

CITY of BEVERLY HILLS
STATE of CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2005

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



CITY OF BEVERLY HILLS, CALIFORNIA

Comprehensive Annual Financial Report

Year Ended June 30, 2004

Table of Contents

	<u>Statement/ Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Letter of Transmittal		1
Principal City Officials		9
City Organizational Chart		10
Administrative Services Department Operations Chart		11
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting		12
California Society of Municipal Finance Officers Certificate of Award for Outstanding Financial Reporting		13
FINANCIAL SECTION		
Independent Auditors' Report		15
Management's Discussion and Analysis (Unaudited)		17
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	30
Statement of Activities	A-2	32
Fund Financial Statements:		
Balance Sheet – Governmental Funds	A-3	33
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets	A-4	34
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	A-5	35
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6	36
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	A-7	38
Statement of Net Assets – Proprietary Funds	A-8	40
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	A-9	42
Statement of Cash Flows – Proprietary Funds	A-10	44
Notes to Basic Financial Statements:		
(1) Summary of Significant Accounting Policies		47
(2) Reconciliation of Government-wide and Fund Financial Statements		53
(3) Stewardship, Compliance and Accountability		58
(4) Cash and Investments		59
(5) Receivables and Deferred Revenues		62
(6) Interfund Receivables/Payables		64
(7) Transfers		64
(8) Capital Assets		65
(9) Long-Term Liabilities		70

CITY OF BEVERLY HILLS, CALIFORNIA

Comprehensive Annual Financial Report

Table of Contents, Continued

	<u>Statement/ Exhibit</u>	<u>Page</u>
(10) Employee Retirement Systems and Deferred Compensation Plans		78
(11) Related Party Transaction – Sale/Leaseback		80
(12) Postemployment Health Care Benefits		80
(13) Commitments and Contingencies		81
Required Supplementary Information – Schedule of Funding Progress of the City’s Defined Benefit Pension Plans (Unaudited)		83
Additional Financial Information:		
Combining and Individual Fund Statements and Schedules:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	B-1	85
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	88
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	B-3	91
Internal Service Funds:		
Combining Statement of Net Assets.....	C-1	104
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	C-2	106
Combining Statement of Cash Flows	C-3	108
Infrastructure Capital Projects Fund –Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	D-1	111
Capital Assets Used in the Operation of Governmental Funds:		
Comparative Schedule by Source.....	E-1	113
Schedule by Function and Activity	E-2	114
Schedule of Changes by Function and Activity.....	E-3	115
STATISTICAL SECTION (Unaudited)		
Government-wide Information:		
Government-wide Expenses by Function	S-1	117
Government-wide Revenues.....	S-2	118
Fund Information:		
General Governmental Expenditures by Function.....	S-3	119
General Governmental Revenues by Source	S-4	120
General Governmental Tax Revenues by Source	S-5	121
Property Tax Levies and Collections.....	S-6	122
Assessed and Estimated Actual Value of Taxable Property	S-7	123
Property Tax Rates for Direct and Overlapping Governments	S-8	124

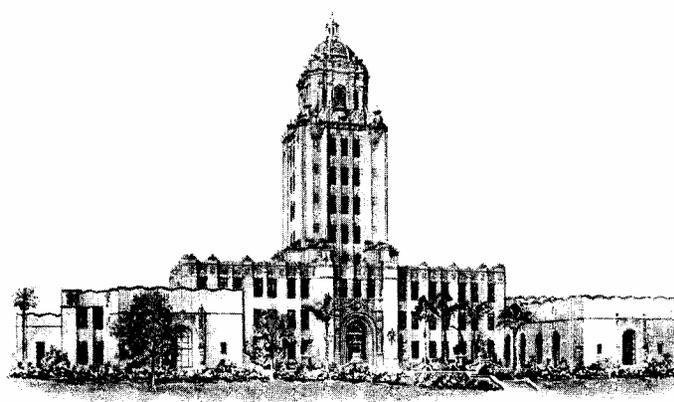
CITY OF BEVERLY HILLS, CALIFORNIA

Comprehensive Annual Financial Report

Table of Contents, Continued

	<u>Statement/ Exhibit</u>	<u>Page</u>
Property Tax Levies for All Overlapping Governments.....	S-9	125
Principal Property Taxpayers	S-10	126
Computation of Legal Debt Margin.....	S-11	127
Computation of Direct and Overlapping Debt.....	S-12	128
Ratio of Net General Long-Term Debt to Assessed Value and Net General Long-Term Debt Per Capita.....	S-13	129
Ratio of Annual Debt Service Expenditures for Governmental Activities Long-Term Debt to Total General Governmental Expenditures Plus Interest Expense.....	S-14	130
Water Enterprise Fund Long-Term Debt Coverage.....	S-15	131
Parking Facilities Enterprise Fund Long-Term Debt Coverage	S-16	132
Wastewater Enterprise Fund Long-Term Debt Coverage.....	S-17	133
Property Value, Building Permits, Construction Value and Bank Deposits	S-18	134
Demographic Statistical Data	S-19	135
Principal Sales Taxpayers.....	S-20	136
Insurance in Force	S-21	138
Miscellaneous Statistical Data.....	S-22	140





CITY OF BEVERLY HILLS

January 28, 2006

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby submit the comprehensive annual financial report (CAFR) of the City of Beverly Hills, California (City) for the fiscal year ended June 30, 2005.

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 McGladrey & Pullen 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, 2005, 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, 2005, 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
Citizens of the City of Beverly Hills, California
Letter of Transmittal
January 28, 2006

35,969¹. 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
- R-1 Design Review Commission
- Human Relations Commission
- Seismic Safety Appeals Board
- Recreation & Parks Commission
- Traffic & Parking Commission
- Solicitations Advisory Commission

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

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

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

presented for reporting purposes on a basis consistent with generally accepted accounting principles.

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

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

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

¹ Estimate – State of California Dept. of Finance.



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

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

The City Council adopted a conservative budget for Fiscal Year 2004/2005 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's budget deficit and the resulting significant reductions in subventions and other local government reimbursements.

Once again California cities and counties 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 State's 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 legislators failed to come to grips with the enormity of their problem and the economic future of the State.

The adopted General Fund budget for Fiscal Year 2005/2006 includes the following assumptions:

- An increase in capital contributions of \$2 million to a total of \$8 million in Fiscal Year 2005/2006 increasing to \$10 million next fiscal year and thereafter.
- Increases to operating budgets due to PERS contributions.
- Increases to operating budgets due to health benefit and workers' compensation premiums.
- A provision for salary increases.
- Over \$3 million in expenditure cuts due to elimination of positions and reductions in operating expenses.

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.

Revenues:

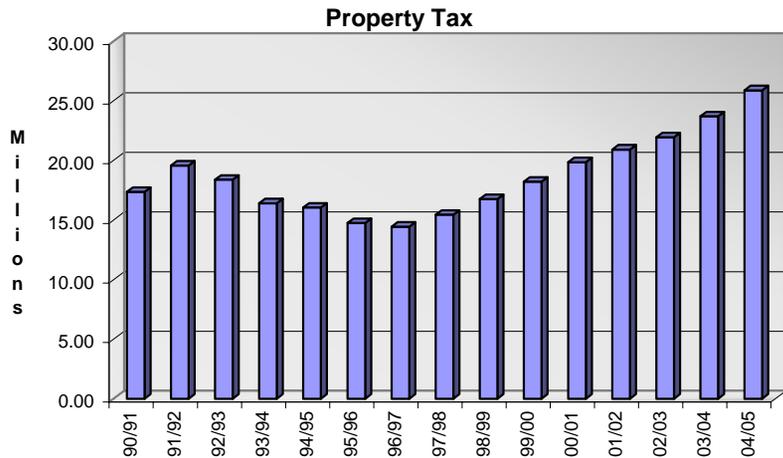
The four major sources of General Fund revenue include Property Tax, Sales Tax, Business Tax and Transient Occupancy Tax (TOT).

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 19.9% of General Fund revenues.

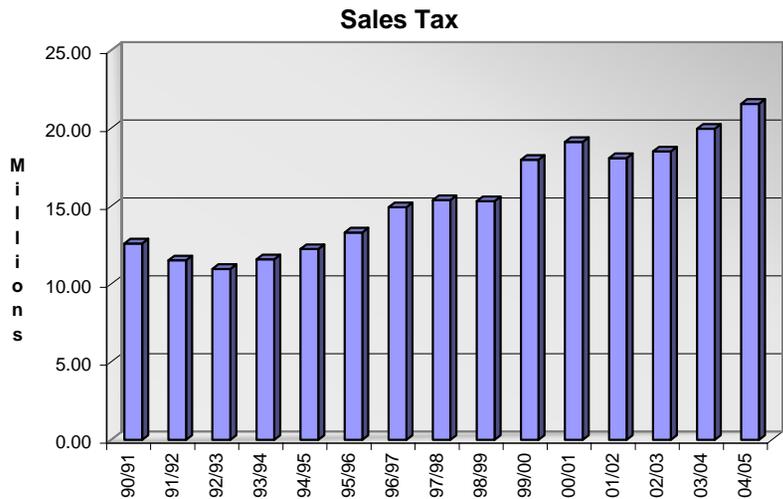
The graph on the next page illustrates how property tax revenues respond to economic conditions. In FY 90/91 the State and Nation entered into a period of economic downturn. But as the chart illustrates, property taxes did not respond to this economic trend as rapidly as other tax based revenues. The downturn, which began in FY 92/93 and continued through FY 96/97, was the result of three factors; 1) the general economic conditions, 2) State takeaways of property tax revenues, and 3) the reductions of California's real estate values and reassessment of property valuations by the Los Angeles County Assessor. Fiscal year 04/05 saw property tax revenues increase to \$25.9 million, a 9.2% increase over the prior year. Fiscal year 05/06 was budgeted at \$25.78 million, a 2.5% increase over the property tax projections at the time the budget was prepared, but slightly under the FY 04/05 actual.



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



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

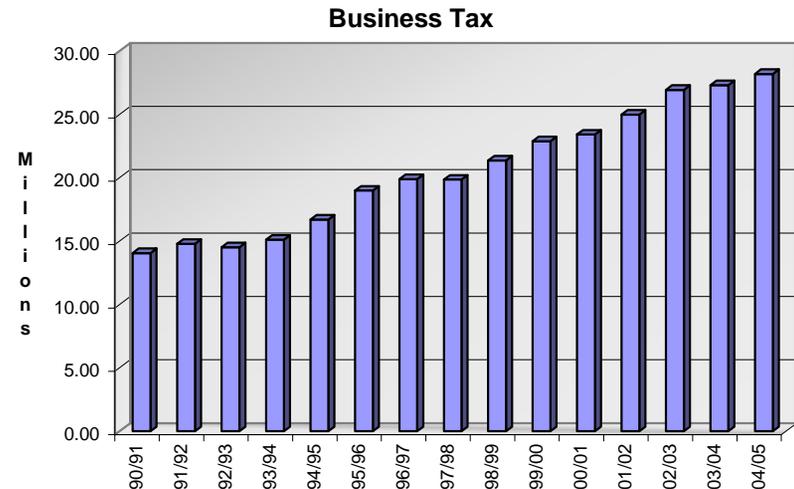


Sales tax revenue responds much faster to changing economic conditions than property tax. As the accompanying chart shows, sales tax revenue

responded almost immediately to the economic downturn of the early 90's and the terrorist events of September 2001. From FY 90/91 through FY 92/93 sales tax revenue declined at the rate of about 6.3% in each of the years. In FY 93/94 sales tax revenues began responding to local economic improvements and continued that growth until September of 2001. We finally began seeing a rebound from that tragic event in FY 03/04.

