	—	—	—	41,007,446	65,408,764	106,416,210
Total fund balances/net assets	<u>\$ 101,946,083</u>	<u>67,624,881</u>	<u>(33,730,310)</u>	<u>116,620,832</u>	<u>1,947,272</u>	<u>254,408,758</u>

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(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 infrastructure capital assets:	
Infrastructure	\$ 91,192,960
Fine Art Collection	1,119,390
Construction in progress	<u>11,730,422</u>
Total	104,042,772
Accumulated depreciation	<u>(36,417,891)</u>
Infrastructure capital assets, net	\$ <u><u>67,624,881</u></u>
2) Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet:	
Bonds payable	\$ 34,175,000
Less: original issue discount (amortized over the life of the bonds to interest expense)	(274,097)
Less: deferred bond issuance costs (amortized over the life of the bonds to interest expense)	(317,766)
Plus: interest payable	<u>147,173</u>
Infrastructure long-term liabilities, net	\$ <u><u>33,730,310</u></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	\$ 65,452,459
Restricted	10,160,927
Unrestricted	<u>41,007,446</u>
Internal service funds net assets	\$ <u><u>116,620,832</u></u>
4) Certain reclassifications and eliminations are required to properly state governmental activities in the statement of net assets:	
– Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	164,645
Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	<u>1,782,627</u>
Net reduction in deferred revenue	<u>1,947,272</u>
– Fund balances are reclassified and restated into three categories of net assets: invested in capital assets net of related debt, restricted and unrestricted.	
Fund balances, reserved	(38,511,383)
Fund balances, unreserved	(63,434,700)
Net assets, restricted	38,484,591
Net assets, unrestricted	<u>65,408,764</u>
Net fund balance reclassifications	<u>1,947,272</u>
Net reclasses and eliminations	\$ <u><u>—</u></u>

# CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2004

## (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

	<u>Total Governmental Funds</u>	<u>Infrastructure</u>		<u>Internal Service Funds<sup>7</sup></u>	<u>Reclassifications and Eliminations<sup>8</sup></u>	<u>Statement of Net Assets Totals</u>
		<u>Capital Assets<sup>5</sup></u>	<u>Long-Term Liabilities<sup>6</sup></u>			
Revenues:						
Program revenues:						
Charges for services	\$ 9,304,335	—	—	42,093,432	(23,295,789)	28,101,978
Operating grants and contributions	—	—	—	—	2,076,083	2,076,083
Capital grants and contributions	8,686,829	—	—	1,955,788	485,020	11,127,637
Licenses and permits	8,131,835	—	—	—	(8,131,835)	—
Fines, forfeitures and penalties	4,508,502	—	—	—	(4,508,502)	—
General revenues:						
Taxes, net	92,630,838	—	—	—	78,821	92,709,659
Intergovernmental	5,061,331	—	—	653,780	(3,214,883)	2,500,228
Investment earnings	5,789,525	—	—	2,062,594	60,434	7,912,553
Net change in fair value of investments	(1,399,763)	—	—	(1,583,259)	—	(2,983,022)
PERS credit	—	—	—	—	2,154,131	2,154,131
All street meters	2,257,223	—	—	—	—	2,257,223
Gain (loss) on sale of capital assets	—	—	—	20,005	—	20,005
Miscellaneous	2,680,718	—	—	—	(1,500,351)	1,180,367
Transfers in	99,027	—	—	158,035	(257,062)	—
Total revenues	<u>137,750,400</u>	<u>—</u>	<u>—</u>	<u>45,360,375</u>	<u>(36,053,933)</u>	<u>147,056,842</u>
Expenditures/expenses:						
General government	16,148,980	—	—	—	911,316	17,060,296
Public safety	53,441,949	—	—	—	522,214	53,964,163
Public service	16,964,454	—	—	—	(2,819,277)	14,145,177
Culture and recreation	30,426,938	—	—	—	4,076,666	34,503,604
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest	1,766,075	—	24,747	6,083,314	—	7,874,136
Finance charges	3,875	—	—	—	(3,875)	—
Capital outlay	13,540,353	—	—	—	(13,540,353)	—
Internal service fund operating expenses:						
Salaries and employee benefits	—	—	—	4,501,189	(4,501,189)	—
Maintenance and operation	—	—	—	16,506,106	(16,506,106)	—
Insurance premiums, settlements and provisions	—	—	—	5,747,889	(5,747,889)	—
Depreciation and amortization	—	2,258,648	—	9,008,786	(11,267,434)	—
Transfers out	158,035	—	—	99,027	(257,062)	—
Infrastructure and fine art assets completed and transferred	—	(13,323,854)	—	384,053	12,939,801	—
Total expenditures/expenses	<u>132,450,659</u>	<u>(11,065,206)</u>	<u>24,747</u>	<u>42,330,364</u>	<u>(36,193,188)</u>	<u>127,547,376</u>
Change in fund balances/net assets	5,299,741	11,065,206	(24,747)	3,030,011	139,255	19,509,466
Fund balances/net assets, July 1	96,646,342	56,559,675	(33,705,563)	113,590,821	1,808,017	234,899,292
Fund balances/net assets, June 30	<u>\$ 101,946,083</u>	<u>67,624,881</u>	<u>(33,730,310)</u>	<u>116,620,832</u>	<u>1,947,272</u>	<u>254,408,758</u>

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(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	\$ 13,540,353
Items not capitalized and reclassified	(600,552)
Infrastructure transferred from internal service funds	384,053
Depreciation expense	<u>(2,258,648)</u>
Excess of capital outlay expenditures over depreciation expense in the current period	\$ <u>11,065,206</u>
6) Bond issuance costs are expended when incurred in governmental funds, but are deferred and amortized over the life of the bonds in the statement of activities	\$ <u>24,747</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>3,030,011</u>

8) Certain reclassifications and eliminations are required to properly state governmental activities in the statement of activities:	
– Certain receivables that do not provide current financial resources are not reported as revenues in the governmental funds:	
Property taxes	\$ 1,782,627
Interest	<u>164,645</u>
Net reduction in deferred revenue	<u>1,947,272</u>
– Revenues that become available and are recognized in the fund financial statements that relate to prior years are not reported as revenues in the statement of activities:	
Property taxes	(1,703,806)
Interest revenue	(104,211)
Net assets, beginning	<u>1,808,017</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	(35,936,126)
General government expenditures	4,536,166
Public safety expenditures	16,711,995
Public services expenditures	7,344,349
Culture and recreation expenditures	<u>7,343,616</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	12,640,337
Licenses and permits	(8,131,835)
Fines, forfeitures and penalties	<u>(4,508,502)</u>
Net effect of reclassification of certain revenues	<u>—</u>

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

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

– Program specific intergovernmental revenues are reported as operating grants and contributions and capital grants and contributions:	
Operating grants and contributions	\$ 2,076,083
Capital grants and contributions	485,020
Intergovernmental revenues	<u>(2,561,103)</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	5,447,482
Public safety	17,234,209
Public service	4,512,718
Culture and recreation	10,828,209
Salaries and employee benefits	(4,501,189)
Maintenance and operation	(16,506,106)
Insurance premiums and settlements	(5,747,889)
Depreciation and amortization	<u>(11,267,434)</u>
Net effect of reclassification of internal service funds operating expenses	<u>—</u>
– Operating transfers within governmental activities are eliminated:	
Reduction in transfers in	(257,062)
Reduction in transfers out	<u>257,062</u>
Net effect of elimination of transfers within governmental funds	<u>—</u>
– Certain capital outlay expenditures were not capitalized and are reclassified as functional expenses in the statement of activities:	
Public services expense	8,479
Culture and recreation expense	592,073
Capital outlay expense	<u>(600,552)</u>
Net effect of reclassification of capital outlay not capitalized	<u>—</u>

– Other reclassifications:	
Miscellaneous revenue	(2,154,131)
PERS credit revenue	2,154,131
Public service expense	3,875
Finance charges expense	<u>(3,875)</u>
Net effect of other reclassifications	<u>—</u>
Net reclassifications and eliminations	\$ <u><u>1,947,272</u></u>

**(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED**

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

**Supplemental Budget Appropriations and Adjustments**

The budget at June 30, 2004 includes appropriations based on encumbrances outstanding and approved reappropriations at June 30, 2003 and excludes amounts reserved for encumbrances outstanding and approved reappropriations at June 30, 2004.

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	\$ 114,524,613	5,751,642
Reappropriation of prior year approved projects and expenditures	963,513	2,828,534
Additional appropriations for:		
Legal and professional services	157,663	38,558
Community support, tourism and promotions	150,628	144,000
Additional personnel costs	44,950	153,399
Various capital improvement projects	16,530	—
Purchase of furniture and equipment	208,655	445,958
Adjustments and net transfers between funds	28,320	—
Encumbrances outstanding at year-end	<u>(972,386)</u>	<u>(2,565,766)</u>
Final budget	<u>\$ 115,122,486</u>	<u>6,796,325</u>

**B. Excess of Expenditures and Other Uses Over Appropriations**

For the year ended June 30, 2004, expenditures and other uses exceeded appropriations in the General Fund by \$1,019,376, Streets and Highways State Gas Tax Special Revenue Fund by \$171,608, and the Proposition C Local Transit Assistance special Revenue Fund by \$419. These over-expenditures were funded by greater than expected revenue in the General Fund and by available fund balance in the remainder of the funds.

**C. Deficit Fund Equity**

The Housing and Community Development Special Revenue Fund and the State Park Bonds Special Revenue Fund had deficit fund balances of \$54, and \$192,753, these respectively. The deficit in these two special revenue funds resulted from grant reimbursements received more than 60 days after year-end.

**(4) 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.

The City's cash and investments at June 30, 2004 are summarized in the schedules below.

**A. Deposits and Cash On-Hand**

At June 30, 2004, the carrying amount of the City's various demand deposit accounts totaled \$861,553. Bank balances totaled \$2,813,579, of which \$100,000 was covered by Federal depository insurance and \$2,713,579 was fully collateralized by investments held by the banks' trust department in the City's name. The California Government Code requires California banks and savings and loan associations to secure a local governmental agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a government agency's deposits. California law also allows financial institutions to secure a government agency's deposits by pledging seasoned first trust deed mortgage notes having a value of 150% of a governmental agency's total deposits. Change and petty cash funds totaled \$19,558 at June 30, 2004.

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(4) CASH AND INVESTMENTS, CONTINUED**

	Unrestricted Cash and Investments			Restricted Cash and Investments			
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total	Total
Major funds:							
General	\$ 49,596,255	-	49,596,255	—	—	—	49,596,255
Infrastructure Capital Projects	2,055,397	-	2,055,397	17,975,524	-	17,975,524	20,030,921
Water Enterprise	-	23,358,216	23,358,216	-	1,024,090	1,024,090	24,382,306
Parking Facilities Enterprise	-	6,875,692	6,875,692	-	762,652	762,652	7,638,344
Solid Waste Enterprise	-	4,590,768	4,590,768	-	-	—	4,590,768
Wastewater Enterprise	-	7,006,308	7,006,308	-	1,706,647	1,706,647	8,712,955
Stormwater Enterprise	-	3,295,317	3,295,317	—	—	—	3,295,317
	<u>51,651,652</u>	<u>45,126,301</u>	<u>96,777,953</u>	<u>17,975,524</u>	<u>3,493,389</u>	<u>21,468,913</u>	<u>118,246,866</u>
Nonmajor funds	16,509,271	—	16,509,271	3,654,988	—	3,654,988	20,164,259
Total fund type	68,160,923	45,126,301	113,287,224	21,630,512	3,493,389	25,123,901	138,411,125
Internal service funds	62,321,107	—	62,321,107	10,135,573	—	10,135,573	72,456,680
Total	<u>\$ 130,482,030</u>	<u>45,126,301</u>	<u>175,608,331</u>	<u>31,766,085</u>	<u>3,493,389</u>	<u>35,259,474</u>	<u>210,867,805</u>
Components of cash and investments:							
Cash in demand deposits			\$ 861,553			-	861,553
Change and petty cash funds			19,558			-	19,558
Pooled investments			174,727,220			234,111	174,961,331
Investments with fiscal agents			-			35,025,363	35,025,363
Total cash and investments			<u>\$ 175,608,331</u>			<u>35,259,474</u>	<u>210,867,805</u>

	Fair Value	Investment Maturities				
		<1 Year	<2 Years	<3 Years	<4 Years	<5 Years
Pooled investments:						
U.S. Treasury Securities	\$ 32,851,826	10,984,419	11,531,314	10,336,093	—	—
U.S. Federal Agency securities	101,147,611	30,667,744	20,916,250	17,967,310	14,853,125	16,743,182
Money market mutual funds	26,542,862	26,542,862	—	—	—	—
State Treasurer's Local Agency Investment Fund	6,508,340	6,508,340	—	—	—	—
Corporate Bonds	7,910,692	440,465	3,387,888	2,324,040	1,758,299	—
Total pooled investments	<u>174,961,331</u>	<u>75,143,830</u>	<u>35,835,452</u>	<u>30,627,443</u>	<u>16,611,424</u>	<u>16,743,182</u>
Investments held by fiscal agents:						
U.S. Treasury Securities	9,914,378	9,914,378	—	—	—	—
Money market mutual funds	25,110,985	25,110,985	—	—	—	—
Total investments held by fiscal agents	<u>35,025,363</u>	<u>35,025,363</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total investments	<u>\$ 209,986,694</u>	<u>110,169,193</u>	<u>35,835,452</u>	<u>30,627,443</u>	<u>16,611,424</u>	<u>16,743,182</u>

# CITY OF BEVERLY HILLS, CALIFORNIA

## Notes to Basic Financial Statements

June 30, 2004

### (4) CASH AND INVESTMENTS, CONTINUED

#### B. Investments

##### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City investment policy limits its entire general investment portfolio to maturities of less than five years, unless a specific investment is tied to a particular cash flow need and is specifically approved by City Council. Investment in corporate debt securities are further limited (commercial paper – 270 days, medium term corporate notes – 3 years, corporate bonds – 3 years). Maturities are also limited for repurchase agreements (7 days), time certificates of deposit (1 year), negotiable certificates of deposit (3 years) and bankers' acceptances (180 days).

##### Credit Risk

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. For example, corporate debt securities (commercial paper, medium-term corporate notes and corporate bonds) are limited to 5% of the total general portfolio in any one issuer or industry (note that this also mitigates the City's concentration of credit risk) and 25% of the total general portfolio in all forms of corporate debt securities and limits the rating to at least A1/F1/P1 for commercial paper and investment grade for corporate bonds.

##### Custodial Credit Risk

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 counter-

party) and evidenced by safekeeping receipts (category 1). Certain investments held by fiscal agents may be held by the counterparty's trust department or agent in the City's name (category 2).

##### State Treasurer's Local Agency Investment Fund

At June 30, 2004, the City had \$6,508,340 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, 2004, such investments represent 1.603% of the total PMIA portfolio of \$57.6 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.

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(4) CASH AND INVESTMENTS, CONTINUED**

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	\$35,178,093
Permanently restricted	<u>81,381</u>
	<u>\$35,259,474</u>

at June 30, 2004 consist of the following:

<b>Restricted Cash and Investments</b>	
<b>June 30, 2004</b>	
<u>Debt Issues/Capital Projects/Endowments</u>	<u>Amount</u>
Governmental activities:	
Major fund – Infrastructure Capital Projects Fund – construction fund	\$ 17,975,524
Nonmajor funds:	
Infrastructure Debt Service Fund – reserve funds	3,420,877
Permanent Funds:	
Temporarily restricted:	
Buck Fund endowment	130,104
Burton Green Fund endowment	<u>22,626</u>
	<u>152,730</u>
Permanently restricted:	
Buck Fund endowment	34,641
Burton Green Fund endowment	<u>46,740</u>
	<u>81,381</u>
Total permanent funds	<u>234,111</u>
Total governmental funds	<u>21,630,512</u>
Capital Assets Internal Service Fund –	
1999 Lease Revenue Bonds construction funds	58,705
2003 Refunding Bonds construction funds	<u>10,076,868</u>
Total internal service funds	<u>10,135,573</u>
Total governmental activities	<u>31,766,085</u>

(continued)

**Restricted Cash and Investments**

**June 30, 2004**

<u>Debt Issues/Capital Projects/Endowments</u>	<u>Amount</u>
Business-type activities:	
Water Enterprise Fund:	
1998 Refunding Water Bonds reserve funds	1,024,089
2003 Refunding Bonds construction funds	<u>1</u>
Total Water Enterprise Fund	<u>1,024,090</u>
Parking Facilities Enterprise Fund –	
2001 Lease Revenue Bonds construction funds	762,626
2003 Refunding Bonds construction funds	<u>26</u>
Total Parking Facilities Enterprise Fund	<u>762,652</u>
Wastewater Enterprise Fund:	
1998 Ref. Wastewater Bonds reserve funds	<u>1,706,647</u>
Total business-type activities	<u>3,493,389</u>
Total restricted cash and investments	\$ <u><u>35,259,474</u></u>

**D. Cash and Investments – Deferred Compensation Plan**

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

**(5) RECEIVABLES AND DEFERRED REVENUE**

**A. Receivables**

Receivables at June 30, 2004 for the City's individual major funds, and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are detailed

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(5) RECEIVABLES AND DEFERRED REVENUE, CONTINUED**

below. All receivables are expected to be collected within one year, except for delinquent property taxes

<u>Accounts Receivable</u>	<u>General</u>	<u>Infra- structure</u>	<u>Nonmajor Govern- mental</u>	<u>Internal Service</u>	<u>Total</u>
Governmental activities:					
Accounts	\$ 2,004,770	—	39,008	—	2,043,778
Taxes	5,502,770	—	—	—	5,502,770
Interest – unrestricted	473,618	19,989	160,554	606,331	1,260,492
Intergovernmental	1,675,712	—	427,355	—	2,103,067
Interest and other – restricted	—	29,610	4,022	25,354	58,986
Gross receivables	9,656,870	49,599	630,939	631,685	10,969,093
Less: allowance for uncollectibles	(386,338)	—	—	—	(386,338)
Net receivables	\$ 9,270,532	49,599	630,939	631,685	10,582,755

<u>Accounts Receivable</u>	<u>Water</u>	<u>Parking Facilities</u>	<u>Solid Waste</u>	<u>Waste- water</u>	<u>Storm- water</u>	<u>Total</u>
Business-type activities:						
Accounts	\$ 1,648,719	15,907	1,255,597	443,329	133,814	3,497,366
Interest – unrestricted	220,840	66,754	44,646	74,458	32,048	438,746
Interest and other – restricted	522	2,378	—	871	—	3,771
Gross receivables	1,870,081	85,039	1,300,243	518,658	165,862	3,939,883
Less: allowance for uncollectibles	(186,668)	(5,380)	(130,938)	(125,461)	(43,186)	(491,633)
Net receivables	\$ 1,683,413	79,659	1,169,305	393,197	122,676	3,448,250

**B. Deferred 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, 2003, the various components of deferred revenue and unearned revenue are as follows:

	<u>Unavailable</u>		<u>Unearned</u>
Governmental funds:		Business-type activities:	
Delinquent property taxes	\$ 1,782,627	Prepaid monthly parking fees	\$ —
Interest receivable	164,645	Prepaid Post Office lease	758,298
	\$ 1,947,272		\$ 758,298

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(6) INTERFUND RECEIVABLES/PAYABLES**

Interfund receivable/payable balances at June 30, 2004 consist of the following:

- The Housing and Community Development and State Park Bonds Special Revenue Funds borrowed \$72,913, and \$192,753, respectively, from the General Fund to cover overdrafts of the cash and investment pool. These overdrafts resulted from timing differences on collection of grants receivable for the City's Community Development Block Grant and various park improvement grants.
- The General Fund advanced a total of \$15,852,042 to the Parking Enterprise Fund to cover D-Lot project expenditures. Total advances from the General Fund represent 46% of the \$34.1 million project cost. These advances will be repaid at 5.5% interest over a twenty-year period commencing 2004-05

- In fiscal years 1997 and 1998 the Capital Assets Internal Service Fund advanced monies to the Information Technology Internal Service Fund to cover costs related to remodeling the Information Technology offices in Level B of the Library Building. The outstanding balance on this interest-bearing advance at June 30, 2004 is \$661,607.