Sales tax revenues ended fiscal year 04/05 at \$21.56 million, an 8% increase of fiscal year 03/04 results. The budget for fiscal year 05/06 was considered conservative when developed at \$21.5 million or 2.3% over the then fiscal year 04/05 projections of \$21 million. 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.



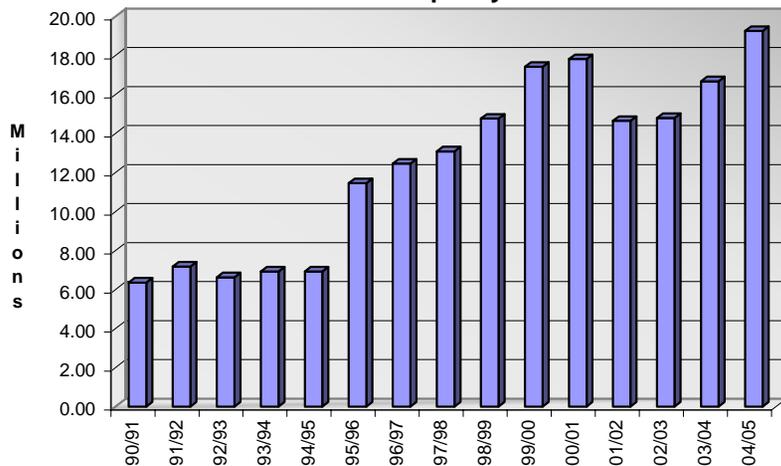
As the chart illustrates, business taxes have been a barometer of the



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

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 vacancies were reduced and new businesses entered the City. Some portion of the improvement since 1992/1993 also reflects a more aggressive tax audit program by the City. Fiscal year 04/05 ended with a slight increase of 3.3% or about \$890,000 for total revenues of \$28.2 million. Business tax revenue is estimated at \$28.8 million a 2.3% increase over the 04/05 years revenue.

Transient Occupancy Tax

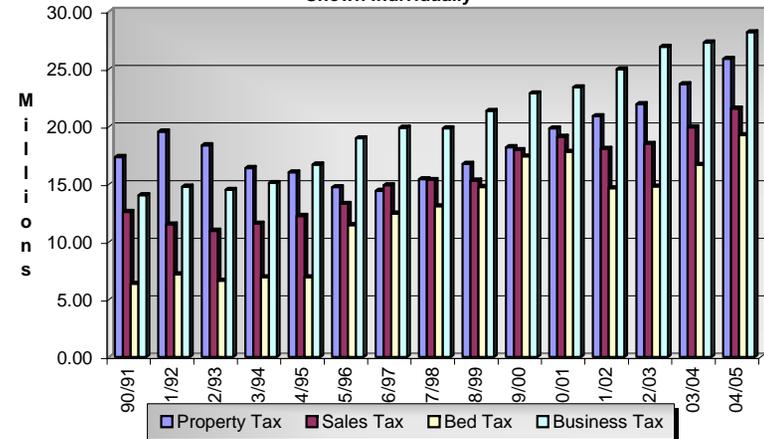


In the accompanying transient occupancy tax (bed tax) chart the variations beginning in FY 92/93 are due to hotel closures and tax rate changes. Two world class hotels, The Beverly Hills Hotel and the L'Ermitage were closed for refurbishment in FY 92/93. The Beverly Hills Hotel had its reopening in June 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 \$16.7 million. Fiscal year 04/05 had an increase of 15.5% (\$2.6 million increase) for total revenues of \$19.26 million, a far greater increase than anticipated and back on track to pre 9/11 growth. For next year the City budgeted revenues of \$18.5 million but currently anticipate transient occupancy tax growth to continue and end the year in excess of budget estimates.

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

**Total Tax Revenues
 Shown Individually**



In the Total Revenues chart above, business and sales taxes responded

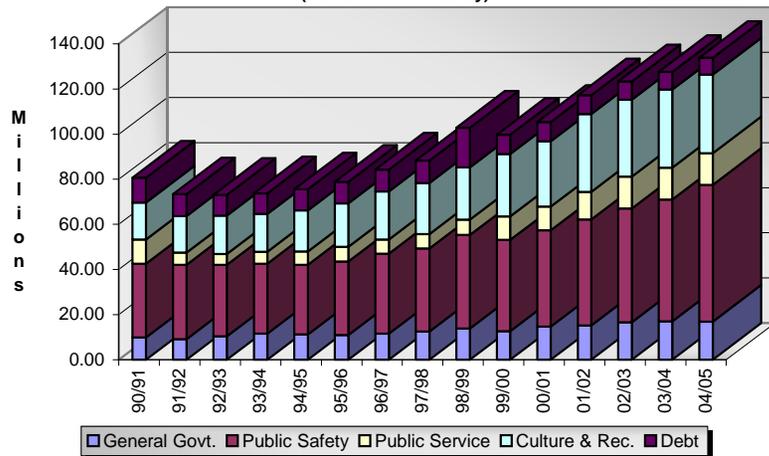


The Honorable Mayor, City Council and
 Citizens of the City of Beverly Hills, California
 Letter of Transmittal
 January 28, 2006

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

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

Governmental Operating Expenses
 (Shown Cumulatively)



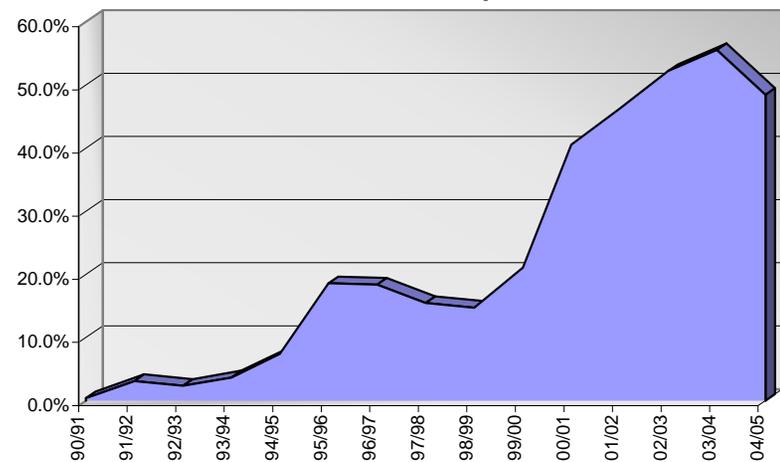
NOTE: A point of clarification for readers of this letter. The previous revenue graphs do not represent total City revenues for the periods evaluated. As noted, they represent only the City's four largest General Fund tax revenue sources. The graph representing expenditures is for the categories shown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

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

The continued improvements in revenues provide the City with a strong economic base to build upon for the future. Recent increases in property values, as evidenced by current property transactions, indicate that the real estate market is continuing to show strong growth. The City has adopted a balanced budget for FY 05/06. However, this budget assumes that the City will continue to reduce expenditures through more efficient operations, hiring freezes and elimination of staff positions. With significant increases expected in pension and health care contribution costs for its employees (especially public safety), the soaring costs of managing claims, litigation and workers' compensation, and the unknown impact on local government as the State attempts to balance its budget, the City Council continues to pursue strategies that maintain the City government's fiscal health.

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

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



Ideally, municipalities would maintain a reserve equal to 25% to 50% of their annual General Fund operating expenditure budget. For Beverly Hills,



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

that would equate to reserves between \$30 million and \$60.1 million for FY 04/05. In the accompanying chart, the change in the ratio of the fund balance of the City's General Fund to total expenditures is presented. As this chart demonstrates, the actions taken by the City have effectively improved revenues, controlled expenditures and allowed the City to increase its reserves for future needs. From this base, the City can confidently move into the 21st century.

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

- Development of the "T" surface parking lot into a 1,000 vehicle subterranean parking garage with surface gardens and retail space. This project will be in conjunction with commercial development of a 5 star hotel complex.
- Complete the accelerated street resurfacing program. The City normally spends about \$2.5 million a year on street resurfacing programs, in addition to alley and sidewalk programs totaling about \$1.2 million per year.
- Continue replacement of the conduit and wiring of the City's streetlights. This is a multi-year project to replace the City's aging 5,000-volt serial street lighting system in both the residential and business sectors of the City.
- Complete development of the Operational Services Center, which will provide space and facilities for the City's vehicle repair shop and several other repair facilities. When completed, this facility will centralize several of the City's Public Works divisions currently located in several older facilities. Demolition of these older facilities has been completed and the vehicle repair facility is currently residing in a temporary facility.
- Continue preliminary planning for facilities to house such desired activities as a sports center, performing arts center and counseling center.

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

2.38% for the general portfolio and 1.75% 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, 2005, the City had a number of debt issues outstanding. These issues, net of unamortized original issue discounts, premiums and deferred amounts on refunding, include \$213,049,971 of revenue bonds. During the year, outstanding bonds were reduced by a total of \$8.3 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, 2005 was \$529,376,876, which when reduced by the current general obligation debt of \$0 provides a net available debt margin of \$529,376,876. In addition to the restriction of the legal debt limitations, California's Constitution requires that a two-thirds majority vote be obtained for California cities to issue general obligation debt.

Risk Management. The City maintains a limited risk management program for liability, workers' compensation and unemployment benefits claims. This program includes the accumulation of resources in the self-insurance internal service funds to meet potential losses. In addition, various risk control techniques, including accident prevention training, have been implemented to minimize accident-related losses. The City is self-insured for all workers' compensation claims and the first \$500,000 of each general liability claim. General liability claims in excess of \$500,000 up to



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

\$25.5 million combined-single-limit per occurrence are covered by insurance. Excess insurance coverage for workers' compensation claims was cancelled effective July 1, 2003 when the Risk Manager determined that the significant increases in premiums for such excess coverage were not cost justified based on the City's historical claims against such coverage. Risk Management estimates predict significantly increased loss exposure for workers' compensation in future years. This prediction is based upon increased benefits mandated by the State of California.