**(7) TRANSFERS**

The City regularly transfers current financial resources from one fund to another pending their eventual disposition. An example of such a transfer is funds moved from the General Fund to the Infrastructure Debt Service Fund for use in debt service payments to the Bond Paying Agent. In addition, infrastructure and fine art asset expenditures in internal service funds are reported as "infrastructure assets completed and transferred." Such transfers totaled \$384,053 in 2004.

Following is a summary of transfers between funds during the year ended June 30, 2004:

Fund Transferred From	Fund Transferred To				Total
	General	Law Enforcement SRF	Capital Assets ISF	Infrastructure DSF	
<b>Governmental funds:</b>					
General Fund:					
Debt service	\$ —	—	—	1,766,075	1,766,075
Grant matching	—	34,371	—	—	34,371
Capital outlay	—	—	9,526	—	9,526
Total General Fund	—	34,371	9,526	1,766,075	1,809,972
Nonmajor governmental funds:					
Air Quality Improvement SFR – capital projects	—	—	148,509	—	148,509
Streets & Highways State Gas Tax SRF – engineering services	195,608	—	—	—	195,608
	195,608	34,371	158,035	1,766,075	2,154,089
Eliminations	(195,608)	(34,371)	(158,035)	(1,766,075)	(2,154,089)
Total governmental funds	—	—	—	—	—
<b>Internal service funds – transfer interest earned:</b>					
Information Technology	35,888	—	—	—	35,888
Reprographics	6,220	—	—	—	6,220
Cable TV	13,411	—	—	—	13,411
Workers' Compensation	42,878	—	—	—	42,878
Unemployment Insurance	630	—	—	—	630
Total internal service funds	99,027	—	—	—	99,027
Eliminations	(99,027)	—	—	—	(99,027)
Net transfers – governmental activities	\$ —	—	—	—	—

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(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. Changes in capital assets for governmental activities for the year ended June 30, 2004 were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Acquisition and Construction/ Depreciation</u>	<u>Sales and Other Dispositions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 35,559,359	—	—	—	35,559,359
Fine Art Collection	874,390	—	—	245,000	1,119,390
Construction in progress	5,996,651	15,919,990	—	(6,588,969)	15,327,672
Total capital assets not being depreciated	<u>42,430,400</u>	<u>15,919,990</u>	<u>—</u>	<u>(6,343,969)</u>	<u>52,006,421</u>
Capital assets being depreciated:					
Buildings	151,417,624	—	—	—	151,417,624
Improvements other than buildings	25,464,240	—	—	797,377	26,261,617
Infrastructure	87,221,344	—	—	3,971,616	91,192,960
Machinery and equipment	41,439,949	796,036	(701,825)	1,574,976	43,109,136
Total capital assets being depreciated	<u>305,543,157</u>	<u>796,036</u>	<u>(701,825)</u>	<u>6,343,969</u>	<u>311,981,337</u>
Less accumulated depreciation for:					
Buildings	(43,875,790)	(3,552,342)	—	—	(47,428,132)
Improvements other than buildings	(7,317,728)	(787,120)	—	—	(8,104,848)
Infrastructure	(34,159,244)	(2,258,647)	—	—	(36,417,891)
Machinery and equipment	(25,674,874)	(4,669,324)	647,217	—	(29,696,981)
Total accumulated depreciation	<u>(111,027,636)</u>	<u>(11,267,433)</u>	<u>647,217</u>	<u>—</u>	<u>(121,647,852)</u>
Net capital assets being depreciated	<u>194,515,521</u>	<u>(10,471,397)</u>	<u>(54,608)</u>	<u>6,343,969</u>	<u>190,333,485</u>
Total net capital assets – governmental activities	<u>\$ 236,945,921</u>	<u>5,448,593</u>	<u>(54,608)</u>	<u>—</u>	<u>242,339,906</u>
General government	\$ 1,614,470				
Public safety	5,106,376				
Public service	1,337,434				
Culture and recreation	3,209,155				
Total depreciation expense – governmental activities	<u>\$ 11,267,434</u>				

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(8) CAPITAL ASSETS, CONTINUED**

**B. Capital Assets – Business-type Activities**

Changes in capital assets for business-type activities for the year ended June 30, 2004 were as follows:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Acquisition and Construction/ Depreciation</u>	<u>Sales and Other Dispositions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 25,953,793	—	—	—	25,953,793
Construction in progress	32,567,644	9,429,339	(467,716)	(34,619,261)	6,910,006
Total capital assets not being depreciated	<u>58,521,437</u>	<u>9,429,339</u>	<u>(467,716)</u>	<u>(34,619,261)</u>	<u>32,863,799</u>
Capital assets being depreciated:					
Buildings	81,455,186	—	—	34,132,405	115,587,591
Utility systems	115,406,284	2,830,056	—	352,226	118,588,566
Improvements other than buildings	1,549,147	—	—	—	1,549,147
Machinery and equipment	7,588,747	—	—	134,630	7,723,377
Total capital assets being depreciated	<u>205,999,364</u>	<u>2,830,056</u>	<u>—</u>	<u>34,619,261</u>	<u>243,448,681</u>
Less accumulated depreciation for:					
Buildings	(41,290,082)	(3,812,779)	—	—	(45,102,861)
Utility systems	(33,760,954)	(2,935,434)	—	—	(36,696,388)
Improvements other than buildings	(818,530)	(65,104)	—	—	(883,634)
Machinery and equipment	(5,918,571)	(360,783)	—	—	(6,279,354)
Total accumulated depreciation	<u>(81,788,137)</u>	<u>(7,174,100)</u>	<u>—</u>	<u>—</u>	<u>(88,962,237)</u>
Net capital assets being depreciated	<u>124,211,227</u>	<u>(4,344,044)</u>	<u>—</u>	<u>34,619,261</u>	<u>154,486,444</u>
Total net capital assets – business-type activities	\$ <u>182,732,664</u>	<u>5,085,295</u>	<u>(467,716)</u>	<u>—</u>	<u>187,350,243</u>
Water	\$ 2,763,119				
Parking facilities	3,267,110				
Solid waste	7,384				
Wastewater	953,775				
Stormwater	182,712				
Total depreciation expense – business-type activities	\$ <u>7,174,100</u>				

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(8) CAPITAL ASSETS, CONTINUED**

**C. Capital Assets – Major Proprietary Funds:**

Changes in capital assets for major proprietary funds for the year ended June 30, 2004 were as follows:

<u>Major Proprietary Funds</u>	<u>Beginning Balance</u>	<u>Acquisition and Construction/ Depreciation</u>	<u>Sales and Other Dispositions</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Water Enterprise Fund:</b>					
Capital assets not being depreciated:					
Land	\$ 5,269,705	—	—	—	5,269,705
Construction in progress	4,147,216	3,422,247	(387,102)	(486,856)	6,695,505
Total capital assets not being depreciated	<u>9,416,921</u>	<u>3,422,247</u>	<u>(387,102)</u>	<u>(486,856)</u>	<u>11,965,210</u>
Capital assets being depreciated:					
Buildings	16,330,800	—	—	—	16,330,800
Utility systems	69,626,821	71,925	—	352,226	70,050,972
Machinery and equipment	4,131,455	—	—	134,630	4,266,085
Total capital assets being depreciated	<u>90,089,076</u>	<u>71,925</u>	<u>—</u>	<u>486,856</u>	<u>90,647,857</u>
Less accumulated depreciation for:					
Buildings	(1,276,939)	(744,265)	—	—	(2,021,204)
Utility systems	(23,023,292)	(1,820,538)	—	—	(24,843,830)
Machinery and equipment	(3,066,571)	(198,316)	—	—	(3,264,887)
Total accumulated depreciation	<u>(27,366,802)</u>	<u>(2,763,119)</u>	<u>—</u>	<u>—</u>	<u>(30,129,921)</u>
Net capital assets being depreciated	<u>62,722,274</u>	<u>(2,691,194)</u>	<u>—</u>	<u>486,856</u>	<u>60,517,936</u>
Total net capital assets – Water Enterprise Fund	\$ <u>72,139,195</u>	<u>731,053</u>	<u>(387,102)</u>	<u>—</u>	<u>72,483,146</u>

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(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>
<b>Parking Facilities Enterprise Fund:</b>					
Capital assets not being depreciated:					
Land	\$ 11,975,088	—	—	—	11,975,088
Construction in progress	28,397,224	5,949,682	—	(34,132,405)	214,501
Total capital assets not being depreciated	<u>40,372,312</u>	<u>5,949,682</u>	<u>—</u>	<u>(34,132,405)</u>	<u>12,189,589</u>
Capital assets being depreciated:					
Buildings	65,124,386	—	—	34,132,405	99,256,791
Improvements other than buildings	1,549,147	—	—	—	1,549,147
Machinery and equipment	2,944,774	—	—	—	2,944,774
Total capital assets being depreciated	<u>69,618,307</u>	<u>—</u>	<u>—</u>	<u>34,132,405</u>	<u>103,750,712</u>
Less accumulated depreciation for:					
Buildings	(40,013,143)	(3,068,514)	—	—	(43,081,657)
Improvements other than buildings	(818,530)	(65,104)	—	—	(883,634)
Machinery and equipment	(2,383,073)	(133,492)	—	—	(2,516,565)
Total accumulated depreciation	<u>(43,214,746)</u>	<u>(3,267,110)</u>	<u>—</u>	<u>—</u>	<u>(46,481,856)</u>
Net capital assets being depreciated	<u>26,403,561</u>	<u>(3,267,110)</u>	<u>—</u>	<u>34,132,405</u>	<u>57,268,856</u>
Total net capital assets – Parking Fac. Enterprise Fund	\$ <u>66,775,873</u>	<u>2,682,572</u>	<u>—</u>	<u>—</u>	<u>69,458,445</u>
<b>Solid Waste Enterprise Fund:</b>					
Capital assets being depreciated:					
Machinery and equipment	\$ 209,400	—	—	—	209,400
Total capital assets being depreciated	<u>209,400</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>209,400</u>
Less accumulated depreciation for:					
Machinery and equipment	(202,016)	(7,384)	—	—	(209,400)
Total accumulated depreciation	<u>(202,016)</u>	<u>(7,384)</u>	<u>—</u>	<u>—</u>	<u>(209,400)</u>
Net capital assets being depreciated	<u>7,384</u>	<u>(7,384)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total net capital assets – Solid Waste Enterprise Fund	\$ <u>7,384</u>	<u>(7,384)</u>	<u>—</u>	<u>—</u>	<u>—</u>

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(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>
<b>Wastewater Enterprise Fund:</b>					
Capital assets not being depreciated:					
Land	\$ 8,709,000	—	—	—	8,709,000
Construction in progress	13,732	57,410	(71,142)	—	—
Total capital assets not being depreciated	<u>8,722,732</u>	<u>57,410</u>	<u>(71,142)</u>	<u>—</u>	<u>8,709,000</u>
Capital assets being depreciated:					
Utility systems	35,939,037	2,758,131	—	—	38,697,168
Machinery and equipment	295,442	—	—	—	295,442
Total capital assets being depreciated	<u>36,234,479</u>	<u>2,758,131</u>	<u>—</u>	<u>—</u>	<u>38,992,610</u>
Less accumulated depreciation for:					
Utility systems	(5,837,624)	(932,952)	—	—	(6,770,576)
Machinery and equipment	(263,713)	(20,823)	—	—	(284,536)
Total accumulated depreciation	<u>(6,101,337)</u>	<u>(953,775)</u>	<u>—</u>	<u>—</u>	<u>(7,055,112)</u>
Net capital assets being depreciated	<u>30,133,142</u>	<u>1,804,356</u>	<u>—</u>	<u>—</u>	<u>31,937,498</u>
Total net capital assets – Wastewater Enterprise Fund	\$ <u>38,855,874</u>	<u>1,861,766</u>	<u>(71,142)</u>	<u>—</u>	<u>40,646,498</u>
<b>Stormwater Enterprise Fund:</b>					
Capital assets not being depreciated:					
Construction in progress	\$ 9,472	—	(9,472)	—	—
Total capital assets not being depreciated	<u>9,472</u>	<u>—</u>	<u>(9,472)</u>	<u>—</u>	<u>—</u>
Capital assets being depreciated:					
Utility systems	9,840,426	—	—	—	9,840,426
Machinery and equipment	7,676	—	—	—	7,676
Total capital assets being depreciated	<u>9,848,102</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,848,102</u>
Less accumulated depreciation for:					
Utility systems	(4,900,038)	(181,944)	—	—	(5,081,982)
Machinery and equipment	(3,198)	(768)	—	—	(3,966)
Total accumulated depreciation	<u>(4,903,236)</u>	<u>(182,712)</u>	<u>—</u>	<u>—</u>	<u>(5,085,948)</u>
Net capital assets being depreciated	<u>4,944,866</u>	<u>(182,712)</u>	<u>—</u>	<u>—</u>	<u>4,762,154</u>
Total net capital assets – Stormwater Enterprise Fund	\$ <u>4,954,338</u>	<u>(182,712)</u>	<u>(9,472)</u>	<u>—</u>	<u>4,762,154</u>

# CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2004

## (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 portion of compensated absences paid within 60 days of year-end is included primarily in the General Fund. All other 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, 2004:

	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Revenue bonds payable	\$ 153,198,613	—	(4,044,580)	149,154,033	4,472,268
Plus (less) deferred amounts for:					
Original issue premiums	4,783,000	—	(356,218)	4,426,782	—
Original issue discounts	(285,558)	—	11,461	(274,097)	—
Refundings	(4,065,447)	—	287,611	(3,777,836)	—
Total bonds payable	<u>153,630,608</u>	<u>—</u>	<u>(4,101,726)</u>	<u>149,528,882</u>	<u>4,472,268</u>
Compensated absences	10,495,648	4,131,681	(3,742,906)	10,884,423	3,728,847
Claims payable	<u>10,537,977</u>	<u>3,451,773</u>	<u>(3,266,007)</u>	<u>10,723,743</u>	<u>3,351,732</u>
Long-term liabilities of governmental activities	<u>174,664,233</u>	<u>7,583,454</u>	<u>(11,110,639)</u>	<u>171,137,048</u>	<u>11,552,847</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation	240,000	—	(240,000)	—	—
Revenue	77,946,387	—	(3,610,420)	74,335,967	3,912,732
Plus (less) deferred amounts for:					
Original issue premiums	2,192,503	—	(180,963)	2,011,540	—
Original issue discounts	(80,631)	—	4,262	(76,369)	—
Refundings	(4,822,467)	—	345,634	(4,476,833)	—
Total bonds payable	<u>75,475,792</u>	<u>—</u>	<u>(3,681,487)</u>	<u>71,794,305</u>	<u>3,912,732</u>
Capital leases payable	21,025,058	—	(567,380)	20,457,678	602,343
Compensated absences	<u>717,105</u>	<u>366,241</u>	<u>(501,469)</u>	<u>581,877</u>	<u>167,500</u>
Long-term liabilities of business-type activities	<u>97,217,955</u>	<u>366,241</u>	<u>(4,750,336)</u>	<u>92,833,860</u>	<u>4,682,575</u>
Total long-term liabilities	<u>\$ 271,882,188</u>	<u>7,949,695</u>	<u>(15,860,975)</u>	<u>263,970,908</u>	<u>16,235,422</u>

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(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, 2004 are composed of the following:

	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>General Fund –</i>					
Compensated absences	\$ 540,970	4,010,752	(4,006,983)	544,739	544,739
<i>Infrastructure capital assets-related:</i>					
Revenue bonds payable	34,175,000	—	—	34,175,000	—
Less deferred amounts for:					
Original issue discounts	(285,558)	—	11,461	(274,097)	—
Total bonds payable	<u>33,889,442</u>	<u>—</u>	<u>11,461</u>	<u>33,900,903</u>	<u>—</u>
<i>Internal service funds:</i>					
Revenue bonds payable	119,023,613	—	(4,044,580)	114,979,033	4,472,268
Plus (less) deferred amounts for:					
Original issue premiums	4,783,000	—	(356,218)	4,426,782	—
Original issue discounts	—	—	—	—	—
Refundings	(4,065,447)	—	287,611	(3,777,836)	—
Total bonds payable	119,741,166	—	(4,113,187)	115,627,979	4,472,268
Compensated absences	9,954,412	119,561	264,343	10,338,316	3,182,740
Claims payable	10,537,977	3,451,773	(3,266,007)	10,723,743	3,351,732
Total internal service funds	<u>140,233,555</u>	<u>3,571,334</u>	<u>(7,114,851)</u>	<u>136,690,038</u>	<u>11,006,740</u>
<i>Other governmental funds –</i>					
Compensated absences	266	1,368	(266)	1,368	1,368
Long-term liabilities of governmental activities	\$ <u>174,664,233</u>	<u>7,583,454</u>	<u>(11,110,639)</u>	<u>171,137,048</u>	<u>11,552,847</u>

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**LONG-TERM LIABILITIES, CONTINUED**

Changes in the long-term liabilities of business-type activities for the year ended June 30, 2004 are composed of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Water Enterprise Fund:</i>					
Bonds payable:					
General obligation	\$ 240,000	—	(240,000)	—	—
Revenue	15,649,638	—	(593,690)	15,055,948	638,106
Plus (less) deferred amounts for:					
Original issue premiums	215,457	—	(18,080)	197,377	—
Original issue discounts	(52,561)	—	2,778	(49,783)	—
Refundings	(974,569)	—	58,464	(916,105)	—
Total bonds payable	<u>15,077,965</u>	<u>—</u>	<u>(790,528)</u>	<u>14,287,437</u>	<u>638,106</u>
Capital leases payable	21,025,058	—	(567,380)	20,457,678	602,343
Compensated absences	318,256	143,846	(187,567)	274,535	52,457
Total Water Enterprise Fund	<u>36,421,279</u>	<u>143,846</u>	<u>(1,545,475)</u>	<u>35,019,650</u>	<u>1,292,906</u>
<i>Parking Facilities Enterprise Fund:</i>					
Revenue bonds payable	41,106,749	—	(2,271,730)	38,835,019	2,499,626
Plus (less) deferred amounts for:					
Original issue premiums	1,977,046	—	(162,883)	1,814,163	—
Original issue discounts	—	—	—	—	—
Refundings	(2,556,067)	—	218,879	(2,337,188)	—
Total bonds payable	<u>40,527,728</u>	<u>—</u>	<u>(2,215,734)</u>	<u>38,311,994</u>	<u>2,499,626</u>
Compensated absences	133,343	46,196	(152,280)	27,259	25,847
Total Parking Facilities Enterprise Fund	<u>40,661,071</u>	<u>46,196</u>	<u>(2,368,014)</u>	<u>38,339,253</u>	<u>2,525,473</u>
<i>Solid Waste Enterprise Fund –</i>					
Compensated absences	117,740	88,540	(95,222)	111,058	39,270
<i>Wastewater Enterprise Fund:</i>					
Revenue bonds payable	21,190,000	—	(745,000)	20,445,000	775,000
Less deferred amounts for:					
Original issue discounts	(28,070)	—	1,484	(26,586)	—
Refundings	(1,291,831)	—	68,291	(1,223,540)	—
Total bonds payable	<u>19,870,099</u>	<u>—</u>	<u>(675,225)</u>	<u>19,194,874</u>	<u>775,000</u>
Compensated absences	70,935	40,496	(26,859)	84,572	15,567
Total Wastewater Enterprise Fund	<u>19,941,034</u>	<u>40,496</u>	<u>(702,084)</u>	<u>19,279,446</u>	<u>790,567</u>
<i>Stormwater Enterprise Fund –</i>					
Compensated absences	76,831	47,163	(39,541)	84,453	34,359
Long-term liabilities of business-type activities	<u>\$ 97,217,955</u>	<u>366,241</u>	<u>(4,750,336)</u>	<u>92,833,860</u>	<u>4,682,575</u>

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(9) LONG-TERM LIABILITIES, CONTINUED**

**C. Bonds Payable**

The City's bonds were issued primarily to finance or refinance capital facilities. The 1998 Lease Revenue Bonds are reported only in the government-wide statements of net assets and activities; the balance of governmental activities debt issues are reported in the Capital Assets Internal Service Fund. Business-type activities debt issues are reported in the City's enterprise funds. Several debt securities were issued for multiple purposes so the principal and related interest costs of the debt are allocated between the respective funds.

A summary of bonds outstanding at June 30, 2004 is as follows:

<u>Debt Issue</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue bonds:			
1998 Refunding Water	—	12,225,000	12,225,000
1998 Refunding Wastewater	—	20,445,000	20,445,000
1998 Lease Revenue	34,175,000	—	34,175,000
1999 Refunding Lease	76,053,498	6,641,502	82,695,000
2001 Refunding Lease	—	9,020,000	9,020,000
2003 Refunding Lease	38,925,535	26,004,465	64,930,000
Original issue premium	4,426,782	2,011,540	6,438,322
Original issue discount	(274,097)	(76,369)	(350,466)
Deferred amount on refunding	(3,777,836)	(4,476,833)	(8,254,669)
Total bonds	\$ <u>149,528,882</u>	<u>71,794,305</u>	<u>221,323,187</u>

A description of individual bond issues follows:

**Revenue Bonds**

1998 Refunding Water Bonds – \$14,760,000 Public Financing Authority, Water Revenue Refunding Bonds, Series 1998A, issued September 1998, are due in annual installments ranging from \$350,000 to \$975,000 through June 1, 2022, with interest rates ranging from 4.00% to 7.00% payable semi-annually June 1 and December 1. The Bonds are special limited obligations of the Public Financing Authority and are primarily payable from installment payments from the City pursuant to an installment sale agreement dated September 1, 1998.

The City's obligation to make installment payments is solely payable from and secured by a pledge of net revenues of the Water Enterprise Fund.

	\$ 12,225,000
Less original issue discount	(49,783)
Less deferred amount on refunding	<u>(711,226)</u>
Net Bonds outstanding	<u>11,463,991</u>

1998 Refunding Wastewater Bonds –

\$24,650,000 Public Financing Authority, Wastewater Revenue Refunding Bonds, Series 1998A, issued September 1998, are due in annual installments ranging from \$575,000 to \$1,625,000 through June 1, 2022, with interest rates ranging from 4.00% to 7.00% payable semi-annually June 1 and December 1. The bonds are special limited obligations of the Public Financing Authority and are primarily payable from installment payments from the City pursuant to an installment sale agreement dated September 1, 1998. The City's obligation to make installment payments is solely payable from and secured by a pledge of net revenues of the Wastewater Enterprise Fund.

	\$ 20,445,000
Less original issue discount	(26,586)
Less deferred amount on refunding	<u>(1,223,540)</u>
Net Bonds outstanding	<u>19,194,874</u>

# CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2004

## (9) LONG-TERM LIABILITIES, CONTINUED

1998 Lease Revenue Bonds – \$34,175,000 Public Financing Authority, Lease Revenue Bonds, 1998 Series A, were issued in July 1998 with \$11,245,000, 5.00% term bonds due June 1, 2023 and \$22,930,000, 5.25% term bonds due June 1, 2028. Bonds maturing on June 1, 2023 are subject to mandatory redemption in part by lot prior to maturity on June 1, 2021 and on each June 1 thereafter until maturity, from required sinking fund payments. Bonds maturing on June 1, 2028 are subject to mandatory redemption in part by lot on June 1, 2024 and each June 1 thereafter until maturing, from required sinking fund payments. The Bonds are special obligations of the Public Financing Authority secured by and payable solely from rent payments from the City pursuant to a lease agreement. \$ 34,175,000

Less original issue discount (274,097)  
Net Bonds outstanding 33,900,903

1999 Refunding Lease Revenue Bonds – \$92,425,000 Public Financing Authority, Lease Revenue Bonds, 1999 Refunding Series A, issued March 1999, are due in annual installments ranging from \$355,000 to \$12,785,000 through June 1, 2020, with interest rates ranging from 4.00% to 5.125% payable semiannually June 1 and December 1. The Bonds are special obligations of the Public Financing Authority secured by and payable solely from rent payments from the City pursuant to a lease agreement.

The 1999 Refunding Lease Revenue Bonds were issued to refund bonds originally issued for multiple purposes, so the principal has been allocated and is accounted for in the appropriate City funds (enterprise and internal service funds). The following is a schedule of the allocation of the 1999 Lease Revenue Bonds, net of original issue premium and deferred amount on refunding, by fund at June 30, 2002:

Capital Assets Fund	\$77,984,840	
Parking Facilities Fund	<u>6,810,160</u>	
		\$ 82,695,000
	Plus initial issue premium	1,862,424
	Less deferred amount on refunding	<u>(2,208,635)</u>
	Net Bonds outstanding	<u>82,348,789</u>

### 2001 Refunding Lease Revenue Bonds –

\$10,680,000 Public Financing Authority, Lease Revenue Bonds, 2001 Refunding Series A, issued December 2001, are due in annual installments ranging from \$815,000 to \$1,155,000 through June 1, 2013, with interest rates ranging from 3.00% to 4.13% payable semiannually June 1 and December 1. The bonds are special limited obligations of the Public Financing Authority and are primarily payable from lease payments from the City pursuant to a lease agreement dated December 1, 2001.

	9,020,000
Plus original issue premium	48,899
Less deferred amount on refunding	<u>(481,351)</u>
Net Bonds outstanding	<u>8,587,548</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2004

(9) LONG-TERM LIABILITIES, CONTINUED

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, 2004:

Capital Assets Fund	\$38,925,535	
Parking Facilities Fund	23,173,517	
Water Enterprise Fund	<u>2,830,948</u>	\$ 68,930,000
Plus original issue premium		4,526,999
Less deferred amount on refunding		<u>(3,629,917)</u>
Net bonds outstanding		<u>65,827,082</u>
Total bonds outstanding		\$ <u>221,323,187</u>

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(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			
2005	4,472,268	7,370,789	3,912,732	3,376,148	8,385,000	10,746,937	19,131,937
2006	4,654,162	7,191,899	4,055,838	3,223,964	8,710,000	10,415,863	19,125,863
2007	4,820,830	6,995,156	4,249,170	3,065,307	9,070,000	10,060,463	19,130,463
2008	5,715,718	6,802,323	3,719,282	2,898,655	9,435,000	9,700,978	19,135,978
2009-2013	29,549,823	29,987,473	26,305,177	11,873,106	55,855,000	41,860,579	97,715,579
2014-2018	42,820,047	21,961,947	20,389,953	5,428,508	63,210,000	27,390,455	90,600,455
2019-2023	34,191,185	10,065,225	11,703,815	1,334,032	45,895,000	11,399,257	57,294,257
2024-2028	22,930,000	3,734,325	—	—	22,930,000	3,734,325	26,664,325
Total minimum debt service payments	\$ 149,154,033	<u>94,109,137</u>	74,335,967	<u>31,199,720</u>	223,490,000	<u>125,308,857</u>	348,798,857
Unamortized portion of:							
Original issue premium	4,426,782		2,011,540		6,438,322		6,438,322
Original issue discount	(274,097)		(76,369)		(350,466)		(350,466)
Deferred amount on refunding	<u>(3,777,836)</u>		<u>(4,476,833)</u>		<u>(8,254,669)</u>		<u>(8,254,669)</u>
Net total bonded debt outstanding	\$ <u>149,528,882</u>		<u>71,794,305</u>		<u>221,323,187</u>		<u>346,632,044</u>

**Reserve Funds**

Certain bond issues require that reserve funds be established in amounts

Based on the above reserve alternative calculation methods, restricted assets at June 30, 2004, consisting of cash and investments, including the following:

1. 10% of the outstanding principal
2. 125% of remaining average annual debt service.
3. 125% of remaining average annual debt service.

	<u>Requirement</u>	<u>Balance</u>
1998 Refunding Water	\$ 1,023,048	1,024,089
1998 Refunding Wastewater	1,705,721	1,706,647
1998 Lease Revenue	3,417,500	3,420,877

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(9) LONG-TERM LIABILITIES, CONTINUED**

**D. Capital Leases**

During FY2003, the City completed construction on the Public Works Facility (PWF), a 31,500 sq. ft. two-story facility in the City's Industrial Area which now houses all of the public works and utility employees and workshops, and the Water Treatment Plant (WTP), a facility to treat the City's well water designed to reduce the City's dependency on water purchased from the Metropolitan Water District by 20%. These facilities, both accounted for in the Water Enterprise Fund, were constructed under a design-build-operate-finance lease arrangement with Earth Tech, Inc. The 20-year capital leases include interest at 6% and early buy-out options any time after the first five years. The capitalized value of the PWF is \$10.98 million and the WTP is \$10.12 million. Additional tenant improvements related to the PWF total \$2.79 million. The future minimum payments at June 30, 2004 under these capital leases are as follows:

	<u>Public Works Facility</u>		<u>Water Treatment Plant</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 312,300	631,471	290,043	579,605
2006	331,561	612,209	307,933	561,716
2007	352,011	591,759	326,925	542,723
2008	373,723	570,047	347,089	522,559
2009-2013	2,244,152	2,244,152	2,084,221	2,264,019
2014-2018	3,027,024	3,027,024	2,811,302	1,536,939
2019-2023	4,025,327	4,025,328	3,624,067	557,491
	<u>\$ 10,666,098</u>	<u>11,701,990</u>	<u>9,791,580</u>	<u>6,565,052</u>

**E. Claims Payable**

The City has initiated self-insurance programs to provide for general liability, workers' compensation claims and unemployment insurance claims. These activities are accounted for in self-insurance internal service funds. Details of self-insurance liabilities at June 30, 2004 are as follows:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Total</u>
Current	\$ 1,517,817	1,823,279	10,636	3,351,732
Long-term	2,977,747	4,394,264	—	7,372,011
	<u>\$ 4,495,564</u>	<u>6,217,543</u>	<u>10,636</u>	<u>10,723,743</u>

**F. Compensated Absences**

Compensated absences consists of accrued vacation leave and accrued vested sick leave (e.g., that portion of unused sick leave benefit that vests and is payable upon retirement). That portion of the governmental funds current liability to be paid after 60 days of year-end and the long-term portion of compensated absences of governmental funds is reported in the Employee Benefits Internal Service Fund. Compensated absences consist of the following at June 30, 2004:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Vacation leave:			
Current:			
Governmental	\$ 542,247	—	542,247
Internal service	1,061,908	—	1,061,908
Enterprise	—	152,259	152,259
Long-term	2,349,659	121,735	2,471,394
Total vacation leave	<u>3,953,814</u>	<u>273,994</u>	<u>4,227,808</u>
Vested sick leave:			
Current:			
Governmental	3,860	—	3,860
Internal service	2,120,832	—	2,120,832
Enterprise	—	15,241	15,241
Long-term	4,805,917	292,642	5,098,559
Total vested sick leave	<u>6,930,609</u>	<u>307,883</u>	<u>7,238,492</u>
Total compensated absences	<u>\$ 10,884,423</u>	<u>581,877</u>	<u>11,466,300</u>

# CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2004

## (9) LONG-TERM LIABILITIES, CONTINUED

### G. No Recourse Debt

In December 2002, the Community Facilities District 2002-A (Business Triangle) of the City of Beverly Hills (Community Facilities District) issued \$16,215,000 of Special Tax Bonds, Series 2002. These bonds were issued by the Community Facilities District, a special assessment district within the Business Triangle of the City, the location of world famous retail businesses and hotels. The net proceeds of these bonds together with a contribution from the City of approximately \$2.7 million, is being used to fund a \$15 million Urban Design Program within the City's Business Triangle. This program will provide for pedestrian and other infrastructure improvements which will be owned and maintained by the City upon completion of the project. The Community Facility District Bonds, payable solely from net special assessments levied on taxable properties within the District, are not obligations of the City, but rather are limited obligations of the Community Facilities District. Accordingly, these bonds are not included in the accompanying basic financial statements. All of the bonds remain outstanding at June 30, 2004.

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

### A. Defined Benefit Pension Plan

#### Retirement Plan Description

The City's defined benefit pension plan, Beverly Hills Public Employees' Retirement Plan (Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions, as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City

ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

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

The benefit is payable monthly for life, in the amount of 3% at age 50 and over for safety employees, and in an amount that varies from 1.426% at age 50 to a maximum of 2.418% at age 63 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 85% 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 7%, for miscellaneous employees, and 9%, for safety employees, of their annual covered salary. The City makes such employee contributions 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, 2004 was 8.571% for safety members. Due to adequate funding, no employer contribution was required for miscellaneous members. 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.

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

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

**Annual Pension Cost**

For the year ended June 30, 2004, the City's annual pension cost and actual contributions were \$1,598,800 for the safety employees. The City also contributed \$1,678,824 on behalf of the safety employees and \$1,893,897 on behalf of miscellaneous employees. Miscellaneous part-time employees directly contributed \$224,533. Total contributions were \$5,396,054. The required contribution for the year ended June 30, 2004 was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members (from 3.75% to 11.59% for safety members), and (c) 3.75% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.50%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the Plan are amortized over an open 13-year period, which results in an amortization of 10% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period. As of the actuarial valuation date of June 30, 2002 (for 2003-04 employer rates), the average remaining amortization periods were 22 and 32 years for miscellaneous and safety members, respectively.

**Three-Year Trend Information for the Plan**

<b>Fiscal Year ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2004	\$ 1,598,800	100%	—
2003	1,084,168	100	—
2002	1,384,290	100	—

**CalPERS Credit**

Under Assembly Bill 2099, in any year that a plan is determined to be super-funded (actuarial assets exceed actuarial accrued liabilities) as of the most recently completed valuation, the employer may cover all, or a portion of, its employees' member normal contributions using its employer assets. During the year ended June 30, 2004, the City was informed that it had a Surplus Asset Account with CalPERS for its miscellaneous plan. Accordingly, the City transferred employer assets to the employee fund for the miscellaneous plan totaling \$2,154,139. The amount is reported as other revenue in the accompanying statement of activities.

**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.

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

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

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 TRANSACTION – SALE/LEASEBACK**

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.

**(12) POSTEMPLOYMENT HEALTH CARE BENEFITS**

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

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

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

After July 1, 1985	Single-party rate
After July 1, 1986	\$200/month
After December 1, 1987	\$245/month
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 on or after age 60 with 20 or more years of service and up to \$75 with 15 to 20 years of service.
- Police Association employees:
  - For employees retiring (service retirement only) after July 1, 1989 through age 70, the City pays up to the two-party rate of the Peace Officers Research Association of California (PORAC) Plan under PERS.
  - For retirees who retired between July 1, 1978 and July 1, 1989, the City pays \$211/month, through age 65.
  - Retired sworn police personnel who received a disability retirement on or after July 1, 1987 are eligible for the PERS health plan if the employee had 20 years of service with the Beverly Hills Police Department or is over 45 years of age at the time of his or her retirement.

# CITY OF BEVERLY HILLS, CALIFORNIA

## Notes to Basic Financial Statements

June 30, 2004

### (12) POSTEMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

- Police Management Association employees:
  - For employees who retired after July 1, 1989, the City pays up to the two-party rate of the PORAC Plan under PERS (with spouse continuance).
  - For employees who retired before July 1, 1979, the City pays \$16/month.
- Firemen's Association employees:
  - For management employees retired after July 1, 1980 with 15 years active City service, the City pays up to the two-party rate of the PERSCare Plan, through age 65.
  - For non-management employees (service retirement only) retired after July 1, 1980, the City pays up to the two-party rate of the PERSCare Plan, up to age 65.
  - Retired sworn fire employees who received a disability retirement on or after July 1, 1981 are eligible for PERS health care coverage if the employee would have received a service retirement of 50% or greater.
- Safety Support Association employees:
  - For employees service-retired on or after July 1, 1984, the City pays up to the single-party coverage.
  - For service retirees after July 1, 2001, the City provides health benefits up to \$150 per month if the employee retired after age 60 with 20 or more years of service and up to \$75 per month with 15 to 20 years of service.
- Executive employees and Management and Professional employees:
  - For employees service-retired after July 1, 1981, with the exception of those employees hired after December 2, 1997, the City pays up to the two-party rate of the PERSCare Plan (with spouse continuance).
  - For employees hired or promoted into their service group on or after July 1, 1997 and who complete a minimum of 5 years of full-time employment with the City, receive a service retirement and do not perform any paid work for a PERS contracting agency following retirement, the

City pays up to the single-party coverage of the PERSCare Plan at 25% for employees who have completed at least 5 years of service with the City, incremented by 5% for each year of service completed up to 20 years.

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

The above postretirement health benefits are financed on a pay-as-you-go basis. The City currently provides these benefits to an average of 123 participants at a cost of \$780,883 for the year ended June 30, 2004. 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 contributes \$16 per month (\$32.20 per month starting January 2004) for each continued coverage. The City currently provides this benefit to 73 participants at a cost of \$20,950 for the year ended June 30, 2004.

In addition to the above postretirement benefits, the Firemen's Association has negotiated for required City deposits into a trust fund for association retiree benefits. The City has agreed to deposit \$55,200 on January 1 of each year in the ten-year period from 1995 through 2004.

### (13) COMMITMENTS AND CONTINGENCIES

#### A. Litigation and Claims

Several lawsuits and claims, arising in the normal course of City operations, and one large claim concerning alleged toxic torts that have occurred within the City, were pending against the City at June 30, 2004. In the opinion of the City Attorney, there are adequate legal defenses to these actions and the City Attorney does not anticipate any material adverse effects on the financial position of the City from the disposition of these lawsuits and claims.

**CITY OF BEVERLY HILLS, CALIFORNIA**

Notes to Basic Financial Statements

June 30, 2004

**(13) COMMITMENTS AND CONTINGENCIES, CONTINUED**

**B. Grants**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs; grantor agencies may subject grant programs to additional 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, 2004 is as follows (note that this does not represent the expected total remaining cost of these programs):

Street light replacement program	\$ 7,577,717
Municipal Service Center project	2,962,176
Various street improvements	1,129,932
Transit Priority System project	1,093,400
Water main and hydrant replacement	580,963
"D-Lot" parking and retail	514,530
Urban Design project	471,167
Traffic signal installation	219,207
Coldwater Canyon reservoir upgrades	<u>130,735</u>
	<u>\$ 14,679,827</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.