Pension and Other Postemployment Benefits. The City provides its full-time and certain part-time employees retirement and disability benefits, annual cost-of-living adjustments and death benefits to members and their beneficiaries through two defined benefit pension plans, one for its safety employees and one for its miscellaneous employees. Effective May 7, 2001, the City amended the plans to increase the safety members retirement benefit to 3% at 50 (from 2% at 50) and effective January 8, 2005 the miscellaneous members retirement benefit increased to 2.5% at 55 (from 2% at 55). These plans are part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), agent-multiple employer plans administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. The City makes contributions to the plans based on amounts determined by CalPERS actuaries. The City also contributes the employees' required contributions on their behalf and for their account. As a result of the 2001 and 2005 Plan Amendments and the poor performance of CalPERS' investments over the past three years, the safety plan and miscellaneous plans are no longer over-funded. As of the latest plan valuation date, July 1, 2004, the funded status of the plans are 88.6% and 92.6% 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, 2005, the City was providing benefits to an average of 136 participants at an annualized cost of \$907,577.

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, 2004. 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, 2004. The criteria for award of this certificate from the CSMFO is similar to that established for the GFOA program. The certificate recognizes the achievement of excellence in producing a public communication document that enhances general public understanding of city government and encourages citizen participation.

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

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

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

Sincerely,

Roderick J. Wood
City Manager

Scott G. Miller, PhD
Chief Financial Officer

CITY OF BEVERLY HILLS, CALIFORNIA

Principal City Officials

Elected Officials

City Council

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

City Treasurer

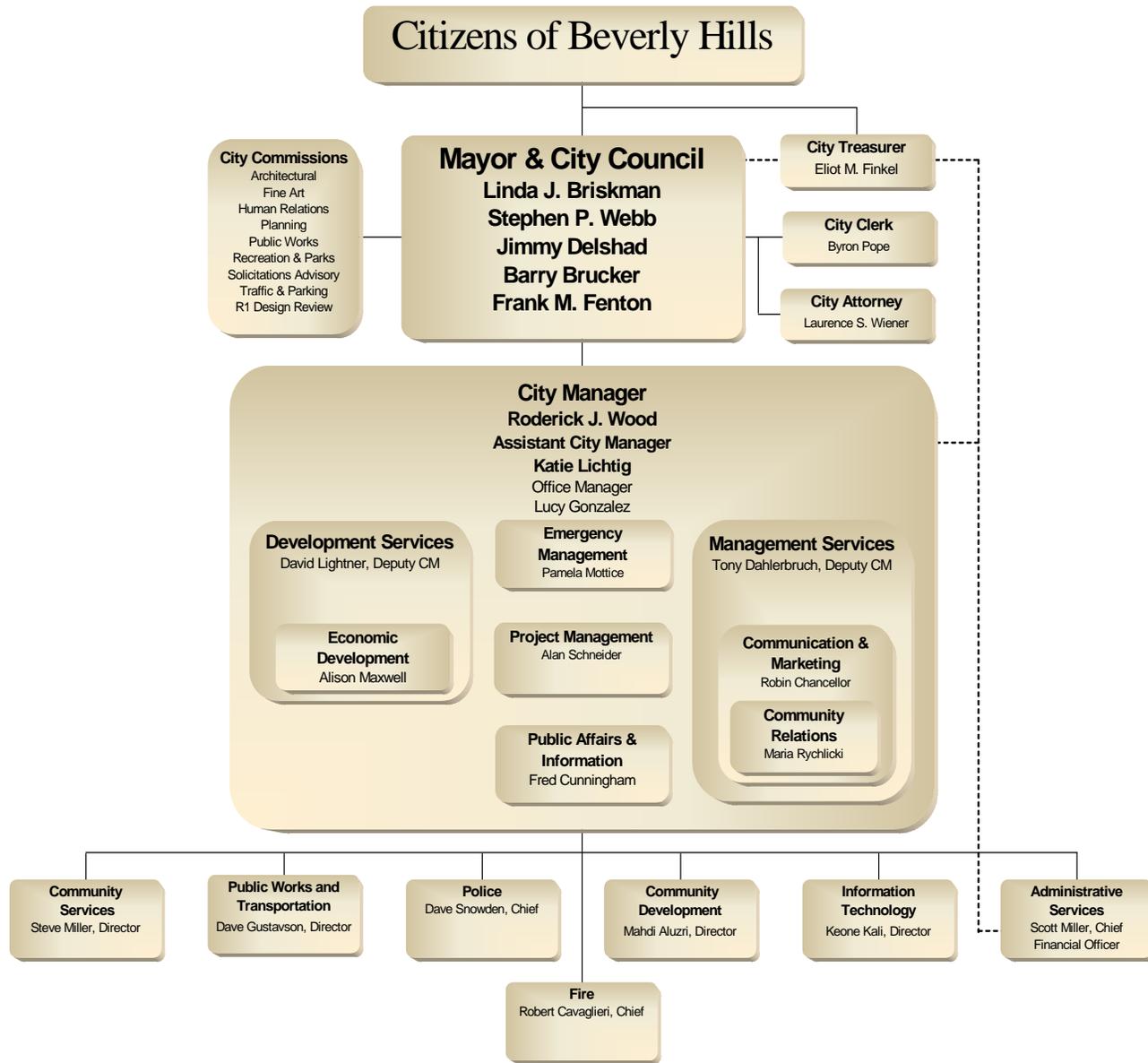
Eliot M. Finkel

Appointed Officials

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

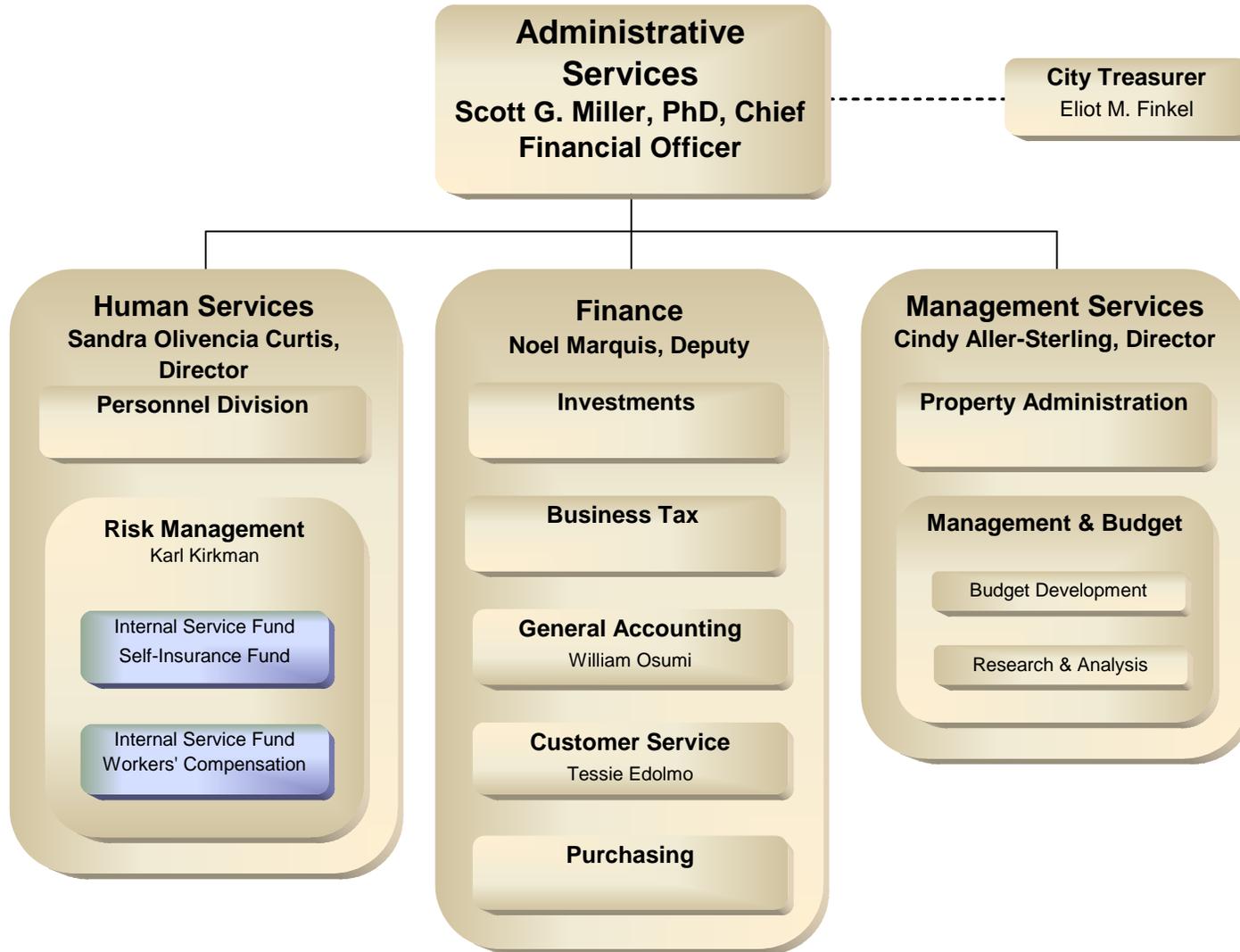
CITY OF BEVERLY HILLS, CALIFORNIA

Organizational Chart



CITY OF BEVERLY HILLS, CALIFORNIA

Department of Administrative Services
Operations Chart



CITY OF BEVERLY HILLS, CALIFORNIA

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

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

Presented to

**City of Beverly Hills,
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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.



Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Beverly Hills for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This was the fourteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2003-04

Presented to the

City of Beverly Hills



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

February 24, 2005

William A. Thomas

**Bill Thomas, Chair
Professional & Technical Standards Committee**

Dedicated to Excellence in Municipal Financial Management



McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Beverly Hills, California, (the City) as of and for the year ended June 30, 2005, 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 respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Beverly Hills, California, as of June 30, 2005, 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.

As described in Note 14 to the financial statements, the June 30, 2004 financial statements have been restated for various errors in the recording of revenue, expenses and interfund loans.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (pages 17 through 27) and the schedule of funding progress of the City's Defined Benefit Pension Plans (page 83), as listed in the table of contents, are not a required part of the basic financial statements but are 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 combining and individual nonmajor fund financial statements and other schedules (pages 85 through 111), listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

Irvine, California
October 26, 2005

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis

June 30, 2005

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, 2005. 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 \$401,038,626 (*net assets*). Of this amount, \$116,327,453 (*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 \$17,763,911.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$92,266,626, a decrease of \$9,679,457 from the prior year. Of this amount, \$60,135,604 or approximately 65.2% of total fund balances are available for spending at the City's discretion (*unreserved fund balance*).
- The decrease to the City's governmental funds reported combined fund balances was the result of using \$13,420,437 of unreserved fund balance to pay a portion of the City's Public Employees Retirement System (PERS) unfunded liability. This payment was made to save the City substantial future costs related to the amortized costs of the unfunded liability.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$39,149,922, or 32.3% of total General Fund expenditures.
- The City's net capital assets increased by \$299,325 from the prior year. While significant additions of primarily infrastructure and utility system improvements added significantly to the City's net capital assets, the sale of excess land to a local automobile dealership resulted in a very minor net gain.
- The City's net long-term liabilities decreased \$8,989,778 or 3.63%.