Future minimum lease payments receivable under property leases at June 30, 2003 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental</u>	<u>Business-type</u>
2005	\$ 782,379	5,655,544
2006	212,806	5,429,291
2007	102,039	5,873,659
2008	78,693	5,149,250
2009	72,719	4,710,658
2010-2014	255,401	13,257,430
2015-2019	—	2,092,776
2020-2024	—	40,560
2025-2029	—	40,560
2030-2034	—	40,560
2035-2039	—	40,560
2040-2044	—	39,884
	<u>\$ 1,504,037</u>	<u>42,370,732</u>

Future minimum lease payments payable for equipment leases at June 30, 2004 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental</u>	<u>Business-type</u>
2005	\$ 251,028	—
2006	251,028	—
2007	251,028	—
2008	219,650	—
	<u>\$ 972,734</u>	<u>—</u>

Rental expense for equipment leases in FY 2004 totaled \$251,028.

**CITY OF BEVERLY HILLS, CALIFORNIA**

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

Year ended June 30, 2004

(Unaudited)

**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**

<b>Valuation Date (June 30)</b>	<b>Entry Age Normal Accrued Liability</b>	<b>Actuarial Value of Assets</b>	<b>Unfunded Liability (Excess Assets) (UAAL)</b>	<b>Funded Status</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a Percentage of Payroll</b>
2003	\$ 200,439,820	177,378,413	23,061,407	88.495%	\$ 18,146,974	127.081%
2002	194,082,159	176,672,000	17,410,159	91.029%	17,572,021	99.079%
2001	183,111,282	190,157,538	(7,046,256)	103.848	16,896,486	(41.702)
2000	173,426,238	186,336,129	(12,909,891)	107.444	16,512,226	(78.184)
1999	144,228,835	163,584,943	(19,356,108)	113.420	15,665,935	(123.555)
1998	132,565,779	145,156,868	(12,591,089)	109.498	14,387,898	(87.512)
1997	119,140,130	124,461,016	(5,320,886)	104.466	14,269,005	(37.290)
1996	108,485,627	108,997,525	(511,898)	100.472	13,429,447	(3.812)

**FUNDED STATUS OF THE MISCELLANEOUS PLAN**

<b>Valuation Date (June 30)</b>	<b>Entry Age Normal Accrued Liability</b>	<b>Actuarial Value of Assets</b>	<b>Unfunded Liability (Excess Assets) (UAAL)</b>	<b>Funded Status</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a Percentage of Payroll</b>
2003	\$ 137,232,316	130,907,323	6,324,993	95.391%	\$ 29,760,662	21.253%
2002	116,880,116	132,048,639	(15,168,523)	112.978%	28,134,395	(53.915%)
2001	109,287,931	143,257,149	(33,969,218)	131.082	27,210,550	(124.838)
2000	102,414,098	141,380,981	(38,966,883)	138.048	25,832,054	(150.847)
1999	87,642,035	124,387,791	(36,745,756)	141.927	24,319,472	(151.096)
1998	83,141,329	111,406,984	(28,265,655)	133.997	22,492,348	(125.668)
1997	77,322,702	94,885,718	(17,563,016)	122.714	21,146,172	(83.055)
1996	76,691,169	83,599,717	(6,908,548)	109.008	18,951,514	(36.454)

See accompanying independent auditors’ report.



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# ADDITIONAL FINANCIAL INFORMATION



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

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

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# NONMAJOR GOVERNMENTAL FUNDS



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

## Special Revenue Funds

### Streets and Highways State Gas Tax Special Revenue Fund

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

### Bikeway Grant Special Revenue Fund

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

### Housing and Community Development Special Revenue Fund

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

### In-Lieu Parking District Special Revenue Fund

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

### Parks and Recreation Facilities Special Revenue Fund

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

### **Metropolitan Transportation Authority (MTA) Special Revenue Fund**

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

### **Proposition A Local Transit Assistance Special Revenue Fund**

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

### **Proposition C Local Transit Assistance Special Revenue Fund**

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

### **Fine Art Special Revenue Fund**

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

### **Seized and Forfeited Property Special Revenue Fund**

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

### **Air Quality Improvement Special Revenue Fund**

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

### **State Park Bond Grant Special Revenue Fund**

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

### **Roberti-Z'berg Urban Block Grant Special Revenue Fund**

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

### **Law Enforcement Grant Special Revenue Fund**

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

### **Inmate Welfare Special Revenue Fund**

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

## **Debt Service Fund**

### **Infrastructure Debt Service Fund**

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

## **Permanent Funds**

### **Buck**

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

### **Burton Green**

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

**CITY OF BEVERLY HILLS, CALIFORNIA**

B-1

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004

	Special Revenue Funds							
	Streets and Highways State Gas Tax	Bikeway Grant	Housing and Community Development	In-Lieu Parking District	Parks and Recreation Facilities	Metropolitan Transportation Authority	Prop. A Local Transit Assistance	
<b>Assets</b>								
Cash and investments	\$ 2,214,091	—	—	374,796	9,956,383	—	1,778,945	751,838
Accounts receivable, net	—	—	7,986	—	—	—	31,022	—
Interest receivable	21,533	—	—	3,645	96,826	—	17,301	7,311
Intergovernmental receivables	64,080	—	256,984	—	—	—	—	—
Restricted assets:								
Cash and investments	—	—	—	—	—	—	—	—
Interest receivable	—	—	—	—	—	—	—	—
<b>Total assets</b>	<b>\$ 2,299,704</b>	<b>—</b>	<b>264,970</b>	<b>378,441</b>	<b>10,053,209</b>	<b>—</b>	<b>1,827,268</b>	<b>759,149</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable	\$ —	—	192,111	—	—	—	60,832	28,582
Contracts payable	—	—	—	—	—	—	—	—
Accrued payroll	—	—	—	—	—	—	3,264	2,610
Compensated absences	—	—	—	—	—	—	—	—
Interfund payables	—	—	72,913	—	—	—	—	—
Customer deposits	—	—	—	—	—	—	—	—
Deferred revenue	4,952	—	—	838	22,268	—	3,979	1,681
<b>Total liabilities</b>	<b>4,952</b>	<b>—</b>	<b>265,024</b>	<b>838</b>	<b>22,268</b>	<b>—</b>	<b>68,075</b>	<b>32,873</b>
<b>Fund balances (deficit):</b>								
Reserved for:								
Encumbrances	2,214,406	—	—	—	183,196	—	—	—
Debt service	—	—	—	—	—	—	—	—
Endowment or Trust Agreement	—	—	—	—	—	—	—	—
Unreserved – undesignated	80,346	—	(54)	377,603	9,847,745	—	1,759,193	726,276
<b>Total fund balances</b>	<b>2,294,752</b>	<b>—</b>	<b>(54)</b>	<b>377,603</b>	<b>10,030,941</b>	<b>—</b>	<b>1,759,193</b>	<b>726,276</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,299,704</b>	<b>—</b>	<b>264,970</b>	<b>378,441</b>	<b>10,053,209</b>	<b>—</b>	<b>1,827,268</b>	<b>759,149</b>

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

B-1-2

Combining Balance Sheet, Continued

Nonmajor Governmental Funds

June 30, 2004

Special Revenue Funds

	<u>Fine Art</u>	<u>Seized and Forfeited Property</u>	<u>Air Quality Improvement</u>	<u>State Park Bond</u>	<u>Roberti-Z'berg Urban Block Grant</u>	<u>Law Enforcement Grants</u>	<u>Inmate Welfare</u>	<u>Total</u>
<b>Assets</b>								
Cash and investments	\$ 860,810	163,614	170,720	—	—	123,236	10,225	16,404,658
Accounts receivable, net	—	—	—	—	—	—	—	39,008
Interest receivable	8,372	1,591	1,661	—	—	1,197	99	159,536
Intergovernmental receivables	—	—	11,136	—	—	95,155	—	427,355
Restricted assets:								
Cash and investments	—	—	—	—	—	—	—	—
Interest receivable	—	—	—	—	—	—	—	—
<b>Total assets</b>	<b>\$ 869,182</b>	<b>165,205</b>	<b>183,517</b>	<b>—</b>	<b>—</b>	<b>219,588</b>	<b>10,324</b>	<b>17,030,557</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 122,500	3,858	—	—	—	—	—	407,883
Contracts payable	—	—	—	—	—	—	—	—
Accrued payroll	—	—	—	—	—	3,917	—	9,791
Compensated absences	—	—	—	—	—	1,368	—	1,368
Interfund payables	—	—	—	192,753	—	—	—	265,666
Customer deposits	467,736	—	—	—	—	—	—	467,736
Deferred revenue	1,925	366	382	—	—	275	23	36,689
<b>Total liabilities</b>	<b>592,161</b>	<b>4,224</b>	<b>382</b>	<b>192,753</b>	<b>—</b>	<b>5,560</b>	<b>23</b>	<b>1,189,133</b>
<b>Fund balances:</b>								
<b>Reserved for:</b>								
Encumbrances	—	—	16,488	31,897	—	125,759	—	2,571,746
Debt service	—	—	—	—	—	—	—	—
Endowment or Trust Agreement	—	—	—	—	—	—	—	—
<b>Unreserved – undesignated</b>	<b>277,021</b>	<b>160,981</b>	<b>166,647</b>	<b>(224,650)</b>	<b>—</b>	<b>88,269</b>	<b>10,301</b>	<b>13,269,678</b>
<b>Total fund balances</b>	<b>277,021</b>	<b>160,981</b>	<b>183,135</b>	<b>(192,753)</b>	<b>—</b>	<b>214,028</b>	<b>10,301</b>	<b>15,841,424</b>
<b>Total liabilities and fund balances</b>	<b>\$ 869,182</b>	<b>165,205</b>	<b>183,517</b>	<b>—</b>	<b>—</b>	<b>219,588</b>	<b>10,324</b>	<b>17,030,557</b>

See accompanying independent auditors' report.

**CITY OF BEVERLY HILLS, CALIFORNIA**

B-1-3

Combining Balance Sheet, Continued

Nonmajor Governmental Funds

June 30, 2004

	<u>Debt Service</u>	<u>Permanent Funds</u>			<u>Total</u>
	<u>Infra- structure</u>	<u>Buck</u>	<u>Burton Green</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>					
Cash and investments	\$ 104,613	—	—	—	16,509,271
Accounts receivable, net	—	—	—	—	39,008
Interest receivable	1,018	—	—	—	160,554
Intergovernmental receivables	—	—	—	—	427,355
Restricted assets:					
Cash and investments	3,420,877	164,745	69,366	234,111	3,654,988
Interest receivable	1,745	1,603	674	2,277	4,022
Total assets	\$ <u>3,528,253</u>	<u>166,348</u>	<u>70,040</u>	<u>236,388</u>	<u>20,795,198</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ —	—	—	—	407,883
Contracts payable	—	—	—	—	—
Accrued payroll	—	—	—	—	9,791
Compensated absences	—	—	—	—	1,368
Interfund payables	—	—	—	—	265,666
Customer deposits	—	—	—	—	467,736
Deferred revenue	234	—	—	—	36,923
Total liabilities	<u>234</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,189,367</u>
<b>Fund balances:</b>					
Reserved for:					
Encumbrances	—	—	—	—	2,571,746
Debt service	3,528,019	—	—	—	3,528,019
Endowment or Trust Agreement	—	34,641	46,740	81,381	81,381
Unreserved – undesignated	—	131,707	23,300	155,007	13,424,685
Total fund balances	<u>3,528,019</u>	<u>166,348</u>	<u>70,040</u>	<u>236,388</u>	<u>19,605,831</u>
Total liabilities and fund balances	\$ <u>3,528,253</u>	<u>166,348</u>	<u>70,040</u>	<u>236,388</u>	<u>20,795,198</u>

See accompanying independent auditors' report.

**CITY OF BEVERLY HILLS, CALIFORNIA**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

B-2

	Special Revenue Funds							
	Streets and Highways State Gas Tax	Bikeway Grant	Housing and Community Development	In-Lieu Parking District	Parks and Recreation Facilities	Metropolitan Transportation Authority	Prop. A Local Transit Assistance	Prop. C Local Transit Assistance
Revenues:								
Taxes other than property	\$ —	—	—	377,384	3,456,102	—	—	—
Intergovernmental	651,306	—	302,091	—	375,004	—	508,144	402,472
Use of money and property	92,894	—	—	4,164	242,028	—	50,694	21,555
Net change in fair value of investments	(77,307)	—	—	(3,945)	(208,695)	—	(43,179)	(18,352)
Miscellaneous	—	—	—	—	—	—	55,390	12,559
<b>Total revenues</b>	<b>666,893</b>	<b>—</b>	<b>302,091</b>	<b>377,603</b>	<b>3,864,439</b>	<b>—</b>	<b>571,049</b>	<b>418,234</b>
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	—	—	302,090	—	—	—	486,509	409,226
Culture and recreation	—	—	—	—	641,367	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	1,461,340	—	—	—	675,606	—	—	—
<b>Total expenditures</b>	<b>1,461,340</b>	<b>—</b>	<b>302,090</b>	<b>—</b>	<b>1,316,973</b>	<b>—</b>	<b>486,509</b>	<b>409,226</b>
Excess (deficiency) of revenues over expenditures	(794,447)	—	1	377,603	2,547,466	—	84,540	9,008
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	(195,608)	—	—	—	—	—	—	—
<b>Total other financing sources (uses)</b>	<b>(195,608)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(990,055)	—	1	377,603	2,547,466	—	84,540	9,008
Fund balances, July 1,	3,284,807	—	(55)	—	7,483,475	—	1,674,653	717,268
Fund balances (deficit), June 30	\$ 2,294,752	—	(54)	377,603	10,030,941	—	1,759,193	726,276

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

B-2-2

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	<u>Special Revenue Funds</u>							
	<u>Fine Art</u>	<u>Seized and Forfeited Property</u>	<u>Air Quality Improvement</u>	<u>State Park Bond</u>	<u>Roberti-Z'berg Urban Block Grant</u>	<u>Law Enforcement Grants</u>	<u>Inmate Welfare</u>	<u>Total</u>
Revenues:								
Taxes other than property	\$ 77,500	—	—	—	—	—	—	3,910,986
Intergovernmental	—	2,879	41,917	—	—	225,958	—	2,509,771
Use of money and property	21,869	5,402	8,462	—	—	6,728	2,042	455,838
Net change in fair value of investments	(18,788)	(4,559)	(6,983)	—	—	(5,534)	(229)	(387,571)
Miscellaneous	9,160	—	—	—	—	—	—	77,109
Total revenues	<u>89,741</u>	<u>3,722</u>	<u>43,396</u>	<u>—</u>	<u>—</u>	<u>227,152</u>	<u>1,813</u>	<u>6,566,133</u>
Expenditures:								
Current:								
Public safety	—	24,986	—	—	—	382,823	—	407,809
Public service	—	—	—	—	—	—	—	1,197,825
Culture and recreation	—	—	—	110,344	—	—	—	751,711
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	245,000	8,479	22,482	—	—	—	—	2,412,907
Total expenditures	<u>245,000</u>	<u>33,465</u>	<u>22,482</u>	<u>110,344</u>	<u>—</u>	<u>382,823</u>	<u>—</u>	<u>4,770,252</u>
Excess (deficiency) of revenues over expenditures	<u>(155,259)</u>	<u>(29,743)</u>	<u>20,914</u>	<u>(110,344)</u>	<u>—</u>	<u>(155,671)</u>	<u>1,813</u>	<u>1,795,881</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	—	34,371	—	34,371
Transfers out	—	—	(148,509)	—	—	—	—	(344,117)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(148,509)</u>	<u>—</u>	<u>—</u>	<u>34,371</u>	<u>—</u>	<u>(309,746)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(155,259)</u>	<u>(29,743)</u>	<u>(127,595)</u>	<u>(110,344)</u>	<u>—</u>	<u>(121,300)</u>	<u>1,813</u>	<u>1,486,135</u>
Fund balances, July 1,	432,280	190,724	310,730	(82,409)	—	335,328	8,488	14,355,289
Fund balances (deficit), June 30	\$ <u>277,021</u>	<u>160,981</u>	<u>183,135</u>	<u>(192,753)</u>	<u>—</u>	<u>214,028</u>	<u>10,301</u>	<u>15,841,424</u>

(Continued)

## CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	<u>Debt Service</u>	<u>Permanent Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Infra- structure</u>	<u>Buck</u>	<u>Burton Green</u>	<u>Total</u>	
Revenues:					
Taxes other than property	\$ —	—	—	—	3,910,986
Intergovernmental	—	—	—	—	2,509,771
Use of money and property	23,138	5,254	2,291	7,545	486,521
Net change in fair value of investments	(2,314)	(4,149)	(1,809)	(5,958)	(395,843)
Miscellaneous	—	—	—	—	77,109
<b>Total revenues</b>	<u>20,824</u>	<u>1,105</u>	<u>482</u>	<u>1,587</u>	<u>6,588,544</u>
Expenditures:					
Current:					
Public safety	—	—	—	—	407,809
Public service	—	—	3,000	3,000	1,200,825
Culture and recreation	—	—	—	—	751,711
Debt service:					
Interest	1,766,075	—	—	—	1,766,075
Finance charges	3,875	—	—	—	3,875
Capital outlay	—	—	—	—	2,412,907
<b>Total expenditures</b>	<u>1,769,950</u>	<u>—</u>	<u>3,000</u>	<u>3,000</u>	<u>6,543,202</u>
Excess (deficiency) of revenues over expenditures	<u>(1,749,126)</u>	<u>1,105</u>	<u>(2,518)</u>	<u>(1,413)</u>	<u>45,342</u>
Other financing sources (uses):					
Transfers in	1,766,075	—	—	—	1,800,446
Transfers out	—	—	—	—	(344,117)
<b>Total other financing sources (uses)</b>	<u>1,766,075</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,456,329</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	16,949	1,105	(2,518)	(1,413)	1,501,671
Fund balances, July 1,	<u>3,511,070</u>	<u>165,243</u>	<u>72,558</u>	<u>237,801</u>	<u>18,104,160</u>
Fund balances (deficit), June 30	\$ <u>3,528,019</u>	<u>166,348</u>	<u>70,040</u>	<u>236,388</u>	<u>19,605,831</u>

See accompanying independent auditors' report.

**CITY OF BEVERLY HILLS, CALIFORNIA**

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	Special Revenue Funds							
	Streets and Highways State Gas Tax				Bikeway Grant			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Taxes other than property	\$ —	—	—	—	—	—	—	—
Intergovernmental	627,000	627,000	651,306	24,306	—	—	—	—
Use of money and property	257,309	257,309	92,894	(164,415)	—	—	—	—
Net change in fair value of investments	—	—	(77,307)	(77,307)	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	<u>884,309</u>	<u>884,309</u>	<u>666,893</u>	<u>(217,416)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	2,012,000	1,479,340	1,461,340	(18,000)	—	—	—	—
Total expenditures	<u>2,012,000</u>	<u>1,479,340</u>	<u>1,461,340</u>	<u>(18,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(1,127,691)</u>	<u>(595,031)</u>	<u>(794,447)</u>	<u>(199,416)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	(6,000)	(6,000)	(195,608)	189,608	—	—	—	—
Total other financing sources (uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>(195,608)</u>	<u>189,608</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(1,133,691)</u>	<u>(601,031)</u>	<u>(990,055)</u>	<u>(389,024)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances (deficit), July 1	<u>3,284,807</u>	<u>3,284,807</u>	<u>3,284,807</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances (deficit), June 30	\$ <u>2,151,116</u>	<u>2,683,776</u>	<u>2,294,752</u>	<u>(389,024)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

B-3-2

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	Special Revenue Funds							
	Housing and Community Development				In-Lieu Parking District			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Taxes other than property	\$ —	—	—	—	675,000	675,000	377,384	(297,616)
Intergovernmental	362,986	362,986	302,091	(60,895)	—	—	—	—
Use of money and property	—	—	—	—	94,747	94,747	4,164	(90,583)
Net increase in fair value of investments	—	—	—	—	—	—	(3,945)	(3,945)
Miscellaneous	—	—	—	—	—	—	—	—
<b>Total revenues</b>	<b>362,986</b>	<b>362,986</b>	<b>302,091</b>	<b>(60,895)</b>	<b>769,747</b>	<b>769,747</b>	<b>377,603</b>	<b>(392,144)</b>
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	283,976	322,575	302,090	(20,485)	—	—	—	—
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—	—	—
<b>Total expenditures</b>	<b>283,976</b>	<b>322,575</b>	<b>302,090</b>	<b>(20,485)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Excess (deficiency) of revenues over expenditures	79,010	40,411	1	(40,410)	769,747	769,747	377,603	(392,144)
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—	—
<b>Total other financing sources (uses)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	79,010	40,411	1	(40,410)	769,747	769,747	377,603	(392,144)
Fund balances (deficit), July 1	(55)	(55)	(55)	—	—	—	—	—
<b>Fund balances (deficit), June 30</b>	<b>\$ 78,955</b>	<b>40,356</b>	<b>(54)</b>	<b>(40,410)</b>	<b>769,747</b>	<b>769,747</b>	<b>377,603</b>	<b>(392,144)</b>

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

B-3-3

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	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, net	\$ 1,344,629	1,344,629	3,456,102	2,111,473	—	—	—	—
Intergovernmental	—	—	375,004	375,004	—	—	—	—
Use of money and property	281,246	281,246	242,028	(39,218)	—	—	—	—
Net change in fair value of investments	—	—	(208,695)	(208,695)	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	<u>1,625,875</u>	<u>1,625,875</u>	<u>3,864,439</u>	<u>2,238,564</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	—	—	—	—	—	—	—	—
Culture and recreation	641,367	641,367	641,367	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	<u>1,373,632</u>	<u>2,103,820</u>	<u>675,606</u>	<u>(1,428,214)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>2,014,999</u>	<u>2,745,187</u>	<u>1,316,973</u>	<u>(1,428,214)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(389,124)</u>	<u>(1,119,312)</u>	<u>2,547,466</u>	<u>3,666,778</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(389,124)</u>	<u>(1,119,312)</u>	<u>2,547,466</u>	<u>3,666,778</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances (deficit), July 1	<u>7,483,475</u>	<u>7,483,475</u>	<u>7,483,475</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances (deficit), June 30	<u>\$ 7,094,351</u>	<u>6,364,163</u>	<u>10,030,941</u>	<u>3,666,778</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

B-3-4

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	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:								
Taxes other than property	\$ —	—	—	—	—	—	—	—
Intergovernmental	537,283	537,283	508,144	(29,139)	395,295	395,295	402,472	7,177
Use of money and property	35,077	35,077	50,694	15,617	15,852	15,852	21,555	5,703
Net change in fair value of investments	—	—	(43,179)	(43,179)	—	—	(18,352)	(18,352)
Miscellaneous	78,000	78,000	55,390	(22,610)	23,000	23,000	12,559	(10,441)
Total revenues	<u>650,360</u>	<u>650,360</u>	<u>571,049</u>	<u>(79,311)</u>	<u>434,147</u>	<u>434,147</u>	<u>418,234</u>	<u>(15,913)</u>
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	728,519	728,519	486,509	(242,010)	408,807	408,807	409,226	419
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—	—	—
Total expenditures	<u>728,519</u>	<u>728,519</u>	<u>486,509</u>	<u>(242,010)</u>	<u>408,807</u>	<u>408,807</u>	<u>409,226</u>	<u>419</u>
Excess (deficiency) of revenues over expenditures	<u>(78,159)</u>	<u>(78,159)</u>	<u>84,540</u>	<u>162,699</u>	<u>25,340</u>	<u>25,340</u>	<u>9,008</u>	<u>(16,332)</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(78,159)</u>	<u>(78,159)</u>	<u>84,540</u>	<u>162,699</u>	<u>25,340</u>	<u>25,340</u>	<u>9,008</u>	<u>(16,332)</u>
Fund balances (deficit), July 1	<u>1,674,653</u>	<u>1,674,653</u>	<u>1,674,653</u>	<u>—</u>	<u>717,268</u>	<u>717,268</u>	<u>717,268</u>	<u>—</u>
Fund balances (deficit), June 30	<u>\$ 1,596,494</u>	<u>1,596,494</u>	<u>1,759,193</u>	<u>162,699</u>	<u>742,608</u>	<u>742,608</u>	<u>726,276</u>	<u>(16,332)</u>

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

B-3-5

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	Special Revenue Funds							
	Fine Art				Seized and Forfeited Property			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Taxes other than property	\$ 50,000	50,000	77,500	27,500	—	—	—	—
Intergovernmental	—	—	—	—	—	—	2,879	2,879
Use of money and property	5,000	5,000	21,869	16,869	—	—	5,402	5,402
Net change in fair value of investments	—	—	(18,788)	(18,788)	—	—	(4,559)	(4,559)
Miscellaneous	—	—	9,160	9,160	—	—	—	—
Total revenues	<u>55,000</u>	<u>55,000</u>	<u>89,741</u>	<u>34,741</u>	<u>—</u>	<u>—</u>	<u>3,722</u>	<u>3,722</u>
Expenditures:								
Current:								
Public safety	—	—	—	—	—	25,051	24,986	(65)
Public service	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	100,000	245,472	245,000	(472)	—	8,479	8,479	—
Total expenditures	<u>100,000</u>	<u>245,472</u>	<u>245,000</u>	<u>(472)</u>	<u>—</u>	<u>33,530</u>	<u>33,465</u>	<u>(65)</u>
Excess (deficiency) of revenues over expenditures	<u>(45,000)</u>	<u>(190,472)</u>	<u>(155,259)</u>	<u>35,213</u>	<u>—</u>	<u>(33,530)</u>	<u>(29,743)</u>	<u>3,787</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—	—
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(45,000)</u>	<u>(190,472)</u>	<u>(155,259)</u>	<u>35,213</u>	<u>—</u>	<u>(33,530)</u>	<u>(29,743)</u>	<u>3,787</u>
Fund balances (deficit), July 1	<u>432,280</u>	<u>432,280</u>	<u>432,280</u>	<u>—</u>	<u>190,724</u>	<u>190,724</u>	<u>190,724</u>	<u>—</u>
Fund balances (deficit), June 30	<u>\$ 387,280</u>	<u>241,808</u>	<u>277,021</u>	<u>35,213</u>	<u>190,724</u>	<u>157,194</u>	<u>160,981</u>	<u>3,787</u>

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

B-3-6

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	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:								
Taxes other than property	\$ —	—	—	—	—	—	—	—
Intergovernmental	—	—	41,917	41,917	—	—	—	—
Use of money and property	—	—	8,462	8,462	—	—	—	—
Net change in fair value of investments	—	—	(6,983)	(6,983)	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	—	—	43,396	43,396	—	—	—	—
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	110,344	110,344	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	—	22,482	22,482	—	—	—	—	—
Total expenditures	—	22,482	22,482	—	—	110,344	110,344	—
Excess (deficiency) of revenues over expenditures	—	(22,482)	20,914	43,396	—	(110,344)	(110,344)	—
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	—	(148,509)	(148,509)	—	—	—	—	—
Total other financing sources (uses)	—	(148,509)	(148,509)	—	—	—	—	—
Excess (deficiency) of revenues and other sources over expenditures and other uses	—	(170,991)	(127,595)	43,396	—	(110,344)	(110,344)	—
Fund balances (deficit), July 1	310,730	310,730	310,730	—	(82,409)	(82,409)	(82,409)	—
Fund balances (deficit), June 30	\$ 310,730	139,739	183,135	43,396	(82,409)	(192,753)	(192,753)	—

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

B-3-7

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2004

	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:								
Taxes other than property	\$ —	—	—	—	—	—	—	
Intergovernmental	—	—	—	—	201,437	320,465	225,958	
Use of money and property	—	—	—	—	20,000	20,000	6,728	
Net change in fair value of investments	—	—	—	—	—	—	(5,534)	
Miscellaneous	—	—	—	—	—	—	—	
Total revenues	—	—	—	—	221,437	340,465	227,152	
Expenditures:								
Current:								
Public safety	—	—	—	—	196,714	544,954	382,823	
Public service	—	—	—	—	—	—	—	
Culture and recreation	—	—	—	—	—	—	—	
Debt service:								
Interest	—	—	—	—	—	—	—	
Finance charges	—	—	—	—	—	—	—	
Capital outlay	—	—	—	—	—	—	—	
Total expenditures	—	—	—	—	196,714	544,954	382,823	
Excess (deficiency) of revenues over expenditures	—	—	—	—	24,723	(204,489)	(155,671)	
Other financing sources (uses):								
Transfers in	—	—	—	—	—	34,371	34,371	
Transfers out	—	—	—	—	—	—	—	
Total other financing sources (uses)	—	—	—	—	—	34,371	34,371	
Excess (deficiency) of revenues and other sources over expenditures and other uses	—	—	—	—	24,723	(170,118)	(121,300)	
Fund balances (deficit), July 1	—	—	—	—	335,328	335,328	335,328	
Fund balances (deficit), June 30	\$ —	—	—	—	360,051	165,210	214,028	

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

B-3-8

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	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	\$ —	—	—	—	2,069,629	2,069,629	3,910,986	1,841,357
Intergovernmental	—	—	—	—	2,124,001	2,243,029	2,509,771	266,742
Use of money and property	1,500	1,500	2,042	542	710,731	710,731	455,838	(254,893)
Net change in fair value of investments	—	—	(229)	(229)	—	—	(387,571)	(387,571)
Miscellaneous	—	—	—	—	101,000	101,000	77,109	(23,891)
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>1,813</u>	<u>313</u>	<u>5,005,361</u>	<u>5,124,389</u>	<u>6,566,133</u>	<u>1,441,744</u>
Expenditures:								
Current:								
Public safety	1,886	606	—	(606)	198,600	570,611	407,809	(162,802)
Public service	—	—	—	—	1,421,302	1,459,901	1,197,825	(262,076)
Culture and recreation	—	—	—	—	641,367	751,711	751,711	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	—	—	—	—	3,485,632	3,859,593	2,412,907	(1,446,686)
Total expenditures	<u>1,886</u>	<u>606</u>	<u>—</u>	<u>(606)</u>	<u>5,746,901</u>	<u>6,641,816</u>	<u>4,770,252</u>	<u>(1,871,564)</u>
Excess (deficiency) of revenues over expenditures	<u>(386)</u>	<u>894</u>	<u>1,813</u>	<u>919</u>	<u>(741,540)</u>	<u>(1,517,427)</u>	<u>1,795,881</u>	<u>3,313,308</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	—	34,371	34,371	—
Transfers out	—	—	—	—	(6,000)	(154,509)	(344,117)	189,608
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,000)</u>	<u>(120,138)</u>	<u>(309,746)</u>	<u>189,608</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(386)</u>	<u>894</u>	<u>1,813</u>	<u>919</u>	<u>(747,540)</u>	<u>(1,637,565)</u>	<u>1,486,135</u>	<u>3,123,700</u>
Fund balances (deficit), July 1	<u>8,488</u>	<u>8,488</u>	<u>8,488</u>	<u>—</u>	<u>14,355,289</u>	<u>14,355,289</u>	<u>14,355,289</u>	<u>—</u>
Fund balances (deficit), June 30	\$ <u>8,102</u>	<u>9,382</u>	<u>10,301</u>	<u>919</u>	<u>13,607,749</u>	<u>12,717,724</u>	<u>15,841,424</u>	<u>3,123,700</u>

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

B-3-9

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	Debt Service Fund				Permanent Funds			
	Infrastructure			Variance with Final Budget – Over (Under)	Buck			Variance with Final Budget – Over (Under)
	Budgeted Amounts		Actual Amounts		Budgeted Amounts		Actual Amounts	
Original	Final	Original		Final				
Revenues:								
Taxes other than property	\$ —	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—
Use of money and property	—	—	23,138	23,138	—	—	5,254	5,254
Net change in fair value of investments	—	—	(2,314)	(2,314)	—	—	(4,149)	(4,149)
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	—	—	20,824	20,824	—	—	1,105	1,105
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	1,766,075	1,766,075	1,766,075	—	—	—	—	—
Finance charges	8,640	8,640	3,875	(4,765)	—	—	—	—
Capital outlay	—	—	—	—	—	—	—	—
Total expenditures	1,774,715	1,774,715	1,769,950	(4,765)	—	—	—	—
Excess (deficiency) of revenues over expenditures	(1,774,715)	(1,774,715)	(1,749,126)	25,589	—	—	1,105	1,105
Other financing sources (uses):								
Transfers in	1,680,674	1,680,674	1,766,075	85,401	—	—	—	—
Transfers out	—	—	—	—	—	—	—	—
Total other financing sources (uses)	1,680,674	1,680,674	1,766,075	85,401	—	—	—	—
Excess (deficiency) of revenues and other sources over expenditures and other uses	(94,041)	(94,041)	16,949	110,990	—	—	1,105	1,105
Fund balances (deficit), July 1	3,511,070	3,511,070	3,511,070	—	165,243	165,243	165,243	—
Fund balances (deficit), June 30	\$ 3,417,029	3,417,029	3,528,019	110,990	165,243	165,243	166,348	1,105

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

B-3-10

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, Continued  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2004

	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:								
Taxes other than property	\$ —	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—
Use of money and property	—	—	2,291	2,291	—	—	7,545	7,545
Net decrease in fair value of investments	—	—	(1,809)	(1,809)	—	—	(5,958)	(5,958)
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	—	—	482	482	—	—	1,587	1,587
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	—	—	3,000	3,000	—	—	3,000	3,000
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—	—	—
Total expenditures	—	—	3,000	3,000	—	—	3,000	3,000
Excess (deficiency) of revenues over expenditures	—	—	(2,518)	(2,518)	—	—	(1,413)	(1,413)
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—	—	—	—
Excess (deficiency) of revenues and other sources over expenditures and other uses	—	—	(2,518)	(2,518)	—	—	(1,413)	(1,413)
Fund balances (deficit), July 1	72,558	72,558	72,558	—	237,801	237,801	237,801	—
Fund balances (deficit), June 30	\$ 72,558	72,558	70,040	(2,518)	237,801	237,801	236,388	(1,413)

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

B-3-11

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2004

	<u>Total Nonmajor Governmental Funds</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget – Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes other than property	\$ 2,069,629	2,069,629	3,910,986	1,841,357
Intergovernmental	2,124,001	2,243,029	2,509,771	266,742
Use of money and property	710,731	710,731	486,521	(224,210)
Net decrease in fair value of investments	—	—	(395,843)	(395,843)
Miscellaneous	<u>101,000</u>	<u>101,000</u>	<u>77,109</u>	<u>(23,891)</u>
Total revenues	<u>5,005,361</u>	<u>5,124,389</u>	<u>6,588,544</u>	<u>1,464,155</u>
Expenditures:				
Current:				
Public safety	198,600	570,611	407,809	(162,802)
Public service	1,421,302	1,459,901	1,200,825	(259,076)
Culture and recreation	641,367	751,711	751,711	—
Debt service:				
Interest	1,766,075	1,766,075	1,766,075	—
Finance charges	8,640	8,640	3,875	(4,765)
Capital outlay	<u>3,485,632</u>	<u>3,859,593</u>	<u>2,412,907</u>	<u>(1,446,686)</u>
Total expenditures	<u>7,521,616</u>	<u>8,416,531</u>	<u>6,543,202</u>	<u>(1,873,329)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,516,255)</u>	<u>(3,292,142)</u>	<u>45,342</u>	<u>3,337,484</u>
Other financing sources (uses):				
Transfers in	1,680,674	1,715,045	1,800,446	85,401
Transfers out	<u>(6,000)</u>	<u>(154,509)</u>	<u>(344,117)</u>	<u>189,608</u>
Total other financing sources (uses)	<u>1,674,674</u>	<u>1,560,536</u>	<u>1,456,329</u>	<u>(104,207)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(841,581)</u>	<u>(1,731,606)</u>	<u>1,501,671</u>	<u>3,233,277</u>
Fund balances (deficit), July 1	<u>18,104,160</u>	<u>18,104,160</u>	<u>18,104,160</u>	<u>—</u>
Fund balances (deficit), June 30	<u>\$ 17,262,579</u>	<u>16,372,554</u>	<u>19,605,831</u>	<u>3,233,277</u>

See accompanying independent auditors' report.



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# INTERNAL SERVICE FUNDS



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

## **Information Technology Internal Service Fund**

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

## **Capital Assets Internal Service Fund**

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

### **Reprographics Internal Service Fund**

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

### **Cable Television Internal Service Fund**

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

### **Liability Insurance Internal Service Fund**

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

### **Workers' Compensation Internal Service Fund**

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

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

### **Unemployment Insurance Internal Service Fund**

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

### **Employee Benefits Internal Service Fund**

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





CITY OF BEVERLY HILLS, CALIFORNIA

C-1

Combining Statement of Net Assets

Internal Service Funds

June 30, 2004

	Information Technology	Capital Assets	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Eliminations	Total
<b>ASSETS</b>										
Current assets:										
Cash and investments	\$ 5,115,904	32,627,643	984,572	2,249,639	4,409,722	6,748,205	94,085	10,091,337	—	62,321,107
Interest receivable	49,752	317,307	9,574	21,878	42,885	65,880	915	98,140	—	606,331
Current portion of advances to other funds	—	331,607	—	—	—	—	—	—	(331,607)	—
Inventory	—	248,105	—	—	—	—	—	—	—	248,105
Prepaid expenses	—	—	12,942	—	240,169	—	—	—	—	253,111
Deposit	—	—	—	—	—	—	—	—	—	—
Total current assets	<u>5,165,656</u>	<u>33,524,662</u>	<u>1,007,088</u>	<u>2,271,517</u>	<u>4,692,776</u>	<u>6,814,085</u>	<u>95,000</u>	<u>10,189,477</u>	<u>(331,607)</u>	<u>63,428,654</u>
Noncurrent assets:										
Restricted assets:										
Cash and investments	—	10,135,573	—	—	—	—	—	—	—	10,135,573
Interest and other receivables	—	25,354	—	—	—	—	—	—	—	25,354
Total restricted assets	—	<u>10,160,927</u>	—	—	—	—	—	—	—	<u>10,160,927</u>
Deferred bond issuance costs, net	—	6,365,413	—	—	—	—	—	—	—	6,365,413
Advances to other funds	—	330,000	—	—	—	—	—	—	(330,000)	—
Total other noncurrent assets	—	<u>6,695,413</u>	—	—	—	—	—	—	<u>(330,000)</u>	<u>6,365,413</u>
Capital assets:										
Land	—	35,559,359	—	—	—	—	—	—	—	35,559,359
Buildings	3,336,544	148,081,080	—	—	—	—	—	—	—	151,417,624
Improvements other than buildings	—	26,261,617	—	—	—	—	—	—	—	26,261,617
Machinery and equipment	22,015,972	20,189,448	69,335	834,381	—	—	—	—	—	43,109,136
	<u>25,352,516</u>	<u>230,091,504</u>	<u>69,335</u>	<u>834,381</u>	—	—	—	—	—	<u>256,347,736</u>
Less accumulated depreciation	(16,959,819)	(67,558,412)	(62,942)	(648,789)	—	—	—	—	—	(85,229,962)
Construction in progress	<u>1,881,122</u>	<u>1,716,129</u>	—	—	—	—	—	—	—	<u>3,597,251</u>
Total capital assets net of accumulated depreciation	<u>10,273,819</u>	<u>164,249,221</u>	<u>6,393</u>	<u>185,592</u>	—	—	—	—	—	<u>174,715,025</u>
Total noncurrent assets	<u>10,273,819</u>	<u>181,105,561</u>	<u>6,393</u>	<u>185,592</u>	—	—	—	—	<u>(330,000)</u>	<u>191,241,365</u>
Total assets	<u>15,439,475</u>	<u>214,630,223</u>	<u>1,013,481</u>	<u>2,457,109</u>	<u>4,692,776</u>	<u>6,814,085</u>	<u>95,000</u>	<u>10,189,477</u>	<u>(661,607)</u>	<u>254,670,019</u>