(B) Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2005

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds (the City has no fiduciary funds at June 30, 2005).

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

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2005

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,
 - 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, 2005.

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.

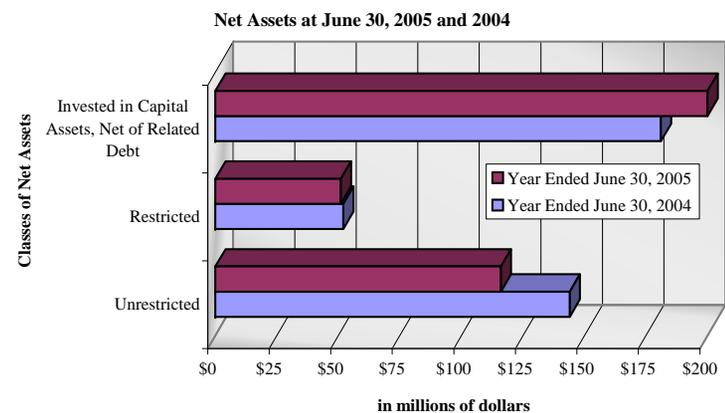
Other Information

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 \$401,038,626 at the close of the most recent fiscal year.



The second largest portion of the City's net assets (29%) is unrestricted

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2005

and may be used to meet the City's ongoing obligations to citizens and creditors.

The largest portion of the City's net assets (58%) reflects its investment in capital assets (e.g., land, buildings, utility and general government infrastructure, machinery and equipment, etc.), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (12.26%) represents resources that are subject to external restrictions on how they may be used. Of these restricted net assets 12% is for repayment of long-term debt, 29% is for pension contributions, 49% is for construction of capital assets (unspent proceeds from long-term debt issues) 10% relates to restrictions in the City's special revenue and permanent funds.

City of Beverly Hills' Net Assets (000's)						
As of June 30, 2005 and 2004						
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2004	2004
Current assets	\$ 136,938	141,507	52,008	49,034	188,946	190,541
Restricted and other assets	70,170	54,360	(12,112)	(10,822)	58,058	43,538
Capital assets	244,825	242,340	185,164	187,350	429,989	429,690
Total assets	451,933	438,207	225,060	225,562	676,993	663,769
Current liabilities	24,138	24,214	11,106	13,243	35,244	37,457
Long-term liabilities, net of current portion	155,131	159,584	83,615	88,151	238,746	247,735
Other liabilities	-	-	1,964	2,029	1,964	2,029
Total liabilities	179,269	183,798	96,685	103,423	275,954	287,221
Net assets:						
Invested in capital assets, net of related debt	134,616	99,347	99,448	81,382	234,064	180,729
Restricted	47,306	48,646	3,342	3,497	50,648	52,143
Unrestricted	90,742	106,416	25,585	37,260	116,327	143,676
Total net assets	\$ 272,664	254,409	128,375	122,139	401,039	376,548

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 decreased by \$4,569,583, which resulted primarily from a decrease in cash and investments of \$7,083,413 as a result of the City funding a portion of its unfunded PERS liability. Partially offsetting this decrease was an increase to intergovernmental receivables of \$2,826,604. The City's business-type current assets increased by \$2,973,785, primarily from changes to the accounts receivable. This increase is due to changes in handling of unbilled utility accounts as more fully discussed in note 14 "Restatement of Net Assets". The City's restricted assets increased \$568,934, mainly from interest earnings on construction and reserve funds.

The City reported a net increase of \$299,325 in capital assets, \$2.5 million in governmental activities and a reduction of \$2.2 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 \$14.7 million, \$9.4 million of capital assets were completed and transferred to completed features, \$2.2 million of various equipment purchases, disposition of equipment with a net book value of approximately \$18,967, and provision for depreciation of approximately \$10.9 million. The net decrease in business-type activities results from various projects totaling \$3.9 million, \$1.3 of capital assets completed, \$2.2 million of various equipment purchases, disposition of \$381,269 of projects, and provision for depreciation of approximately \$7.9 million.

The City's net assets increased by \$17.8 million during the current fiscal year, a 4.6% increase over the prior year. Total adjusted revenues increased 1.4% (\$2.7 million). This category's largest impact was a decrease of 70.7% (\$7.9 million) in contribution from the Community Facilities District who contributed \$8.7 million in the prior fiscal year for construction of the Urban Design Project within the Business Triangle of the City. Offsetting this decrease was an 8.5% increase in tax revenues (\$7.8 million), a 4.4% increase in charges for services (\$3.4 million), a 64.0% increase in investment revenues (\$3.4 million) and a 46.4% (\$3.9 million) decrease in other revenues. The tax increases re-

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2005

flect improving economic conditions and a strong real estate market. Service charge increases reflect pricing adjustments to reflect City costs and the recognition of parking meter revenues as a charge for service rather than other revenues thereby causing the decrease in other revenues. Expenses increased by 3.2% (\$5.5 million) over the prior year. The increases resulted from planned salary increases, significant increases in healthcare and other benefit and pension costs, increased public safety costs related to the increased security measures following 9/11 and the Iraq conflict, significantly increased property and liability insurance costs, and maintenance efforts in various City facilities.

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 30,969	28,103	48,221	47,691	79,190	75,794
Op. grants & cont.	1,934	2,076	-	-	1,934	2,076
Cap. grants & cont.	3,255	11,127	-	-	3,255	11,127
General revenues:						
Taxes	100,550	92,710	-	-	100,550	92,710
Investment earnings	7,573	4,929	1,127	352	8,700	5,281
Other	4,424	8,112	67	269	4,491	8,381
Transfers	-	-	-	-	-	-
Total revenues	<u>148,705</u>	<u>147,057</u>	<u>49,415</u>	<u>48,312</u>	<u>198,120</u>	<u>195,369</u>
Expenses:						
General government	16,860	17,060	-	-	16,860	17,060
Public safety	60,707	53,964	-	-	60,707	53,964
Public services	13,974	14,145	-	-	13,974	14,145
Culture and recreation	34,856	34,504	-	-	34,856	34,504
Interest on LT debt	7,381	7,874	-	-	7,381	7,874
Water	-	-	17,523	20,047	17,523	20,047
Parking facilities	-	-	12,853	10,657	12,853	10,657
Solid waste	-	-	10,686	9,705	10,686	9,705
Wastewater	-	-	3,958	4,929	3,958	4,929
Stormwater	-	-	1,558	1,923	1,558	1,923
Total expenses	<u>133,778</u>	<u>127,547</u>	<u>46,578</u>	<u>47,261</u>	<u>180,356</u>	<u>174,808</u>
Increase in net assets	14,927	19,510	2,837	1,051	17,764	20,561
Net assets, July 1, as restated	<u>257,737</u>	<u>234,899</u>	<u>125,537</u>	<u>121,090</u>	<u>383,274</u>	<u>355,989</u>
Net assets, June 30	<u>\$ 272,664</u>	<u>254,409</u>	<u>128,374</u>	<u>122,141</u>	<u>401,038</u>	<u>376,550</u>

Governmental Activities

Governmental activities net assets increased by \$14,926,249 thereby accounting for 84% of the total growth in the net assets of the City. Key elements of the increase in governmental activities net assets are as follows:

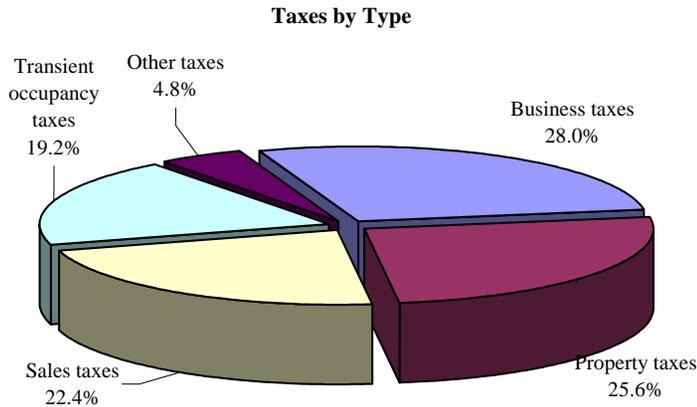
- Taxes, 68% of total governmental activities revenues, increased by \$7.8 million (8.5%) from the prior year. Business taxes, which are primarily levied based on the gross receipts of the business in the prior calendar year, increased by \$884,883 (3.2%) because of the increased activity in calendar year 2004.
- Property taxes are levied based on assessed values, although increases in the assessed values of properties that do not change ownership are generally limited to 2% annually. Real estate sales in FY 2005 were brisk due to high demand and historic low mortgage rates. This resulted in a \$2.0 million (8.2%) increase over FY 2004.
- Sales taxes are a direct reflection of the general economy; the increase of \$2.6 million (13.2%) 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 15.5% (\$2.6 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 still reflect strongly in this category even though there was a decrease of \$3.9 million (29.8%) primarily as a result of reclassifying street meter revenues to the charges for service category.

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

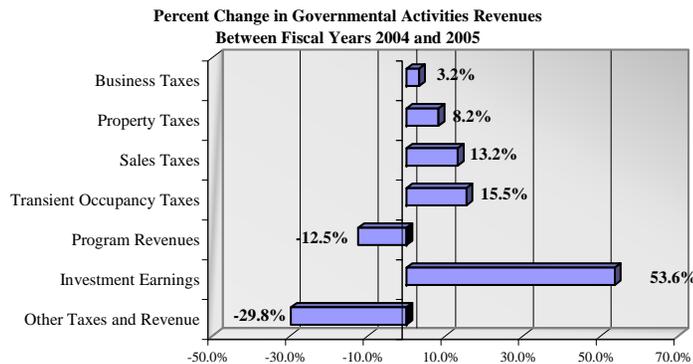
CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2005



- Investment earnings increased by \$2.6 million (53.6%) during the year. This was primarily a result of a change in the fair market value of investments of almost \$2 million dollars and an improvement in the investment yield of the portfolio.



- While the City continued its efforts to maintain effective cost controls, governmental activities expenses increased 4.9% during FY 2005. All functional expenses increased resulting from planned

salary increases (part of contract terms with bargaining units made in prior years). In addition:

- General government expenses were relatively flat with a slight decrease 1.17% (\$200,000).
- Increases in public safety of 12.5% related primarily to increased security measures following 9/11 and the Iraq conflict.
- Public services decreased slightly (1.2%) due to a reduction of operating expenses in engineering services and street maintenance.
- Culture and recreation increased 1.0% 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.

Business-type Activities

Business-type activities increased the City's net assets by \$2.8 million, (after restatement of the prior years total net assets as more fully discussed in note 14 "Restatement of Net Assets") for 16% of the growth in the City's net assets. Key elements of this increase in business-type activities net assets are as follows:

- Charges for services, representing 97.6% of total business-type activities revenues, increased by \$533,000 (1.1%) over the prior year. The increases were primarily a result of various utility rate increases tempered by an extremely wet winter affecting water and wastewater revenues.
- Expenses in the business-type activities were generally held constant in FY 2005 except for across the board increases in salaries.