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

C-1-2

Combining Statement of Net Assets, Continued

Internal Service Funds

June 30, 2004

	Information Technology	Capital Assets	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Eliminations	Total
<b>LIABILITIES</b>										
Current liabilities:										
Accounts payable	\$ 274,980	295,401	5,055	—	—	—	—	—	—	575,436
Contracts payable	158,499	6,000	—	—	—	—	—	—	—	164,499
Accrued payroll	41,891	79,165	13,275	16,491	—	—	—	—	—	150,822
Interest payable	—	467,060	—	—	—	—	—	—	—	467,060
Current portion of:										
Compensated absences	32,044	65,837	10,230	9,626	—	—	—	3,065,003	—	3,182,740
Outstanding claims	—	—	—	—	1,517,817	1,823,279	10,636	—	—	3,351,732
Revenue bonds	—	4,472,268	—	—	—	—	—	—	—	4,472,268
Advances from other funds	331,607	—	—	—	—	—	—	—	(331,607)	—
Intergovernmental payable	685	629	18	—	—	—	—	—	—	1,332
<b>Total current liabilities</b>	<b>839,706</b>	<b>5,386,360</b>	<b>28,578</b>	<b>26,117</b>	<b>1,517,817</b>	<b>1,823,279</b>	<b>10,636</b>	<b>3,065,003</b>	<b>(331,607)</b>	<b>12,365,889</b>
Long-term liabilities (net of current portion):										
Advances from other funds	330,000	—	—	—	—	—	—	—	(330,000)	—
Compensated absences	84,455	205,685	42,279	9,714	—	—	—	6,813,443	—	7,155,576
Outstanding claims	—	—	—	—	2,977,747	4,394,264	—	—	—	7,372,011
Revenue bonds	—	110,506,765	—	—	—	—	—	—	—	110,506,765
Original issue premium, net	—	4,426,782	—	—	—	—	—	—	—	4,426,782
Original issue discount, net	—	—	—	—	—	—	—	—	—	—
Deferred amount on refunding, net	—	(3,777,836)	—	—	—	—	—	—	—	(3,777,836)
<b>Total long-term liabilities</b>	<b>414,455</b>	<b>111,361,396</b>	<b>42,279</b>	<b>9,714</b>	<b>2,977,747</b>	<b>4,394,264</b>	<b>—</b>	<b>6,813,443</b>	<b>(330,000)</b>	<b>125,683,298</b>
<b>Total liabilities</b>	<b>1,254,161</b>	<b>116,747,756</b>	<b>70,857</b>	<b>35,831</b>	<b>4,495,564</b>	<b>6,217,543</b>	<b>10,636</b>	<b>9,878,446</b>	<b>(661,607)</b>	<b>138,049,187</b>
<b>NET ASSETS</b>										
Invested in capital assets, net of related debt	9,612,212	54,986,655	6,393	185,592	—	—	—	—	661,607	65,452,459
Restricted for:										
Debt service	—	265	—	—	—	—	—	—	—	265
Construction of capital assets	—	10,160,662	—	—	—	—	—	—	—	10,160,662
Unrestricted	4,573,102	32,734,885	936,231	2,235,686	197,212	596,542	84,364	311,031	(661,607)	41,007,446
<b>Total net assets (deficit)</b>	<b>\$ 14,185,314</b>	<b>97,882,467</b>	<b>942,624</b>	<b>2,421,278</b>	<b>197,212</b>	<b>596,542</b>	<b>84,364</b>	<b>311,031</b>	<b>—</b>	<b>116,620,832</b>

See accompanying independent auditors' report.

CITY OF BEVERLY HILLS, CALIFORNIA

C-2

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

Internal Service Funds

Year Ended June 30, 2004

	Information Technology	Capital Assets	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Eliminations	Total
Operating revenues –										
Sales, service charges and fees	\$ 5,519,688	20,349,392	1,155,722	1,040,132	3,705,200	2,808,999	42,543	10,092,392	(2,620,636)	42,093,432
Operating expenses:										
Salaries and employee benefits	1,398,855	2,236,870	237,710	376,019	—	—	—	875,069	(623,334)	4,501,189
Maintenance and operation	2,363,014	5,699,796	777,804	131,239	—	—	—	9,531,555	(1,997,302)	16,506,106
Insurance premiums, settlements and provisions	—	—	—	—	3,833,909	1,875,849	38,131	—	—	5,747,889
Depreciation and amortization	3,164,173	5,789,479	6,824	48,310	—	—	—	—	—	9,008,786
Total operating expenses	6,926,042	13,726,145	1,022,338	555,568	3,833,909	1,875,849	38,131	10,406,624	(2,620,636)	35,763,970
Operating income (loss)	(1,406,354)	6,623,247	133,384	484,564	(128,709)	933,150	4,412	(314,232)	—	6,329,462
Nonoperating revenues (expenses):										
Investment revenue	170,620	1,164,743	29,564	63,705	137,869	203,721	3,016	319,522	(30,166)	2,062,594
Net change in fair value of investments	(134,732)	(850,512)	(23,344)	(50,294)	(108,854)	(160,843)	(2,386)	(252,294)	—	(1,583,259)
Interest expense	(30,166)	(6,083,314)	—	—	—	—	—	—	30,166	(6,083,314)
Intergovernmental revenue	—	653,780	—	—	—	—	—	—	—	653,780
Gain on sale of capital assets	—	20,005	—	—	—	—	—	—	—	20,005
Contribution in aid of construction	—	1,955,788	—	—	—	—	—	—	—	1,955,788
Total nonoperating revenues (expenses)	5,722	(3,139,510)	6,220	13,411	29,015	42,878	630	67,228	—	(2,974,406)
Income (loss) before contributions and operating transfers	(1,400,632)	3,483,737	139,604	497,975	(99,694)	976,028	5,042	(247,004)	—	3,355,056
Transfers in	—	158,035	—	—	—	—	—	—	—	158,035
Transfers out	(35,888)	—	(6,220)	(13,411)	—	(42,878)	(630)	—	—	(99,027)
Infrastructure and fine art assets completed and transferred	—	—	—	—	(384,053)	—	—	—	—	(384,053)
Change in net assets	(1,436,520)	3,641,772	133,384	484,564	(483,747)	933,150	4,412	(247,004)	—	3,030,011
Net assets, July 1	15,621,834	94,240,695	809,240	1,936,714	680,959	(336,608)	79,952	558,035	—	113,590,821
Net assets (deficit), June 30	\$ 14,185,314	97,882,467	942,624	2,421,278	197,212	596,542	84,364	311,031	—	116,620,832

See accompanying independent auditors' report.



CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2004

	Information Technology	Capital Assets	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Total
Cash flows from operating activities:									
Cash received from customers	\$ 5,519,688	20,349,392	1,155,722	1,040,132	3,705,200	2,808,999	42,543	10,092,392	44,714,068
Cash payments to employees for services	(1,481,380)	(2,187,301)	(226,142)	(373,704)	—	—	—	(465,862)	(4,734,389)
Cash payments for goods and services	(2,414,892)	(6,964,322)	(772,383)	(151,687)	14,215	—	—	(9,531,556)	(19,820,625)
Cash payments for insurance premiums, settle- ments and claims	—	—	—	—	(3,607,982)	(1,911,598)	(42,543)	—	(5,562,123)
Net cash provided by (used in) operating activities	1,623,416	11,197,769	157,197	514,741	111,433	897,401	—	94,974	14,596,931
Cash flows from noncapital financing activities –									
Grant receipts	—	653,780	—	—	—	—	—	—	653,780
Transfers in	—	158,035	—	—	—	—	—	—	158,035
Transfers out	(35,888)	—	(6,220)	(13,411)	—	(42,878)	(630)	—	(99,027)
Net cash provided by (used in) noncapital financing activities	(35,888)	811,815	(6,220)	(13,411)	—	(42,878)	(630)	—	712,788
Cash flows from capital financing activities:									
Proceeds from sale of property	—	20,005	—	—	—	—	—	—	20,005
Acquisition and construction of capital assets	(1,692,694)	(3,260,994)	—	—	(384,053)	—	—	—	(5,337,741)
Capital contributions received	—	1,955,788	—	—	—	—	—	—	1,955,788
Proceeds from issuance of bonds	—	—	—	—	—	—	—	—	—
Payments to defeased bonds escrow trustee	—	—	—	—	—	—	—	—	—
Payment of bond issuance costs	—	—	—	—	—	—	—	—	—
Principal received (paid) on interfund advance	(330,000)	330,000	—	—	—	—	—	—	—
Interest received (paid) on interfund advance	(33,778)	33,778	—	—	—	—	—	—	—
Principal payments on debt	—	(4,044,580)	—	—	—	—	—	—	(4,044,580)
Interest payments on debt	—	(5,745,364)	—	—	—	—	—	—	(5,745,364)
Net cash used in capital financing activities	(2,056,472)	(10,711,367)	—	—	(384,053)	—	—	—	(13,151,892)
Cash flows from investing activities –									
Earnings on investments	27,037	133,884	2,790	4,427	20,601	20,334	412	42,690	252,175
Net increase (decrease) in cash and cash equivalents	(441,907)	1,432,101	153,767	505,757	(252,019)	874,857	(218)	137,664	2,410,002
Cash and cash equivalents, July 1	5,557,811	31,195,542	830,805	1,743,882	4,661,741	5,873,348	94,303	9,953,673	59,911,105
Cash and cash equivalents, June 30	\$ 5,115,904	32,627,643	984,572	2,249,639	4,409,722	6,748,205	94,085	10,091,337	62,321,107
Cash and investments	\$ 5,115,904	32,627,643	984,572	2,249,639	4,409,722	6,748,205	94,085	10,091,337	62,321,107
Restricted cash and investments	—	10,135,573	—	—	—	—	—	—	10,135,573
Total cash and investments	5,115,904	42,763,216	984,572	2,249,639	4,409,722	6,748,205	94,085	10,091,337	72,456,680
Less nonpooled investments	—	(10,135,573)	—	—	—	—	—	—	(10,135,573)
Cash and cash equivalents	\$ 5,115,904	32,627,643	984,572	2,249,639	4,409,722	6,748,205	94,085	10,091,337	62,321,107

(Continued)

**CITY OF BEVERLY HILLS, CALIFORNIA**

C-3-2

Combining Statement of Cash Flows, Continued

Internal Service Funds

Year Ended June 30, 2004

	<u>Information Technology</u>	<u>Capital Assets</u>	<u>Repro- graphics</u>	<u>Cable TV</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Employee Benefits</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:									
Operating income (loss)	\$ (1,406,354)	6,623,247	133,384	484,564	(128,709)	933,150	4,412	(314,232)	6,329,462
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:									
Depreciation and amortization	3,164,173	5,789,479	6,824	48,310	—	—	—	—	9,008,786
Changes in assets and liabilities:									
Decrease in restricted cash	—	45,600	—	—	—	—	—	—	45,600
Decrease in inventory	—	(27,544)	—	—	—	—	—	—	(27,544)
Decrease in prepaid expenses	—	259,750	8,576	—	14,215	—	—	—	282,541
Decrease in accounts payable	(52,430)	(1,542,848)	(3,173)	(20,448)	—	—	—	—	(1,618,899)
Increase in intergovernmental payable	552	516	18	—	—	—	—	—	1,086
Increase (decrease) in accrued payroll	(7,908)	10,581	1,861	1,696	—	—	—	—	6,230
Increase (decrease) in accrued compensated absences	(74,617)	38,988	9,707	619	—	—	—	409,206	383,903
Increase (decrease) in outstanding claims	—	—	—	—	225,927	(35,749)	(4,412)	—	185,766
Total adjustments	<u>3,029,770</u>	<u>4,574,522</u>	<u>23,813</u>	<u>30,177</u>	<u>240,142</u>	<u>(35,749)</u>	<u>(4,412)</u>	<u>409,206</u>	<u>8,267,469</u>
Net cash provided by operating activities	\$ <u>1,623,416</u>	<u>11,197,769</u>	<u>157,197</u>	<u>514,741</u>	<u>111,433</u>	<u>897,401</u>	<u>—</u>	<u>94,974</u>	<u>14,596,931</u>
Significant noncash investing and financing activity:									
-- Amortization of bond issuance costs, premiums, discounts and deferred amounts on refunding (note 9)	\$ —	349,670	—	—	—	—	—	—	349,670
-- Change in fair value of nonpooled investments	—	(23,981)	—	—	—	—	—	—	(23,981)

See accompanying independent auditors' report.





# INFRASTRUCTURE CAPITAL PROJECTS FUND

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

**CITY OF BEVERLY HILLS, CALIFORNIA**

D-1

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

Infrastructure Capital Projects Fund

For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget – Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	—	750,000	229,522	(520,478)
Net decrease in fair value of investments	—	—	(81,909)	(81,909)
Total revenues	<u>—</u>	<u>750,000</u>	<u>147,613</u>	<u>(602,387)</u>
Expenditures:				
Current – public service	—	274,514	290,086	15,572
Capital outlay	2,410,000	31,141,295	11,127,446	(20,013,849)
Total expenditures	<u>2,410,000</u>	<u>31,415,809</u>	<u>11,417,532</u>	<u>(19,998,277)</u>
Deficiency of revenues over expenditures	(2,410,000)	(30,665,809)	(11,269,919)	19,395,890
Other financing sources-				
Contribution in aid of construction	—	—	8,686,829	8,686,829
Deficiency of revenues and other sources over expenditures	(2,410,000)	(30,665,809)	(2,583,090)	28,082,719
Fund balance, July 1	<u>21,461,796</u>	<u>21,461,796</u>	<u>21,461,796</u>	<u>—</u>
Fund balance, June 30	<u>\$ 19,051,796</u>	<u>(9,204,013)</u>	<u>18,878,706</u>	<u>28,082,719</u>

See accompanying independent auditors' report.





# CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

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

**CITY OF BEVERLY HILLS, CALIFORNIA**

Capital Assets Used in the Operation of Governmental Funds  
Comparative Schedule by Source<sup>1</sup>

June 30, 2004 with comparative amounts for June 30, 2003

	<u>2004</u>	<u>2003</u>
Governmental funds capital assets by type, function and activity:		
Construction in progress	\$ 11,730,422	2,623,185
Infrastructure	91,192,960	87,221,344
Less accumulated depreciation	<u>(36,417,891)</u>	<u>(34,159,244)</u>
Net infrastructure assets – public works – streets and subdrains	54,775,069	53,062,100
Fine Art Collection – general government – art and culture	<u>1,119,390</u>	<u>874,390</u>
Total governmental funds capital assets	\$ <u>67,624,881</u>	<u>56,559,675</u>
Investments in governmental capital assets by source:		
1998 Lease Revenue Bonds	\$ 25,210,974	14,925,778
Capital projects general revenues	37,832,081	38,984,577
General Fund revenues	840,020	868,027
Special revenue funds revenues	<u>3,741,806</u>	<u>1,781,293</u>
Total investment in governmental capital assets by source	\$ <u>67,624,881</u>	<u>56,559,675</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.

See accompanying independent auditors' report.

**CITY OF BEVERLY HILLS, CALIFORNIA**

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

June 30, 2004

<u>Function and Activity</u>	<u>Construction in Progress</u>	<u>Infrastructure</u>	<u>Fine Art Collection</u>	<u>Total</u>
Construction in progress	\$ 11,730,422	—	—	11,730,422
General government -- art and culture	—	—	1,119,390	1,119,390
Public works – streets and subdrains	—	54,775,069	—	54,775,069
Total	<u>\$ 11,730,422</u>	<u>54,775,069</u>	<u>1,119,390</u>	<u>67,624,881</u>

See accompanying independent auditors' report.

**CITY OF BEVERLY HILLS, CALIFORNIA**

E-3

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

Year Ended June 30, 2004

<u>Function and Activity</u>	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance June 30, 2004</u>
Construction in progress	\$ 2,623,185	13,323,853	—	(4,216,616)	11,730,422
General government –					
Art and culture – fine art collection	874,390	—	—	245,000	1,119,390
Total general government	874,390	—	—	245,000	1,119,390
Public works:					
Street and subdrain:					
Infrastructure	87,221,344	—	—	3,971,616	91,192,960
Less accumulated depreciation	(34,159,244)	(2,258,647)	—	—	(36,417,891)
Total public works	53,062,100	(2,258,647)	—	3,971,616	54,775,069
Total	\$ 56,559,675	11,065,206	—	—	67,624,881

See accompanying independent auditors' report.



# STATISTICAL SECTION (UNAUDITED)

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



**CITY OF BEVERLY HILLS, CALIFORNIA**

S-1

Government-wide Expenses by Function<sup>1</sup>

Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Governmental Activities					Business-like Activities					Total
	General Government	Public Safety	Public Service	Culture and Recreation	Interest on Long-Term Debt	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater	
2004	\$ 17,060,296	53,964,163	14,145,177	34,503,604	7,874,136	20,047,179	10,657,245	9,705,225	4,929,043	1,923,141	174,809,209
2003	16,612,650	50,467,538	14,098,820	34,093,337	8,112,750	15,139,918	11,899,951	9,096,548	4,435,872	1,627,994	165,585,378
2002	15,233,544	46,927,534	12,235,436	34,499,747	8,338,292	14,059,928	11,151,044	8,384,540	5,318,642	1,463,552	157,612,259
2001	14,677,744	42,736,731	10,484,736	28,955,431	8,486,029	13,709,473	10,315,601	4,277,840	5,906,691	1,315,677	140,865,953
2000	12,696,881	40,421,156	10,444,727	27,546,046	8,635,389	13,382,471	10,567,318	4,719,610	6,566,758	1,372,439	136,352,795
1999	13,915,000	41,380,000	6,853,000	23,116,000	15,837,000	13,862,000	10,686,000	4,919,000	2,722,000	1,448,000	134,738,000
1998	12,550,000	36,729,000	6,421,000	22,696,000	7,658,000	12,851,000	11,446,000	4,624,000	4,529,000	1,046,000	120,550,000
1997	11,534,000	35,464,000	6,353,000	21,299,000	7,746,000	13,126,000	10,937,000	5,020,000	4,949,000	572,000 <sup>2</sup>	117,000,002
1996	10,992,000	32,583,000	6,437,000	19,310,000	7,829,000	13,262,000	10,153,000	5,113,000	1,894,000	—	107,573,000
1995	11,175,000	30,885,000	5,886,000	18,279,000	8,000,000	11,672,000	9,834,000	6,647,000	5,042,000	—	107,420,000

1. Expenses for governmental activities prior to FY2000 have not been restated using the full-accrual accounting method in accordance with GASB Statement No. 34. Amounts prior to FY2000 exclude internal service fund expenses, capital outlay expenditures, principal on long-term debt, other financing uses and residual equity transfers out. See also Exhibit S-3 for General Governmental Expenditures by Function.
2. The Stormwater Enterprise Fund was formed effective July 1, 1997.
3. For FY 1994 expenses for both the Parking Facilities Enterprise Fund and the Parking Authority Enterprise Fund are combined.