(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

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2005

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 \$92,266,626, a decrease of \$12,300,819 from the prior year. This decrease is primarily a result of a pension contribution to the Public Employees Retirement System (PERS) of \$13,420,437. While the ending fund balance was reduced as a result of the pension contribution, the continuing improvement of business activity revenues and general improvements to the economic and real estate markets resulted in an overall revenue increase of \$1.6 million (1.1%). Approximately 65.2% of fund balances (\$60.1 million) constitute the unreserved fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it 1) has already been committed to liquidate contracts and purchase orders of the prior period (\$10.8 million), 2) represents net assets that are not available spendable resources, in this case the amounts corresponding to the advance to the Parking Facilities Enterprise Fund from the General Fund (\$17.6 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 \$39,149,922, while the total fund balance reached \$58,763,856. 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 32.3% of General Fund expenditures, while the total fund balance represents 48.4% of that same amount.

The fund balance of the City's General Fund decreased by \$7,319,052 during the current fiscal year. This represents a decrease of 11.1% in fund balance from FY 2004. Key factors in this decrease are as follows:

- Tax revenues increased \$7.4 million (8.4%). 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 2004 are: business taxes increased by \$884,883 (3.2%), property taxes increased by \$2.0 million (8.25%), sales taxes increased \$2.6 million (13.2%) and transient occupancy taxes increased \$2.5 million (15.5%).
- The City continued its efforts to maintain effective cost controls even though factors beyond our control resulted in an increase of 6.13% (\$7.0 million) in General Fund expenditures during FY 2005. The reasons for the increases in certain expenditures in the General Fund were previously described in the analysis of governmental activities expenses. General Government expenses increased \$0.5 million (3.3%), Public Safety increased by \$6.2 million (11.61%), Public Service decreased \$0.6 million (3.97%) and Culture and recreation increased \$0.9 million (3.12%).

Activities in the Infrastructure Capital Projects Fund continued in full swing in FY 2005. 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 \$1.6 million (8.2%) during FY 2005. 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 \$2.9 million. This contribution was offset by a reduction of fund balance within the Streets and Highways State Gas Tax fund of \$1.5 million 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 \$25.6 million, a decrease of \$11.7 million (31.3%). Total growth in net assets for these funds was an increase of \$6.2 million (5.1%). Other factors concerning the finances of these funds are as follows:

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2005

- An extremely wet winter with almost record rainfalls contributed to reduced revenues in the Water (decreased 1.85% or \$322,471), Wastewater (decreased 6.55% of \$515,779) and Stormwater Enterprise Funds (decreased 0.81% or \$14,218).
- Operating expenses for the Water Enterprise decreased \$2.4 million (13.4%), operating income increased \$2.1 million (323.8%), non-operating income improved \$263,497 (104.61%) providing a positive increase to net assets of \$93,869 an improvement of \$319,353 (141.63%) from the prior year.
- Operating revenue for the Parking Enterprise increased \$795,977 (7.88%) operating expenses increased \$1.5 million (17.3%), operating income decreased \$704,498 (50.0%), non-operating expenses increased \$572,881 (30.73%) providing a negative impact to net assets of \$1.7 million a decrease of \$1.3 million (280.59%) from the prior year.
- Operating revenue for the Solid Waste Enterprise increased \$586,631 (5.55%) operating expenses increased \$981,051 (10.1%), operating income decreased \$394,420 (45.64%), non-operating income improved \$37,029 (300.78%) providing a positive increase to net assets of \$618,160 a decrease of \$283,046 (31.41%) from the prior year.
- Operating expenses for the Wastewater Enterprise decreased \$858,335 (22.1%), operating income increased \$342,556 (8.6%), non-operating income improved \$249,466 (25.33%) providing a positive increase to net assets of \$3.59 million an improvement of \$3.0 million (19.74%) from the prior year.
- Operating expenses for the Stormwater Enterprise decreased \$364,850 (18.97%), operating income increased \$350,632 (218.61%), non-operating revenues decreased \$54,267 (247.28%) providing a positive increase to net assets of \$266,450 an improvement of \$404,899 (292.45%) from the prior year.

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 informa-

tion 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 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 \$15.4 million (before transfers) when comparing actual amounts to the final budget for the current fiscal year. This budget variance reflects a favorable variance in revenues of \$2.5 million and a favorable variance

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2005

in total expenditures of \$12.9 million. The expenditure variances are primarily due to timing differences in planned expenditures, principally for the reduction of the City unfunded PERS liability in the amount of \$13,391,117 (\$14.5 million total Governmental and Business-type Activities) which was paid to PERS on June 29, 2005 and will be amortized over the next 30 years.

(F) Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$429,989,474 (net of accumulated depreciation of \$228,681,510) as of June 30, 2005. This investment in capital assets includes land, buildings, utility systems, improvements other than buildings, infrastructure (roads, sidewalks, streetlights, etc.), machinery and equipment, the City's fine art collection and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 1.8% before depreciation (2.2% for governmental activities and 1.3% 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 utility systems.

The City has an aggressive capital improvement program totaling over \$215 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 operations services center (\$18.3 million), replacing/updating computer and telephone systems (\$2.3 million), replacing water mains and hydrants (\$11.6 million), replacing the Coldwater Canyon Reservoir (\$19.3 million), repairs to sewer system (\$5.4 million) capital contributions to the Los Angeles Amalgamated Wastewater Treatment and Collection System (\$9.5 million), street and alley re-

surfacing (\$14.4million) and construction of a parking structure and public gardens (\$33.3 million). The City had construction commitments of \$29.6 million at June 30, 2005 and has budgeted capital projects expenditures totaling \$110.6 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 66-70 of this report.

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Land	\$ 32,042	35,559	25,954	25,954	57,996	61,513
Buildings	101,199	103,990	67,295	70,485	168,494	174,475
Utility systems	-	-	81,102	81,892	81,102	81,892
Improvements other than buildings	17,372	18,157	607	665	17,979	18,822
Infrastructure	60,416	54,775	-	-	60,416	54,775
Machinery and equipment	12,141	13,412	1,104	1,444	13,245	14,856
Fine art collection	1,119	1,119	-	-	1,119	1,119
Construction in progress	20,536	15,328	9,102	6,910	29,638	22,238
Total capital assets, net	\$ 244,825	242,340	185,164	187,350	429,989	429,690

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$213,049,971 , including current portion of \$8,710,000. Of this amount, \$213,049,971 represents revenue bonds secured solely by specified revenue sources. Other long-term obligations include employee-compensated absences of \$12,750,333, including current portion of \$5,007,086; capital leases payable of \$19,855,335, including current portion of \$639,494; and outstanding claims of \$9,506,269, including current portion of \$2,059,620.

Additions to the City's long-term debt included current year claims totaling \$1.6 million and additions to compensated absences of \$4.8 million. Deductions include payments against claims totaling \$2.8 million, payment of compensated absences totaling \$3.5 million and payment of capital leases totaling \$602,343.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2005

City of Beverly Hills' Outstanding Long-Term Debt (000's)						
As of June 30, 2005 and 2004						
	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Revenue bonds	144,999	149,529	68,051	71,794	213,050	221,323
Capital leases	-	-	19,855	20,458	19,855	20,458
Compensated absences	12,180	10,884	570	582	12,750	11,466
Claims	9,506	10,724	-	-	9,506	10,724
Total debt	\$ 166,685	171,137	88,476	92,834	255,161	263,971

Under requirements of the state of California, the City's legal debt limit is 3.75% of its total assessed value. This limit is generally not applicable to bonds paid from enterprise funds, other lease revenue bonds, capital leases, compensated absences and outstanding claims. Accordingly, the debt limit at June 30, 2005 is \$529.4 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 71-78 of this report.

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

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

The City Council adopted a conservative budget for Fiscal Year 2004/2005 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 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 State's 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.

The proposed General Fund budget for Fiscal Year 2005/2006 includes the following assumptions:

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2005

- An increase in capital contributions of \$2 million to a total of \$8 million in Fiscal Year 2005/2006 increasing to \$10 million next and thereafter.
- Increases to operating budgets due to PERS contributions.
- Increases to operating budgets due to health benefit and workers' compensation premiums.
- A provision for salary increases.
- Over \$3 million in expenditure cuts due to elimination of positions and reductions in operating division.

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 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.





CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments (note 4)	\$ 123,398,617	45,713,451	169,112,068
Accounts receivable, net (note 5)	1,230,857	5,542,700	6,773,557
Interest receivable (note 5)	932,920	332,297	1,265,217
Taxes receivable (note 5)	5,843,464	—	5,843,464
Intergovernmental receivables (note 5)	4,929,671	—	4,929,671
Inventories	284,645	414,116	698,761
Prepaid expenses	317,158	—	317,158
Deposits	—	5,552	5,552
Total current assets	<u>136,937,332</u>	<u>52,008,116</u>	<u>188,945,448</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash and investments (notes 4C and 9)	32,271,480	3,514,797	35,786,277
Interest receivable (note 5)	16,312	7,195	23,507
Permanently restricted:			
Cash and investments (note 4C)	<u>81,381</u>	<u>—</u>	<u>81,381</u>
Total restricted assets	<u>32,369,173</u>	<u>3,521,992</u>	<u>35,891,165</u>
Other noncurrent assets:			
Deferred bond issuance costs, net (note 9)	6,251,614	1,415,252	7,666,866
Advances to (from) other funds (note 6)	17,643,719	(17,643,719)	—
Net pension assets (note 10)	<u>13,905,817</u>	<u>594,183</u>	<u>14,500,000</u>
Total other noncurrent assets	<u>37,801,150</u>	<u>(15,634,284)</u>	<u>22,166,866</u>
Capital assets (notes 8 and 14):			
Land	32,041,706	25,953,793	57,995,499
Buildings	152,188,247	116,891,742	269,079,989
Utility systems	—	120,775,856	120,775,856
Improvements other than buildings	26,261,617	1,549,147	27,810,764
Infrastructure	99,176,313	—	99,176,313
Machinery and equipment	45,352,007	7,723,377	53,075,384
Fine art collection	<u>1,119,390</u>	<u>—</u>	<u>1,119,390</u>
	356,139,280	272,893,915	629,033,195
Less accumulated depreciation	(131,849,751)	(96,831,759)	(228,681,510)
Construction in progress	<u>20,535,708</u>	<u>9,102,081</u>	<u>29,637,789</u>
Total capital assets, net	<u>244,825,237</u>	<u>185,164,237</u>	<u>429,989,474</u>
Total noncurrent assets	<u>314,995,560</u>	<u>173,051,945</u>	<u>488,047,505</u>
Total assets	<u>451,932,892</u>	<u>225,060,061</u>	<u>676,992,953</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,814,873	2,218,035	6,032,908
Contracts payable	1,056,608	33,692	1,090,300
Accrued payroll	1,458,055	89,759	1,547,814
Interest payable (note 9)	599,325	268,664	867,989
Current portion of long-term liabilities (note 9):			
Compensated absences	4,841,676	165,410	5,007,086
Outstanding claims	2,059,620	—	2,059,620
Capital leases	—	639,494	639,494
Revenue bonds	4,654,162	4,055,838	8,710,000
Intergovernmental liabilities	724,203	1,560,412	2,284,615
Customer deposits	4,929,795	1,898,521	6,828,316
Deferred revenue (note 5)	—	176,470	176,470
Total current liabilities	<u>24,138,317</u>	<u>11,106,295</u>	<u>35,244,612</u>
Long-term liabilities, net of current portion (note 9):			
Compensated absences	7,338,805	404,442	7,743,247
Outstanding claims	7,446,649	—	7,446,649
Capital leases	—	19,215,841	19,215,841
Revenue bonds	140,027,603	66,367,397	206,395,000
Original issue premium, net	4,070,564	1,830,576	5,901,140
Original issue discount, net	(262,637)	(72,106)	(334,743)
Deferred amount on refunding, net	(3,490,226)	(4,131,200)	(7,621,426)
Total long-term liabilities	<u>155,130,758</u>	<u>83,614,950</u>	<u>238,745,708</u>
Deferred credit from sale-leaseback transactions (note 11)	—	1,237,086	1,237,086
Deferred revenue (note 5)	—	726,921	726,921
Total liabilities	<u>179,269,075</u>	<u>96,685,252</u>	<u>275,954,327</u>
NET ASSETS (note 14)			
Invested in capital assets, net of related debt	134,615,771	99,448,107	234,063,878
Restricted for:			
Debt service	3,438,461	2,747,534	6,185,995
Net pension assets	13,905,817	594,183	14,500,000
Construction of capital assets	12,292,425	—	12,292,425
Parks and recreation facilities	12,765,404	—	12,765,404
Streets, highways, bikeways, public transit and other related purposes	3,404,606	—	3,404,606
Endowment or trust agreement:			
Expendable	156,214	—	156,214
Nonexpendable	81,381	—	81,381
Other purposes	1,261,270	—	1,261,270
Unrestricted	<u>90,742,468</u>	<u>25,584,985</u>	<u>116,327,453</u>
Total net assets	<u>\$ 272,663,817</u>	<u>128,374,809</u>	<u>401,038,626</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Activities

For the Year Ended June 30, 2005

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	\$ (16,860,217)	8,585,134	—	—	(8,275,083)	—	(8,275,083)
Public safety	(60,706,720)	10,374,135	403,151	27,621	(49,901,813)	—	(49,901,813)
Public service	(13,973,670)	8,646,841	1,267,718	3,202,575	(856,536)	—	(856,536)
Culture and recreation	(34,855,959)	3,362,647	262,641	25,000	(31,205,671)	—	(31,205,671)
Interest on long-term debt	(7,380,629)	—	—	—	(7,380,629)	—	(7,380,629)
Total governmental activities	<u>(133,777,195)</u>	<u>30,968,757</u>	<u>1,933,510</u>	<u>3,255,196</u>	<u>(97,619,732)</u>	<u>—</u>	<u>(97,619,732)</u>
Business-type activities:							
Water	(17,522,958)	17,066,774	—	—	—	(456,184)	(456,184)
Parking facilities	(12,852,588)	10,893,544	—	—	—	(1,959,044)	(1,959,044)
Solid waste	(10,686,276)	11,156,033	—	—	—	469,757	469,757
Wastewater	(3,957,544)	7,356,176	—	—	—	3,398,632	3,398,632
Stormwater	(1,558,291)	1,748,528	—	—	—	190,237	190,237
Total business-type activities	<u>(46,577,657)</u>	<u>48,221,055</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,643,398</u>	<u>1,643,398</u>
Total	<u>\$ (180,354,852)</u>	<u>79,189,812</u>	<u>1,933,510</u>	<u>3,255,196</u>	<u>(97,619,732)</u>	<u>1,643,398</u>	<u>(95,976,334)</u>
General revenues:							
Taxes:							
Business					28,188,103	—	28,188,103
Property					25,726,587	—	25,726,587
Sales					22,577,220	—	22,577,220
Transient occupancy					19,263,710	—	19,263,710
Other					4,793,930	—	4,793,930
Grants and contributions not restricted to specific programs					1,345,997	—	1,345,997
Unrestricted investment earnings					8,574,015	1,578,276	10,152,291
Net change in fair value of investments					(1,000,699)	(451,046)	(1,451,745)
Gain on sale of capital assets					1,958,607	—	1,958,607
Miscellaneous					1,118,830	66,715	1,185,545
Total general revenues and transfers					<u>112,546,300</u>	<u>1,193,945</u>	<u>113,740,245</u>
Change in net assets					14,926,568	2,837,343	17,763,911
Net assets, July 1, restated					<u>257,737,249</u>	<u>125,537,466</u>	<u>383,274,715</u>
Net assets, June 30					<u>\$ 272,663,817</u>	<u>128,374,809</u>	<u>401,038,626</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Balance Sheet

Governmental Funds

June 30, 2005

Assets	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
Cash and investments (note 4)	\$ 37,035,816	—	18,412,588	—	55,448,404
Accounts receivable, net (note 5)	1,222,871	—	7,986	—	1,230,857
Interest receivable (note 5)	338,463	—	124,273	—	462,736
Taxes receivable (note 5)	5,843,464	—	—	—	5,843,464
Interfund receivables (note 6)	4,256,951	—	—	(4,256,951)	—
Intergovernmental receivables (note 5)	4,731,510	—	198,161	—	4,929,671
Prepaid expenses	78,841	—	—	—	78,841
Advances to other funds (note 6)	17,643,719	—	—	—	17,643,719
Restricted assets:					
Cash and investments (note 4C)	—	18,341,208	3,667,302	—	22,008,510
Interest receivable (note 5)	—	3,829	8,754	—	12,583
Total assets	<u>\$ 71,151,635</u>	<u>18,345,037</u>	<u>22,419,064</u>	<u>(4,256,951)</u>	<u>107,658,785</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,463,160	817,996	237,726	—	3,518,882
Contracts payable	—	822,289	156,987	—	979,276
Accrued payroll	1,392,568	678	3,378	—	1,396,624
Interfund payables (note 6)	—	4,411,649	226,729	(4,256,951)	381,427
Intergovernmental payables	722,555	—	381	—	722,936
Customer deposits	4,378,709	—	551,086	—	4,929,795
Deferred revenue (note 5)	3,430,787	—	32,432	—	3,463,219
Total liabilities	<u>12,387,779</u>	<u>6,052,612</u>	<u>1,208,719</u>	<u>(4,256,951)</u>	<u>15,392,159</u>
Fund balances:					
Reserved for:					
Encumbrances	1,891,374	8,141,312	752,407	—	10,785,093
Prepaid expenses	78,841	—	—	—	78,841
Advances to other funds	17,643,719	—	—	—	17,643,719
Debt service	—	—	3,541,988	—	3,541,988
Endowment or Trust Agreement	—	—	81,381	—	81,381
Unreserved, reported in:					
General Fund	39,149,922	—	—	—	39,149,922
Special revenue funds	—	—	16,678,355	—	16,678,355
Capital projects funds	—	4,151,113	—	—	4,151,113
Permanent funds	—	—	156,214	—	156,214
Total fund balances	<u>58,763,856</u>	<u>12,292,425</u>	<u>21,210,345</u>	<u>—</u>	<u>92,266,626</u>
Total liabilities and fund balances	<u>\$ 71,151,635</u>	<u>18,345,037</u>	<u>22,419,064</u>	<u>(4,256,951)</u>	<u>107,658,785</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

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

June 30, 2005

Total Governmental fund balances (page 33)	\$ 92,266,626
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.	76,850,155
– The special item, pension contribution, is a use of current financial resources and an expenditure at the fund level but is deferred and recognized as a net pension asset on the statement of net assets.	13,420,437
– Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	113,861
– Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,625,689
– Certain sales tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,723,669
– 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.	120,418,437
– 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>(33,755,057)</u>
Net assets of governmental activities (page 31)	\$ <u>272,663,817</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, 2005

	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
Revenues:					
Taxes, net	\$ 96,160,187	—	3,529,761	—	99,689,948
Licenses and permits	8,010,556	—	—	—	8,010,556
Intergovernmental	1,278,139	—	2,148,997	—	3,427,136
Charges for service	12,006,613	—	—	—	12,006,613
Fines, forfeitures and penalties	4,962,465	—	—	—	4,962,465
Use of money and property	5,418,474	324,215	623,868	—	6,366,557
Net change in fair value of investments	(270,911)	38,199	(173,692)	—	(406,404)
Contribution in aid of construction	—	3,086,159	—	—	3,086,159
Miscellaneous	1,051,944	—	66,886	—	1,118,830
Total revenues	128,617,467	3,448,573	6,195,820	—	138,261,860
Expenditures:					
Current:					
General government	16,682,422	—	—	—	16,682,422
Public safety	59,193,264	—	307,607	—	59,500,871
Public service	14,859,926	—	1,157,776	—	16,017,702
Culture and recreation	30,600,522	—	95,018	—	30,695,540
Debt service:					
Interest	—	—	1,766,075	—	1,766,075
Finance charges	—	—	4,125	—	4,125
Capital outlay	—	10,034,854	2,805,160	—	12,840,014
Total expenditures	121,336,134	10,034,854	6,135,761	—	137,506,749
Excess (deficiency) of revenues over expenditures	7,281,333	(6,586,281)	60,059	—	755,111
Other financing sources (uses):					
Transfers in (note 7)	580,644	—	1,725,189	(1,876,603)	429,230
Transfers out (note 7)	(1,789,912)	—	(151,414)	1,876,603	(64,723)
Total other financing sources (uses)	(1,209,268)	—	1,573,775	—	364,507
Special item, pension contribution	(13,391,117)	—	(29,320)	—	(13,420,437)
Net change in fund balances	(7,319,052)	(6,586,281)	1,604,514	—	(12,300,819)
Fund balance, as previously reported	63,461,546	18,878,706	19,605,831	—	101,946,083
Restatement	2,621,362	—	—	—	2,621,362
Fund balances, July 1, as restated	66,082,908	18,878,706	19,605,831	—	104,567,445
Fund balances, June 30	\$ 58,763,856	12,292,425	21,210,345	—	92,266,626

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, 2005

Net change in fund balances – total governmental funds (page 35)	\$ (12,300,819)
Amounts reported for governmental activities in the statement of activities are different because (note 2):	
– Tax revenues:	
• Certain property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,625,689
• 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.	(1,782,627)
• Certain sales tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,723,669
• Net assets of governmental activities are restated to reflect sales tax revenues that should have been recognized in prior year instead of current year.	(707,129)
– Interest revenues:	
• Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	113,861
• 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	(164,645)
– 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.	3,797,605
– The special item, pension contribution, is a use of current financial resources and an expenditure at the fund level but is deferred and recognized as a net pension asset on the statement of net assets.	13,420,437
– 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.	9,225,274
– The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of certain long-term debt and related items.	<u>(24,747)</u>
Change in net assets of governmental activities (page 32)	\$ <u>14,926,568</u>

See accompanying notes to basic financial statements.



CITY OF BEVERLY HILLS, CALIFORNIA

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

General Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final		
Revenues:				
Taxes:				
Business	\$ 28,200,868	28,200,868	28,188,103	(12,765)
Property	24,448,094	24,448,094	25,883,525	1,435,431
Sales	19,944,826	19,944,826	21,560,680	1,615,854
Transient occupancy	17,764,391	17,764,391	19,263,710	1,499,319
Other	932,820	932,820	1,264,169	331,349
Licenses and permits	7,489,379	7,489,379	8,010,556	521,177
Intergovernmental	1,105,180	1,246,769	1,278,139	31,370
Charges for services	12,309,648	12,309,648	12,006,613	(303,035)
Fines, forfeitures and penalties	5,320,104	5,320,104	4,962,465	(357,639)
Use of money and property	6,031,675	6,031,675	5,418,474	(613,201)
Net change in fair value of investments	—	—	(270,911)	(270,911)
Miscellaneous	2,403,943	2,403,943	1,051,944	(1,351,999)
Total revenues	<u>125,950,928</u>	<u>126,092,517</u>	<u>128,617,467</u>	<u>2,524,950</u>
Expenditures:				
Current:				
General government:				
City Council	750,091	752,468	724,978	(27,490)
City Manager	2,905,368	3,391,366	2,746,428	(644,938)
Human services	1,692,330	1,757,803	1,544,915	(212,888)
Risk management	292,919	308,174	195,981	(112,193)
Management services:	185,092	119,245	264,491	145,246
City Attorney	2,560,246	2,322,046	2,652,325	330,279
City Clerk	1,007,231	1,127,713	1,073,017	(54,696)
Financial services	5,303,501	5,701,174	4,830,817	(870,357)
Economic developmen	558,904	600,723	403,231	(197,492)
General services	20,929	(969,270)	2,246,239	3,215,509
Total general government	<u>15,276,611</u>	<u>15,111,442</u>	<u>16,682,422</u>	<u>1,570,980</u>
Public safety:				
Police services	34,901,182	42,199,049	36,373,267	(5,825,782)
Fire control	18,572,663	22,745,647	18,874,848	(3,870,799)
Building and safety	4,109,370	4,461,162	3,945,149	(516,013)
Total public safety	<u>57,583,215</u>	<u>69,405,858</u>	<u>59,193,264</u>	<u>(10,212,594)</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

General Fund

For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget – Over (Under)
	<u>Original</u>	<u>Final</u>		
Public service:				
Engineering and administration	\$ 5,315,788	5,404,334	4,939,722	(464,612)
Parking meters	514,161	554,118	501,064	(53,054)
Streets and subdrains	3,351,126	3,500,393	3,099,300	(401,093)
Planning services	3,026,856	3,150,739	2,855,641	(295,098)
Community services	<u>3,871,213</u>	<u>4,213,162</u>	<u>3,464,199</u>	<u>(748,963)</u>
Total public service	<u>16,079,144</u>	<u>16,822,746</u>	<u>14,859,926</u>	<u>(1,962,820)</u>
Culture and recreation:				
Recreation and parks	12,736,774	13,342,894	11,983,929	(1,358,965)
Library	8,759,895	9,456,545	8,535,586	(920,959)
Education	6,735,000	6,735,000	6,764,235	29,235
Promotion and tourism	<u>3,260,470</u>	<u>3,353,624</u>	<u>3,316,772</u>	<u>(36,852)</u>
Total culture and recreation	<u>31,492,139</u>	<u>32,888,063</u>	<u>30,600,522</u>	<u>(2,287,541)</u>
Total expenditures	<u>120,431,109</u>	<u>134,228,109</u>	<u>121,336,134</u>	<u>(12,891,975)</u>
Excess of revenues over expenditures	<u>5,519,819</u>	<u>(8,135,592)</u>	<u>7,281,333</u>	<u>15,416,925</u>
Other financing sources (uses):				
Transfers in (note 7)	—	6,000	580,644	574,644
Transfers out (note 7)	<u>(4,766,075)</u>	<u>(4,767,264)</u>	<u>(1,789,912)</u>	<u>2,977,352</u>
Total other financing sources (uses)	<u>(4,766,075)</u>	<u>(4,761,264)</u>	<u>(1,209,268)</u>	<u>(2,402,708)</u>
Special item, pension contribution	—	—	(13,391,117)	(13,391,117)
Net change in fund balance:	<u>753,744</u>	<u>(12,896,856)</u>	<u>(7,319,052)</u>	<u>5,577,804</u>
Fund balance, July 1, as restated	<u>66,082,908</u>	<u>66,082,908</u>	<u>66,082,908</u>	<u>—</u>
Fund balance, June 30	<u>\$ 66,836,652</u>	<u>53,186,052</u>	<u>58,763,856</u>	<u>5,577,804</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

Proprietary Funds

June 30, 2005

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
ASSETS							
Current assets:							
Cash and investments (note 4)	\$ 22,473,312	5,449,976	5,220,979	8,921,187	3,647,997	45,713,451	67,950,213
Accounts receivable, net (note 5)	3,027,120	203	1,523,901	776,663	214,813	5,542,700	—
Interest receivable (note 5)	159,265	49,313	40,259	58,581	24,879	332,297	470,184
Interfund receivable (note 6)	—	—	—	—	—	—	381,427
Inventory	414,116	—	—	—	—	414,116	284,645
Prepaid expenses	—	—	—	—	—	—	238,317
Deposits	3,470	2,082	—	—	—	5,552	—
Total current assets	26,077,283	5,501,574	6,785,139	9,756,431	3,887,689	52,008,116	69,324,786
Noncurrent assets:							
Restricted assets:							
Cash and investments (notes 4C and 9)	1,027,478	774,364	—	1,712,955	—	3,514,797	10,344,351
Interest and other receivables (note 5)	2,131	1,511	—	3,553	—	7,195	3,729
Total restricted assets	1,029,609	775,875	—	1,716,508	—	3,521,992	10,348,080
Deferred bond issuance costs, net	160,582	1,026,484	—	228,186	—	1,415,252	5,947,135
Net pension assets	211,839	90,355	161,122	53,182	77,685	594,183	485,380
Total other noncurrent assets	372,421	1,116,839	161,122	281,368	77,685	2,009,435	6,432,515
Capital assets (note 8):							
Land	5,269,705	11,975,088	—	8,709,000	—	25,953,793	32,041,706
Buildings	16,330,800	100,560,942	—	—	—	116,891,742	152,188,247
Utility systems	70,254,983	—	—	40,680,447	9,840,426	120,775,856	—
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	45,352,007
	96,121,573	117,029,951	209,400	49,684,889	9,848,102	272,893,915	255,843,577
Less accumulated depreciation	(32,878,499)	(50,423,507)	(209,400)	(8,051,694)	(5,268,659)	(96,831,759)	(93,089,454)
Construction in progress	8,467,484	634,597	—	—	—	9,102,081	5,220,959
Total capital assets, net	71,710,558	67,241,041	—	41,633,195	4,579,443	185,164,237	167,975,082
Total noncurrent assets	73,112,588	69,133,755	161,122	43,631,071	4,657,128	190,695,664	184,755,677
Total assets	99,189,871	74,635,329	6,946,261	53,387,502	8,544,817	242,703,780	254,080,463

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets, Continued

Proprietary Funds

June 30, 2005

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 1,385,429	190,138	633,877	8,150	441	2,218,035	295,991
Contracts payable	33,692	—	—	—	—	33,692	77,332
Accrued payroll	22,206	26,140	25,298	7,247	8,868	89,759	61,431
Interest payable	55,686	138,001	—	74,977	—	268,664	452,152
Current portion of (note 9):							
Compensated absences	59,524	34,702	46,146	13,506	11,532	165,410	4,841,676
Outstanding claims	—	—	—	—	—	—	2,059,620
Capital leases	639,494	—	—	—	—	639,494	—
Revenue bonds	659,646	2,596,192	—	800,000	—	4,055,838	4,654,162
Intergovernmental payable	353	1,679	—	1,558,380	—	1,560,412	1,267
Customer deposits	1,623,864	266,837	1,320	6,500	—	1,898,521	—
Deferred revenue (note 5)	—	176,470	—	—	—	176,470	—
Total current liabilities	<u>4,479,894</u>	<u>3,430,159</u>	<u>706,641</u>	<u>2,468,760</u>	<u>20,841</u>	<u>11,106,295</u>	<u>12,443,631</u>
Long-term liabilities (net of current portion) (note 9):							
Compensated absences	129,071	47,279	96,290	81,859	49,943	404,442	7,338,805
Outstanding claims	—	—	—	—	—	—	7,446,649
Capital leases	19,215,841	—	—	—	—	19,215,841	—
Advances from other funds (note 6)	—	17,643,719	—	—	—	17,643,719	—
Revenue bonds	13,758,196	33,739,201	—	18,870,000	—	66,367,397	105,852,603
Original issue premium, net	179,297	1,651,279	—	—	—	1,830,576	4,070,564
Original issue discount, net	(47,004)	—	—	(25,102)	—	(72,106)	—
Deferred amount on refunding, net	(857,641)	(2,118,309)	—	(1,155,250)	—	(4,131,200)	(3,490,226)
Total long-term liabilities	<u>32,377,760</u>	<u>50,963,169</u>	<u>96,290</u>	<u>17,771,507</u>	<u>49,943</u>	<u>101,258,669</u>	<u>121,218,395</u>
Deferred credit from sale-leaseback transactions (note 11)	—	1,237,086	—	—	—	1,237,086	—
Deferred revenue (note 5)	—	726,921	—	—	—	726,921	—
Total liabilities	<u>36,857,654</u>	<u>56,357,335</u>	<u>802,931</u>	<u>20,240,267</u>	<u>70,784</u>	<u>114,328,971</u>	<u>133,662,026</u>
NET ASSETS							
Invested in capital assets, net of related debt	38,323,405	33,173,526	—	23,371,733	4,579,443	99,448,107	73,179,465
Restricted for:							
Debt service	1,029,515	1,511	—	1,716,508	—	2,747,534	—
Net pension assets	211,839	90,355	161,122	53,182	77,685	594,183	485,380
Construction of capital assets	—	—	—	—	—	—	—
Unrestricted	<u>22,767,458</u>	<u>(14,987,398)</u>	<u>5,982,208</u>	<u>8,005,812</u>	<u>3,816,905</u>	<u>25,584,985</u>	<u>46,753,592</u>
Total net assets	<u>\$ 62,332,217</u>	<u>18,277,994</u>	<u>6,143,330</u>	<u>33,147,235</u>	<u>8,474,033</u>	<u>128,374,809</u>	<u>120,418,437</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