**CITY OF BEVERLY HILLS, CALIFORNIA**

Government-wide Revenues<sup>1</sup>

Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Program Revenues			General Revenues				Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants and Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings <sup>2</sup>	Other	
2004	\$ 75,792,893	2,076,083	11,127,637	92,709,659	2,500,228	5,281,415	5,880,254	195,368,169
2003	70,498,663	1,895,037	203,578	85,352,317	3,150,585	12,076,434	2,915,305	176,091,919
2002	66,406,474	1,597,918	1,064,604	81,164,713	2,851,607	16,112,717	2,713,170	171,911,203
2001	56,015,083	1,718,728	1,540,904	84,238,065	2,255,624	20,651,427	17,908,901	184,328,732
2000	55,263,746	1,733,467	1,774,492	83,330,841	2,091,609	13,217,569	15,431,986	172,843,710
1999	52,830,000	—	—	73,096,000	3,876,000	10,882,000	5,073,000	145,757,000
1998	48,870,000	—	—	66,863,000	4,732,000	13,700,000	5,516,000	139,681,000
1997	48,001,000	—	—	65,779,000	3,599,000	11,699,000	22,108,000	151,186,000
1996	43,186,000	—	—	61,330,000	3,553,000	10,665,000	7,606,000	126,340,000
1995	42,943,000	—	—	55,764,000	3,395,000	10,460,000	6,577,000	119,139,000

1. Revenues for activities prior to FY2000 have not been restated using the full-accrual accounting method in accordance with GASB Statement No. 34. Amounts prior to FY2000 exclude other financing sources, residual equity transfers in and charges for services of internal service funds. Charges for services also include licenses and permits, and fines and forfeitures. All intergovernmental revenues are included in grants and contributions not restricted to specific programs. See also Exhibit S-4 for General Governmental Revenues by Source.
2. Includes change in fair value of investments shown separately on the Statement of Activities.

**CITY OF BEVERLY HILLS, CALIFORNIA**

General Governmental Expenditures by Function<sup>1</sup>

Last Ten Fiscal Years  
(Unaudited)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Service</u>	<u>Culture and Recreation</u>	<u>Debt Service</u>	<u>Other Financing Uses</u>	<u>Total</u>
2004	\$ 16,148,980	53,441,949	16,964,454	30,426,938	1,769,950	158,035	118,910,306
2003	14,697,979	49,456,957	15,625,877	30,550,748	1,770,425	5,183,808	117,285,794
2002	17,700,643	48,174,155	15,031,337	33,559,704	1,769,925	3,606,406	119,842,170
2001	17,016,307	45,541,266	11,348,941	25,805,963	1,770,075	27,722,793	129,205,345
2000	14,219,932	39,184,885	9,615,817	24,012,421	1,769,975	38,146,879	126,949,909
1999	13,915,000	41,380,000	6,853,000	23,116,000	17,351,000	96,128,000	198,743,000
1998	12,550,000	36,729,000	6,421,000	22,696,000	9,653,000	15,471,000	103,520,000
1997	11,534,000	35,464,000	6,353,000	21,299,000	9,279,000	10,306,000	94,235,000
1996	10,992,000	32,583,000	6,437,000	19,310,000	9,390,000	9,986,000	88,698,000
1995	11,175,000	30,885,000	5,886,000	18,279,000	9,304,000	10,715,000	86,244,000

1. Amounts include activities of the General Fund, special revenue funds, debt service funds, capital projects funds and permanent funds for fiscal years subsequent to FY1999. Amounts include activities of the General Fund, special revenue funds, debt service funds and expendable trust funds for fiscal years prior to FY2000. Amounts do not include capital outlay expenditures. Amounts also do not include the activities of the internal service funds.

**CITY OF BEVERLY HILLS, CALIFORNIA**

S-4

General Governmental Revenues by Source<sup>1</sup>

Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Taxes <sup>2</sup>	Licenses and Permits	Intergovernmental	Charges for Services	Fines Forfeitures and Penalties	Use of Money and Property	Change in Fair Value of Investments <sup>3</sup>	All Street Meters <sup>4</sup>	Miscellaneous Revenues	Other Financing Sources	Total
2004	\$ 92,630,838	8,131,835	5,061,331	9,304,335	4,508,502	5,789,525	(1,399,763)	2,257,223	2,680,718	99,027	129,063,571
2003	85,468,000	6,364,895	5,249,200	8,739,671	4,731,482	7,752,047	(130,270)	—	2,783,153	448,783	121,406,961
2002	81,099,662	5,443,584	5,072,804	8,477,614	5,012,130	8,389,863	525,051	—	2,514,159	5,211,671	121,746,538
2001	84,560,161	6,321,690	4,495,987	4,242,925	5,097,418	9,920,957	1,003,028	—	6,738,259	20,637,480	143,017,905
2000	81,327,033	6,266,979	4,700,445	4,140,757	4,836,307	8,669,271	(317,921)	—	5,533,812	17,343,379	132,500,062
1999	73,096,000	6,364,000	3,694,000	4,324,000	4,807,000	5,741,000	(661,000)	—	4,967,000	141,734,000	244,066,000
1998	66,863,000	5,516,000	4,717,000	4,027,000	4,301,000	5,926,000	1,013,000	—	4,591,000	12,356,000	109,310,000
1997	65,779,000	5,502,000	3,599,000	3,968,000	3,954,000	5,370,000	141,000	—	8,461,000	11,436,000	108,210,000
1996	61,330,000	4,603,000	3,424,000	3,641,000	3,528,000	6,167,000	(353,000)	—	7,518,000	9,986,000	99,844,000
1995	55,764,000	4,857,000	3,395,000	3,802,000	3,367,000	5,680,000	—	—	4,520,000	10,484,000	91,869,000

1. Amounts include activities of the General Fund, special revenue funds, debt service funds, capital projects funds and permanent funds for fiscal years subsequent to FY1999. Amounts include activities of the General Fund, special revenue funds, debt service funds and expendable trust funds for fiscal years prior to FY2000. Amounts also do not include the activities of the internal service funds.
2. The Transient Occupancy Tax rate was raised from 12% to 14% effective February 1, 1994.
3. The City adopted GASB Statement No. 31 effective July 1, 1995.
4. Effective July 1, 2003, the accounting for all street meter revenue was transferred from the Parking Enterprise to the General Fund.

**CITY OF BEVERLY HILLS, CALIFORNIA**

General Governmental Tax Revenues by Source<sup>1</sup>

Last Ten Fiscal Years  
(Unaudited)

<u>Fiscal Year</u>	<u>General Property Tax</u>	<u>General Sales Tax</u>	<u>Business License Tax</u>	<u>Transient Occupancy Tax<sup>2</sup></u>	<u>Parks and Recreation Facilities Tax</u>	<u>Other Taxes</u>	<u>Total</u>
2004	\$ 23,687,873	19,945,850	27,303,220	16,683,673	3,456,102	1,554,120	92,630,838
2003	22,055,172	18,496,094	26,925,080	14,799,776	1,781,598	1,410,280	85,468,000
2002	20,845,212	18,070,898	24,976,171	14,648,226	1,618,542	940,613	81,099,662
2001	19,841,560	19,110,044	23,412,688	17,817,850	2,500,897	1,877,122	84,560,161
2000	18,213,401	17,963,678	22,888,239	17,419,187	2,462,039	2,380,489	81,327,033
1999	16,761,000	15,312,000	21,361,000	14,765,000	2,786,000	2,111,000	73,096,000
1998	15,429,000	15,374,000	19,855,000	13,086,000	1,431,000	1,688,000	66,863,000
1997	14,434,000	14,919,000	19,895,000	12,458,000	1,652,000	2,421,000	65,779,000
1996	14,752,000	13,299,000	18,986,000	11,519,000	1,101,000	1,673,000	61,330,000
1995	16,036,000	12,236,000	16,710,000	8,478,000	993,000	1,311,000	55,764,000

1. Amounts include activities of the General Fund, special revenue funds, debt service funds, capital projects funds and permanent funds for fiscal years subsequent to FY1999. Amounts include activities of the General Fund, special revenue funds, debt service funds, capital projects funds and expendable trust funds for fiscal years prior to FY2000. Amounts do not include other financing sources. Amounts also do not include the activities of the internal service funds.
2. The Transient Occupancy Tax rate was raised from 12% to 14% effective February 1, 1994.

**CITY OF BEVERLY HILLS, CALIFORNIA**

Property Tax Levies and Collections

Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Secured Taxes				Unsecured Taxes			
	Total Levy	Collections	Delinquency <sup>1</sup>		Total Levy	Collections	Delinquency <sup>1</sup> (Delinquencies Collected)	
			Amount	Percent			Amount	Percent
2004	\$ 21,401,458	20,446,150	955,308	4.46%	1,257,766	33,673	93,481	7.43%
2003	20,079,300	19,285,914	793,386	3.95	1,296,475	1,202,994	93,481	7.21
2002	19,006,555	18,030,992	975,563	5.13	1,296,903	1,170,601	126,302	9.74
2001	17,678,108	16,776,158	901,950	5.10	1,197,378	1,164,422	32,956	2.75
2000	16,932,000	15,878,000	1,054,000	6.22	1,087,000	1,078,000	9,000	0.83
1999	15,574,000	14,828,000	746,000	4.79	995,000	935,000	60,000	6.03
1998	13,988,000	13,228,000	760,000	5.43	946,000	943,000	3,000	0.32
1997	14,401,000	12,978,000	1,423,000	9.88	925,000	900,000	25,000	2.70
1996	14,685,000	13,419,000	1,266,000	8.62	914,000	844,000	70,000	7.66
1995	15,526,000	14,004,000	1,522,000	9.80	914,000	875,000	39,000	4.27

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

**CITY OF BEVERLY HILLS, CALIFORNIA**

S-7

Assessed and Estimated Actual Value of Taxable Property<sup>1</sup>

Last Ten Fiscal Years  
(Unaudited)

<u>Fiscal Year</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Real Property Exemptions</u>	<u>Net Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio of Net Assessed Value to Estimated Actual Value</u>
2004	\$ 12,797,945,339	398,885,451	36,197,000	13,160,633,790	13,196,830,790	99.73%
2003	12,045,395,152	409,001,238	36,428,000	12,417,968,390	12,454,396,390	99.71
2002	11,458,425,101	418,296,255	36,436,400	11,840,284,956	11,876,721,356	99.69
2001	10,562,377,726	414,388,951	36,727,600	10,940,039,077	10,976,766,677	99.67
2000	9,803,770,000	372,665,000	37,047,000	10,139,388,000	10,176,435,000	99.64
1999	8,734,770,000	350,126,000	37,377,000	9,047,519,000	9,084,896,000	99.59
1998	8,411,686,000	308,970,000	37,604,000	8,683,052,000	8,720,656,000	99.57
1997	8,392,848,000	315,121,000	37,605,000	8,670,364,000	8,707,969,000	99.57
1996	8,600,679,000	288,777,000	37,884,000	8,851,572,000	8,889,456,000	99.57
1995	9,133,713,000	259,728,000	37,962,000	9,355,479,000	9,393,441,000	99.60

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

**CITY OF BEVERLY HILLS, CALIFORNIA**

Property Tax Rates for Direct and Overlapping Governments<sup>1</sup>  
(Per \$100 of Assessed Value)

Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	City of Beverly Hills			School Districts			County of Los Angeles					Total	
	General Fund (Base) <sup>2</sup>	Retirement Benefits for Public Safety Personnel	Total	Beverly Hills Unified	Los Angeles Unified	Los Angeles Community College <sup>3</sup>	Flood Control District	Sanitation District No. 4	School Services <sup>3</sup>	Metropolitan Water District	West Mosquito Abatement District <sup>3</sup>		
2004	\$ 1.0000	0.0062	1.0062	0.0678	0.0771	0.0199	0.0010	0.0007	—	—	0.0061	—	1.1788
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	0.0005	0.0010	—	0.0077	—	1.1228
2001	1.0000	0.0079	1.0079	0.0448	0.0276	—	0.0013	0.0016	0.0013	—	0.0088	—	1.0933
2000	1.0000	0.0143	1.0143	0.0492	0.0315	—	0.0014	0.0018	0.0016	—	0.0089	—	1.1087
1999	1.0000	0.0208	1.0208	0.0644	0.0247	—	0.0015	0.0020	0.0015	—	0.0089	—	1.1238
1998	1.0000	0.0096	1.0096	0.0130	0.0120	—	0.0016	0.0022	0.0023	—	0.0089	—	1.0496
1997	1.0000	0.0151	1.0151	0.0125	0.0033	—	0.0016	0.0020	0.0022	—	0.0089	—	1.0456
1996	1.0000	0.0143	1.0143	0.0196	0.0034	—	0.0018	0.0010	0.0026	—	0.0089	—	1.0516
1995	1.0000	0.0131	1.0131	0.0020	0.0040	—	0.0020	0.0060	0.0023	—	0.0089	—	1.0383

1. Source – Taxpayers’ Guide compiled by the Los Angeles County Auditor-Controller’s Office. For any given tax year, unsecured property is taxed at the prior year’s secured tax rate. For jurisdictions with more than one tax rate, the rate most commonly associated with the City of Beverly Hills is given.
2. The property tax rates for the General Fund are estimates based on post-Proposition 13 assessed values and tax levies from the Los Angeles County Tax Collector.
3. Beginning July 1, 1978, due to Proposition 13, Section 2237(a) of the California Revenue and Taxation Code provides that no local agency, school district, county superintendent of schools or community college district shall levy an ad valorem tax, other than that amount which is equal to the amount needed to make annual payments for the interest and principal on general obligation bonds or other indebtedness approved by the voters prior to July 1, 1978, or the amount levied pursuant to Part 10 of Division 1 and Sections 39308, 39311, 81338 and 81341 of the California Education Code.

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

**CITY OF BEVERLY HILLS, CALIFORNIA**

S-9

Property Tax Levies for All Overlapping Governments<sup>1</sup>

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		
2004	\$ 29,440,970	806,245,366	172,145,440	1,690,927,359	68,658,901	233,828	1,532,895,593	45,823,845	579,904
2003	27,774,098	647,868,189	143,792,343	1,575,523,696	66,870,275	220,548	1,435,656,696	50,337,656	552,379
2002	23,460,661	640,376,246	133,106,930	1,493,979,343	64,124,699	271,372	1,359,151,316	51,936,338	518,550
2001	21,932,717	547,594,140	81,656,970	1,395,631,981	62,138,839	258,052	1,278,737,970	53,288,297	485,297
2000	20,717,000	526,564,000	77,066,000	1,305,263,000	59,024,000	244,000	1,212,694,000	49,790,000	449,000
1999	19,601,000	480,349,000	72,589,000	1,232,911,000	56,316,000	219,000	1,154,981,000	46,002,000	410,000
1998	14,476,000	439,845,000	70,384,000	1,189,353,000	55,308,000	235,000	1,135,412,000	43,744,000	399,000
1997	14,378,000	418,476,000	69,603,000	1,170,828,000	53,699,000	232,000	1,133,258,000	42,820,000	409,000
1996	15,238,000	422,369,000	69,968,000	1,170,087,000	49,480,000	254,000	1,147,561,000	42,615,000	401,000
1995	14,591,000	436,044,000	70,639,000	1,205,099,000	73,458,000	247,000	1,180,875,000	39,882,000	450,000

I. Source – Taxpayers’ Guide compiled by the Los Angeles County Auditor-Controller’s Office. Levies include maximum allocation under Proposition 13 and debt service requirements. See note 3 to Exhibit S-8. Levies do not include direct assessments and allocations from special augmentation fund.

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Property Taxpayers<sup>1</sup>  
 Year Ended June 30, 2004  
 (Unaudited)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>
Arden Realty Limited Partnership	Office buildings	\$ 171,739,072	1.34%
Sajahtera, Inc.	Hotel	152,000,000	1.18
B W Hotel LLC	Hotel	147,927,463	1.15
Rodeo Owner Corporation	Shopping center	145,513,871	1.13
Grifftel	Hotel	111,958,631	0.87
Wilroad Association Ltd. Partnership	Office/store/residential/parking	92,453,208	0.72
Douglas Emmett Realty Fund 2000	Office buildings	76,652,691	0.60
Maple Plaza, Ltd.	Office buildings	64,303,407	0.50
Burton Way Hotel, Inc.	Hotel	59,466,658	0.46
Belvedere Hotel Partnership	Hotel	55,969,683	0.44
Total of principal property taxpayers		1,077,984,684	8.39
All other property taxpayers		11,767,432,360	91.61
Total		\$ 12,845,417,044	100.00

1. Source – Los Angeles County Tax Assessor

**CITY OF BEVELRY HILLS, CALIFORNIA**

S-11

Computation of Legal Debt Margin

June 30, 2004  
(Unaudited)

Assessed valuations:		
Net assessed value		\$ 13,160,633,790
Add back exempt real property		<u>36,197,000</u>
Total assessed value		<u>\$ 13,196,830,790</u>
Legal debt margin:		
Debt limitation (3.75% of total assessed value)		\$ 494,881,155
Debt applicable to limitation:		
Total long-term liabilities	\$ 263,970,908	
Less:		
Amounts to be paid from:		
Water revenue	34,745,115	
Parking revenue	38,311,994	
Wastewater revenue	19,194,874	
Other lease revenue bonds	149,528,882	
Compensated absences	11,466,300	
Outstanding claims	<u>10,723,743</u>	
Total long-term liabilities excluded from computation	<u>263,970,908</u>	
Total debt applicable to limit		<u>—</u>
Legal debt margin		<u>\$ 494,881,155</u>

**CITY OF BEVERLY HILLS, CALIFORNIA**

Computation of Direct and Overlapping Debt

June 30, 2004  
(Unaudited)

Jurisdiction	Gross Debt	Net Assessed Valuation <sup>2</sup>	Amount of Gross Debt Applicable to the City <sup>3</sup>		Percentage of Gross Debt Applicable to the City
			Direct	Overlapping	
City of Beverly Hills	\$ 149,528,882 <sup>1</sup>	13,160,633,790	149,528,882	—	100.000%
Beverly Hills Unified School District	110,719,260	13,141,161,529	—	110,445,783	99.753
Los Angeles Unified School District	5,096,462,800	305,471,002,129	—	917,363	0.018
Los Angeles Community College District	673,615,000	379,725,654,818	—	25,031,533	3.716
County of Los Angeles	3,197,639,202	709,612,257,909	—	66,830,659	2.090
Los Angeles County Flood Control District	137,945,000	661,445,462,230	—	2,929,952	2.124
Metropolitan Water District	447,475,000	13,152,308,797 <sup>4</sup>	—	4,837,205	1.081
	<u>\$ 9,813,385,144</u>		<u>149,528,882</u>	<u>210,992,496</u>	

1. The City of Beverly Hills gross debt excludes compensated absences, outstanding claims and amounts to be repaid from revenues of enterprise funds. See also Exhibit S-13.
2. Source – Taxpayers’ Guide compiled by the Los Angeles County Auditor-Controller’s Office.
3. Source – California Municipal Statistics, Inc.
4. City of Beverly Hill’s valuation within the Metropolitan Water District.

**CITY OF BEVERLY HILLS, CALIFORNIA**

Ratio of Net Long-Term Debt to Assessed Value  
and Net Long-Term Debt Per Capita

Last Ten Fiscal Years  
(Unaudited)

<u>Fiscal Year</u>	<u>Estimated Population<sup>1</sup></u>	<u>Net Assessed Valuation<sup>2</sup></u>	<u>Total Long-Term Debt<sup>3</sup></u>	<u>Less Debt Service Funds<sup>4</sup></u>	<u>Less Debt Payable from Enterprise Revenues</u>	<u>Net Long-Term Debt</u>	<u>Ratio of Net Long-Term Debt to Net Assessed Value</u>	<u>Net Long-Term Debt Per Capita</u>
2004	35,701	\$ 13,160,633,790	263,970,908	13,619,621	92,251,983	158,099,304	1.20%	\$ 4,428
2003	35,350	12,417,968,390	271,882,188	13,484,807	96,500,850	161,896,561	1.30	4,580
2002	34,864	11,840,284,956	250,110,030	18,629,830	82,097,111	149,383,089	1.26	4,422
2001	34,367	10,940,039,077	253,731,864	17,612,376	85,000,058	151,119,430	1.38	4,397
2000	35,096	10,139,388,000	260,457,596	14,443,786	88,472,404	157,541,406	1.55	4,489
1999	34,560	9,047,519,000	267,853,727	9,935,000	92,131,000	165,787,727	1.83	4,797
1998	34,052	8,683,052,000	219,665,855	13,419,000	95,269,000	110,977,855	1.28	3,259
1997	33,700	8,670,364,000	224,279,664	13,382,000	98,401,000	112,496,664	1.30	3,338
1996	33,276	8,851,572,000	228,933,136	13,480,000	101,390,000	114,063,136	1.29	3,428
1995	32,873	9,355,479,000	233,203,725	13,480,000	104,242,000	115,481,725	1.23	3,513

1. Source – estimate of the State of California Department of Finance.
2. Source – Exhibit S-7
3. Excludes outstanding claims prior to FY1999.
4. Includes restricted assets related to bonded debt of governmental activities and cash and investments related to governmental long-term compensated absences subsequent to FY1999. Includes restricted assets of debt service funds prior to FY2000.

**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 Expenses<sup>1</sup>

Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Governmental Funds Debt Service		(A) Subtotal	Governmental Activities Debt Service in Internal Service Funds		(C) Total Debt Service	(D) Total General Government Expenditures (S-3)	(E) Total Governmental Activities Expenses (S-1)	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					
2004	\$ —	1,769,950	1,769,950	4,044,580	6,104,186	11,918,716	118,910,306	127,547,376	1.49%	9.06%
2003	—	1,770,425	1,770,425	1,848,571	6,342,325	9,961,321	117,285,794	123,385,095	1.51	7.95
2002	—	1,769,925	1,769,925	3,501,380	6,568,367	11,839,672	119,842,170	117,234,553	1.48	9.81
2001	—	1,770,075	1,770,075	3,345,856	6,715,954	11,831,885	129,205,345	105,340,671	1.37	10.89
2000	—	1,769,975	1,769,975	3,271,200	6,865,414	11,906,589	126,949,909	99,744,199	1.39	11.56
1999	1,701,000	7,687,000	9,388,000	—	—	9,388,000	198,743,000	—	4.72	n/a
1998	2,182,000	7,640,000	9,822,000	—	—	9,822,000	103,520,000	—	9.49	n/a
1997	1,924,000	7,727,000	9,651,000	—	—	9,651,000	94,235,000	—	10.24	n/a
1996	1,537,000	7,809,000	9,346,000	—	—	9,346,000	88,698,000	—	10.54	n/a
1995	1,695,000	7,886,000	9,581,000	—	—	9,581,000	86,244,000	—	11.11	n/a

1. A significant portion of the debt service for bonded debt of the City's governmental activities is now reported in its internal service funds since conversion to GASB 34. Accordingly, the City provides two measures of the governmental activities debt service coverage in order to provide comparable information for pre- and post-GASB 34 conversion. The first measure is the ratio of debt service expenditures reported in governmental funds to total governmental funds expenditures (excluding capital outlay). The second measure represents the ratio of total debt service for bonded debt in governmental activities at the government-wide level to total governmental activities expenses plus bonded debt principal. While these measures should be roughly equivalent in the type of information provided, the second measure reflects the full accrual accounting method.

**CITY OF BEVERLY HILLS, CALIFORNIA**

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 <sup>3</sup>			Coverage
	Gross Revenues <sup>1</sup>	Expenses Net of Depreciation and Interest <sup>2</sup>	Net Revenue Available for Debt Service	Principal	Interest	Total	
2004	\$ 17,789,695	15,267,461	2,522,234	833,690	2,016,599	2,850,289	0.88
2003	16,594,748	12,436,800	4,157,948	655,000	991,878	1,646,878	2.52
2002	16,879,558	11,651,056	5,228,502	1,070,389	899,322	1,969,711	2.65
2001	17,419,512	11,533,840	5,885,672	1,003,612	958,036	1,961,648	3.00
2000	17,073,628	11,096,191	5,977,437	962,086	1,015,384	1,977,470	3.02
1999	16,355,000	11,547,000	4,808,000	1,333,000	1,081,000	2,414,000	1.99
1998	16,028,000	10,527,000	5,501,000	1,028,000	1,202,000	2,230,000	2.47
1997	16,666,000	10,838,000	5,828,000	1,007,000	126,100	1,133,100	5.14
1996	13,745,000	10,948,000	2,797,000	963,000	1,316,000	2,279,000	1.23
1995	14,470,000	9,423,000	5,047,000	928,000	1,362,000	2,290,000	2.20

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

**CITY OF BEVERLY HILLS, CALIFORNIA**

Parking Facilities Enterprise Fund Long-Term Debt Coverage

Last Ten Fiscal Years  
(Unaudited)

<u>Parking Facilities Enterprise Fund Operations</u>							
Fiscal Year	Gross Revenues <sup>1</sup>	Expenses		Parking Facilities Enterprise Long-Term Debt Service Requirements <sup>3</sup>			Coverage
		Net of Depreciation and Interest <sup>2</sup>	Net Revenue Available for Debt Service	Principal	Interest	Total	
2004	\$ 10,201,990	5,421,490	4,780,500	2,271,730	1,968,645	4,240,375	1.13
2003	12,014,799	6,589,016	5,425,783	976,430	2,697,566	3,673,996	1.48
2002	12,773,284	5,603,410	7,169,874	1,468,231	2,900,821	4,369,052	1.64
2001	13,235,898	5,020,288	8,215,610	1,985,532	2,755,250	4,740,782	1.73
2000	11,920,011	4,960,636	6,959,375	1,901,713	2,847,209	4,748,922	1.47
1999	10,972,000	4,987,000	5,985,000	1,675,000	2,862,000	4,537,000	1.32
1998	11,123,000	5,659,000	5,464,000	1,665,000	3,065,000	4,730,000	1.16
1997	10,392,000	5,208,000	5,184,000	1,556,000	3,132,000	4,688,000	1.11
1996	9,749,000	4,880,000	4,869,000	1,484,000	3,192,000	4,676,000	1.04
1995	9,600,000	4,415,000	5,185,000	1,434,000	3,245,000	4,679,000	1.11

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**

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Wastewater Enterprise Fund Long-Term Debt Coverage

Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	<u>Wastewater Enterprise Fund Operations</u>							Coverage
	Gross Revenues <sup>1</sup>	Expenses		Net Revenue Available for Debt Service	Wastewater Enterprise Long-Term Debt Service Requirements <sup>3</sup>			
		Net of Depreciation and Interest <sup>2</sup>			Principal	Interest	Total	
2004	\$ 7,928,519	2,933,966		4,994,553	745,000	1,041,302	1,786,302	2.80
2003	6,764,202	2,473,840		4,290,362	700,000	1,077,472	1,777,472	2.41
2002	6,886,113	3,367,825		3,518,288	660,000	1,122,885	1,782,885	1.97
2001	6,592,540	4,082,274		2,510,266	615,000	1,166,197	1,781,197	1.41
2000	5,478,165	4,644,676		833,489	575,000	1,206,681	1,781,681	0.47
1999	5,466,000	826,000		4,640,000	910,000	1,234,000	2,144,000	2.16
1998	4,965,000	2,621,000		2,344,000	440,000	1,350,000	1,790,000	1.31
1997	5,400,000	3,070,000		2,330,000	425,000	1,369,000	1,794,000	1.30
1996	5,890,000	2,210,000		3,680,000	405,000	1,386,000	1,791,000	2.05
1995	5,357,000	3,178,000		2,179,000	390,000	1,402,000	1,792,000	1.22

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**

Property Value, Building Permits, Construction Value and Bank Deposits

Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Net Assessed Property Value <sup>1</sup>	Number of Building Permits Issued	Building Permits Revenue	Construction Value	Average Construction Value Per Permit	Deposits in Financial Institutions Within the City Limits <sup>2</sup>		
						Banks	Savings & Loans <sup>3</sup>	Total
2004	\$ 13,160,633,790	2,447	\$ 4,419,719	177,124,342	72,384	n/a <sup>4</sup>	n/a <sup>4</sup>	n/a <sup>4</sup>
2003	12,417,968,390	2,319	\$ 3,181,806	117,998,506	50,883	7,545,910,000	1,655,957,000	9,201,867,000
2002	11,840,284,956	2,228	2,614,675	145,393,710	65,258	6,912,400,000	1,592,954,000	8,505,354,000
2001	10,940,039,077	2,352	3,274,550	151,234,618	64,300	9,449,712,000	1,675,913,000	11,125,625,000
2000	10,139,388,000	2,508	3,029,000	136,685,000	54,500	7,818,312,000	1,620,658,000	9,438,970,000
1999	9,047,519,000	2,506	3,324,000	133,094,000	53,110	6,758,725,000	1,857,274,000	8,615,999,000
1998	8,683,052,000	2,780	2,726,000	115,000,000	41,367	7,778,379,000	2,805,250,000	10,583,629,000
1997	8,670,364,000	2,500	2,747,000	122,000,000	48,800	5,826,894,000	3,347,513,000	9,174,407,000
1996	8,851,572,000	2,753	2,293,000	95,698,000	34,761	4,752,701,000	3,993,878,000	8,746,579,000
1995	9,355,479,000	3,219	2,594,000	115,548,000	35,896	4,473,257,000	4,499,113,000	8,972,370,000

1. See Exhibit S-7.
2. Source – The Findlay Reports.
3. Includes savings banks and credit unions.
4. Deposit data was not available at the issuance date of this report.

**CITY OF BEVERLY HILLS, CALIFORNIA**

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Demographic Statistical Data

June 30, 2004  
(Unaudited)

**Total Population:**

2000 <sup>1</sup> :	33,784
2002 <sup>2</sup> :	34,864
2003 <sup>2</sup> :	35,350
2004 <sup>2</sup> :	35,701

**Population Distribution by Race (2000 Census)<sup>1</sup>:**

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

**Percent of Population in Various Age Groups<sup>1</sup>:**

<u>Age</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
0-9	7.7%	7.3%	5.8%	7.7%	9.1%
10-19	12.1	13.2	13.4	9.9	12.9
20-34	13.1	14.8	18.9	21.2	18.4
35-44	13.7	11.6	13.2	15.9	15.2
45-54	19.3	16.2	13.7	13.7	15.8
55-64	17.7	17.0	13.8	11.3	11.0
65+	16.4	19.9	21.2	20.3	17.6
Median age:	47.0	46.9	43.9	42.5	41.3

**Household Size (1990 Census)<sup>1</sup>:**

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

**Average income levels (2000 Census)<sup>1</sup>:**

	<u>Households</u>	<u>Families</u>
Median	\$ 70,945	102,611

**Housing Units (Estimated January 2004)<sup>2</sup>:** 16,032

**Housing Units (2000 Census)<sup>1</sup>:**

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

**Median value of owner-occupied units (2000 Census)<sup>1</sup>:** \$1,000,000+

**School Enrollment:**

BHUSD (K-12) <sup>3</sup> :	5,091
All schools (Nursery - 12) (2000 Census) <sup>1</sup> :	6,141

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

CITY OF BEVERLY HILLS, CALIFORNIA

S-20

Principal Sales Taxpayers<sup>1</sup>  
(Listed Alphabetically)

Year Ended June 30, 2004  
(Unaudited)

<u>Taxpayer</u>	<u>Category</u>	<u>Taxpayer</u>	<u>Category</u>
14 Karats Ltd.	Jewelry stores	Hermes of Paris	Specialty stores
Barney's of New York	Department stores	Hilton Equipment Corporation	Food processing/equipment
Beverly Hills BMW	New car dealers	Lawry's Prime Rib Restaurant	Restaurants with onsale
Beverly Hills Ford	New car dealers	Lexus of Beverly Hills	New car dealers
The Beverly Hills Hotel	Hotel food/bar sales	Louis Vuitton Stores	Specialty stores
Beverly Hills Mercedes-Benz	New car dealers	Marina Del Rey Enterprises	Leasing
Beverly Hills Porsche	New car dealers	Martine Limited	Jewelry stores
The Beverly Hilton	Hotel food/bar sales	Mastro's Steakhouse	Restaurant with beer
Beverly Wilshire Restaurant	Restaurants with onsale	Neiman-Marcus Department Store	Department stores
Cartier, Inc.	Jewelry stores	Nike Town	Shoe stores
Chanel Boutique	Women's apparel	The Peninsula Beverly Hotels	Hotel food/bar sales
Chase Manhattan Auto Finance	Passenger car leasing	Polo Ralph Lauren	Family apparel
Daimler Chrysler Financial	Leasing	Prada Mens Wear	Men's apparel
DCFS Trust	Leasing	Rite Aid Drug Stores	Drug stores
Escada Beverly Hills	Women's apparel	Robinsons-May Department Store	Department stores
Ferrari of Beverly Hills	New car dealers	Rolls Royce of Beverly Hills	New car dealers
Financial Services Vehicle Trust	Leasing	Saks Fifth Avenue	Department stores
Geary's of Beverly Hills	Home furnishings	Spago Restaurant	Restaurants with onsale
Giorgio Armani Boutique	Family apparel	Tiffany & Company	Jewelry stores
Gucci Shops	Specialty stores	Toyota Motor Credit	Leasing

1. Source – Municipal Resource Consultants based on taxable transactions during the 12 months ended March 31, 2004.



**CITY OF BEVERLY HILLS, CALIFORNIA**

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Insurance in Force  
 June 30, 2004  
 (Limits of Coverage in Millions)  
 (Unaudited)

<u>Insurance Type</u>	<u>Limits of Coverage</u>	<u>Company</u>	<u>Policy Number</u>	<u>Annual Premium</u>	<u>Expiration Date</u>
Property:					
Building and contents:	\$ 249.332	FM Global	TE 480	\$ 237,384	07/01/04
Building and contents, City vehicles, fine arts, valuable papers, extra expenses, loss of rents, boiler and machinery					
Earthquake and flood:					
Police Station, Library, Civic Center Site Amenities, Parking	5.0	Commonwealth Insurance Co.	US4574	843,017	07/01/04
Stuctures D, P, Q, A-South, A-North, U and Civic Center, City Hall, and Headquarters	2.5 p/o 5.0 xs 5.0	Arch Specialty Insurance	725ESP2595400		
Fire Station	2.5 p/o 5.0 xs 5.0	General Star Insurance Co.	IPG389730		
	10.0 p/o 15.0 xs 10.0	Pacific Insurance Co.	ZG 0026567		
	5.0 p/o 15.0 xs 10.0	Redlands Insurance Co.	SIU31125		
	25.0 xs 25.0	Clarendon America Insurance Co.	301702EQ-1		
	10.0 p/o 50.0 xs 50.0	St. Paul Fire & Marine	144SP1894		
	25.0 p/o 50.0 xs 50.0	Great American Insurance Co.	CPP5663803		
	3.0 p/o 50.0 xs 50.0	Greenwich Insurance Co.	ACG3363803		
	64.2 xs 100.0	Underwriters Lloyds of London	NN079550C		
Workers' Compensation:					
Workers' compensation		Self-insured			

xs - Excess

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

S-21-2

Insurance in Force, Continued  
 June 30, 2004  
 (Limits of Coverage in Millions)  
 (Unaudited)

<u>Insurance Type</u>	<u>Limits of Coverage</u>	<u>Company</u>	<u>Policy Number</u>	<u>Annual Premium</u>	<u>Expiration Date</u>
Liability:					
Comprehensive general and automobile	1.0	Self-insured			
Excess liability	10.0 xs SIR underlying coverage	Insurance Co. of the State of Pennsylvania	42041299	\$ 330,983	03/01/05
	15.0 xs 10.0	ARCH Specialty Insurance Co.	72UXP1346301		
Special Event liability (tenants and permittees)	1.0	Scottsdale Insurance Co.	CLS0923656	2,828	09/12/04
Fidelity:					
Honesty blanket bond	5.0	National Union Fire Insurance Co. of Pittsburg, PA	007290941	36,805	01/07/05
Public Officials:					
City Treasurer	0.135	Western Surety	69266337	675	01/01/06
City Clerk	0.025	Western Surety	6938058	85	06/16/05
Deputy Treasurers	0.025	Fidelity & Deposit Co. of Maryland	3015 4168	125	04/01/05
	0.025	Fidelity & Deposit Co. of Maryland	3015 4264	125	04/01/05
Group coverages:					
Group term life	28.53	Guardian	01423	102,413 *	Continuous
Group health	Various	PERS Health Benefits Program	Various	6,084,169 *	Continuous
Group dental	Various	Guardian**	39140	674,315 **	Continuous
Group vision	Various	Vision Service Plan	30513	157,210 *	Continuous
Group disability	Various	Fortis	40891	272,843 *	Continuous
Travel accident	Various	C N A	SR 232631	1,650 *	02/28/06

\* - Deposit/estimate

\*\* - Administrative services only contract with specific and aggregate excess insurance. Premium estimate based on expected costs.

xs - Excess

## CITY OF BEVERLY HILLS, CALIFORNIA

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### Miscellaneous Statistical Data

June 30, 2004  
(Unaudited)

**Incorporation date:** January 28, 1914

**Form of government:** Council-Manager

Five Councilmembers are elected at-large for overlapping four-year terms. The Mayor is elected for a one-year term by the Councilmembers. The Councilmembers appoint a City Manager, Councilmembers. The Councilmembers appoint a City Manager, City Attorney and City Clerk, who serve at the pleasure of the City Council. The City is a "general law" city operating under California state laws.

**Area/Location:** 5.69 square miles

Located in Los Angeles County bounded wholly by the City of Los Angeles on the north, south and west sides. The cities of Los Angeles and West Hollywood share Beverly Hills' eastern border. Its location, ten miles west of Los Angeles City Hall and midway between downtown Los Angeles and the Pacific Ocean makes the City a vital part of the Los Angeles region urbanized area. Major east-west streets through the City are Sunset, Santa Monica, Wilshire and Olympic Boulevards.

**Streets and alleys:**

Miles of streets (all paved)	102
Miles of alleys (all paved)	41
Street lights	5,683
Alley lights	858
Traffic signalized intersections	94
Parking meters (on street)	2,770

**Sewers:**

Miles of sanitary sewers	96
Miles of storm drains	84

**Building permits –**

Permits issued at \$177,124,342 (Approx. Value)	2,447
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**Business licenses:**

Services	4,461
Retail, wholesale, contractors & manufacturing	1,879
Professions	2,017
Apartment houses	1,285
Commercial property rental	555
Brokers	1,195
Miscellaneous	96
	<hr/>
Total	11,488
	<hr/> <hr/>

**Parking facilities:**

Attended (4210 spaces)	13
Metered lots (130 spaces)	4
Metered structures (406 spaces)	5

**Fire protection –**

Stations with 89 authorized positions	3
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**Police protection –**

Stations with 209 authorized positions	1
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**Parks and recreation:**

Parks with 97.4 total acres	6
Mini-parks with 2.6 total acres	7
School playgrounds with 16 total acres	5

**Water Department:**

Meters in service	10,728
Gallons (millions) (average daily consumption)	10.30
Miles of water mains	171
Fire hydrants	1,200

**Permanent positions:**

Classified service	603
Exempt service	123
	<hr/>
Total	726
	<hr/> <hr/>