For the Year Ended June 30, 2005

	Business-type Activities – Enterprise Funds					Governmental Activities – Internal Service Funds	
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		Total
Operating revenues –							
Sales, service charges and fees	\$ 17,066,774	10,893,544	11,156,033	7,356,176	1,748,528	48,221,055	41,777,983
Operating expenses:							
Salaries and employee benefits	2,261,818	2,111,257	1,765,713	595,409	808,899	7,543,096	5,907,210
Maintenance and operation	10,555,443	3,987,084	8,920,563	1,354,151	566,681	25,383,922	16,592,731
Insurance premiums, settlements and provisions	—	—	—	—	—	—	4,299,653
Depreciation (note 8)	2,748,578	3,941,651	—	996,582	182,711	7,869,522	8,520,762
Amortization of issuance costs	54,414	149,083	—	83,264	—	286,761	349,670
Total operating expenses	<u>15,620,253</u>	<u>10,189,075</u>	<u>10,686,276</u>	<u>3,029,406</u>	<u>1,558,291</u>	<u>41,083,301</u>	<u>35,670,026</u>
Operating income	<u>1,446,521</u>	<u>704,469</u>	<u>469,757</u>	<u>4,326,770</u>	<u>190,237</u>	<u>7,137,754</u>	<u>6,107,957</u>
Nonoperating revenues (expenses):							
Investment revenue	777,889	258,864	166,290	266,109	109,124	1,578,276	2,258,242
Net change in fair value of investments	(227,836)	(66,819)	(50,237)	(73,243)	(32,911)	(451,046)	(594,295)
Interest expense	(1,902,705)	(2,663,513)	—	(928,138)	—	(5,494,356)	(5,589,807)
Intergovernmental revenue	—	—	—	—	—	—	—
Gain on sale of capital assets	—	—	—	—	—	—	1,958,607
Contribution in aid of construction	—	—	—	—	—	—	21,408
Other revenue	—	34,365	32,350	—	—	66,715	—
Total nonoperating revenues (expenses)	<u>(1,352,652)</u>	<u>(2,437,103)</u>	<u>148,403</u>	<u>(735,272)</u>	<u>76,213</u>	<u>(4,300,411)</u>	<u>(1,945,845)</u>
Income (loss) before contributions and operating transfers	93,869	(1,732,634)	618,160	3,591,498	266,450	2,837,343	4,162,112
Transfers in (note 7)	—	—	—	—	—	—	64,723
Transfers out (note 7)	—	—	—	—	—	—	(429,230)
Change in net assets	93,869	(1,732,634)	618,160	3,591,498	266,450	2,837,343	3,797,605
Net assets, July 1, restated	<u>62,238,348</u>	<u>20,010,628</u>	<u>5,525,170</u>	<u>29,555,737</u>	<u>8,207,583</u>	<u>125,537,466</u>	<u>116,620,832</u>
Net assets, June 30	\$ <u>62,332,217</u>	<u>18,277,994</u>	<u>6,143,330</u>	<u>33,147,235</u>	<u>8,474,033</u>	<u>128,374,809</u>	<u>120,418,437</u>

See accompanying notes to basic financial statements.



CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2005

	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	\$ 17,065,368	4,715,309	11,179,816	7,406,707	1,767,341	42,134,541	45,216,591
Rents received under property leases	51,121	6,202,737	—	—	—	6,253,858	—
Cash payments to employees for services	(2,405,805)	(2,115,316)	(1,772,995)	(593,057)	(854,016)	(7,741,189)	(4,943,493)
Cash payments for goods and services	(10,494,912)	(3,944,800)	(8,768,278)	(1,356,342)	(566,343)	(25,130,675)	(19,838,635)
Cash payments for insurance premiums, settle- ments and claims	—	—	—	—	—	—	(5,617,835)
Other nonoperating revenue (expense)	—	—	32,350	—	—	32,350	—
Net cash provided by operating activities	<u>4,215,772</u>	<u>4,857,930</u>	<u>670,893</u>	<u>5,457,308</u>	<u>346,982</u>	<u>15,548,885</u>	<u>14,816,628</u>
Cash flows from noncapital financing activities –							
Payment for unfunded liabilities	(211,839)	(90,355)	(161,122)	(53,182)	(77,685)	(594,183)	(485,381)
Transfers in	—	—	—	—	—	—	64,723
Transfers out	—	—	—	—	—	—	(429,230)
Net cash (used in) noncapital financing activities	<u>(211,839)</u>	<u>(90,355)</u>	<u>(161,122)</u>	<u>(53,182)</u>	<u>(77,685)</u>	<u>(594,183)</u>	<u>(849,888)</u>
Cash flows from capital financing activities:							
Proceeds from sale of property	—	—	—	—	—	—	1,958,608
Acquisition and construction of capital assets	(2,350,187)	(2,138,554)	—	(1,983,279)	—	(6,472,020)	(1,853,232)
Capital contributions received	—	—	—	—	—	—	21,408
Payment of capital leases	(602,343)	—	—	—	—	(602,343)	—
Principal payments on debt	(638,106)	(2,499,626)	—	(775,000)	—	(3,912,732)	(4,472,268)
Interest payments on debt	(1,888,463)	(1,749,476)	—	(910,484)	—	(4,548,423)	(5,604,714)
Net cash used in capital financing activities	<u>(5,479,099)</u>	<u>(6,387,656)</u>	<u>—</u>	<u>(3,668,763)</u>	<u>—</u>	<u>(15,535,518)</u>	<u>(9,950,198)</u>
Cash flows from investing activities:							
Purchase of investments	(19,757)	(15,988)	—	(154)	—	(35,899)	—
Earnings on investments	610,019	210,353	120,440	179,670	83,383	1,203,865	1,612,564
Net cash provided by investing activities	<u>590,262</u>	<u>194,365</u>	<u>120,440</u>	<u>179,516</u>	<u>83,383</u>	<u>1,167,966</u>	<u>1,612,564</u>
Net increase (decrease) in cash and cash equivalents	<u>(884,904)</u>	<u>(1,425,716)</u>	<u>630,211</u>	<u>1,914,879</u>	<u>352,680</u>	<u>587,150</u>	<u>5,629,106</u>
Cash and cash equivalents, July 1	<u>23,358,216</u>	<u>6,875,692</u>	<u>4,590,768</u>	<u>7,006,308</u>	<u>3,295,317</u>	<u>45,126,301</u>	<u>62,321,107</u>
Cash and cash equivalents, June 30	<u>\$ 22,473,312</u>	<u>5,449,976</u>	<u>5,220,979</u>	<u>8,921,187</u>	<u>3,647,997</u>	<u>45,713,451</u>	<u>67,950,213</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows, Continued

Proprietary Funds

For the Year Ended June 30, 2005

	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	\$ 1,446,521	704,469	469,757	4,326,770	190,237	7,137,754	6,107,957
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	2,748,578	3,941,651	—	996,582	182,711	7,869,522	8,520,762
Amortization of issuance costs	54,414	149,083	—	83,264	—	286,761	349,670
Changes in assets and liabilities:							
Decrease in restricted cash	—	—	—	—	—	—	377
(Increase) decrease in accounts receivable	(42,080)	(123,362)	22,501	44,032	18,814	(80,095)	—
(Increase) decrease in inventory	45,965	—	—	—	—	45,965	(36,541)
Decrease in prepaid expenses	—	—	—	—	—	—	14,793
Increase (decrease) in accounts payable	14,212	40,605	152,285	(2,247)	337	205,192	(294,202)
Increase (decrease) in intergovernmental payable	354	1,679	—	55	—	2,088	(381,492)
(Decrease) in accrued payroll	(58,047)	—	(38,660)	(8,441)	(22,139)	(127,287)	(89,390)
Decrease in other liabilities	—	(58,781)	—	—	—	(58,781)	—
Increase (decrease) in accrued compensated absences	(85,940)	54,722	31,378	10,793	(22,978)	(12,025)	1,842,166
Increase in outstanding claims	—	—	—	—	—	—	(1,217,473)
Decrease in deferred revenue	—	145,093	—	—	—	145,093	—
Increase in customer deposits	91,795	2,771	1,282	6,500	—	102,348	—
Other nonoperating revenue (expense)	—	—	32,350	—	—	32,350	—
Total adjustments	2,769,251	4,153,461	201,136	1,130,538	156,745	8,411,131	8,708,670
Net cash provided by operating activities	\$ 4,215,772	4,857,930	670,893	5,457,308	346,982	15,548,885	14,816,627
Cash and investments	\$ 22,473,312	5,449,976	5,220,979	8,921,187	3,647,997	45,713,451	67,950,213
Restricted cash and investments	1,027,478	774,364	—	1,712,955	—	3,514,797	10,344,351
Total cash and investments	23,500,790	6,224,340	5,220,979	10,634,142	3,647,997	49,228,248	78,294,564
Less nonpooled investments	(1,027,478)	(774,364)	—	(1,712,955)	—	(3,514,797)	(10,344,351)
Cash and cash equivalents	\$ 22,473,312	5,449,976	5,220,979	8,921,187	3,647,997	45,713,451	67,950,213
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	—
– Change in fair value of nonpooled investments	—	—	—	—	—	—	—

See accompanying notes to basic financial statements.



CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Beverly Hills, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The accompanying basic financial statements present the financial activity of the City of Beverly Hills (primary government) and its component units, entities for which the primary government is considered to be financially accountable. Blended component units, although separate legal entities, are, in substance, part of the government's operations. Discretely presented component units represent other legally separate organizations for which the primary government is financially accountable or for which the nature and significance of their relationship to the primary government are such that exclusion would cause the City's reporting entity to be misleading or incomplete. The City's component units are blended; there are no discretely presented component units in the Financial Reporting Entity.

City of Beverly Hills

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

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

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

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

Parking Authority of the City of Beverly Hills

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

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

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

Beverly Hills Public Financing Authority

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

Required lease payments between the City and the Public Financing Authority exactly match debt service requirements of the underlying debt. Accordingly, the leases between the City and the Public Financing Authority are eliminated and the underlying debt is reported as debt of the City. Separate financial statements are not prepared for the Public Financing Authority. Please contact the Director of Administrative Services/Chief Financial Officer for more information.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Government-wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabili-

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

Property taxes and taxpayer-assessed tax revenues (e.g., franchise taxes, sales taxes, motor vehicle fees, etc.), net of estimated refunds and uncollectible amounts, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Infrastructure Capital Projects Fund* accounts for the construction expenditures of certain public capital improvement projects, including, but not limited to, replacement of the City's street lighting system, street improvements and other infrastructure projects.

The City reports the following major proprietary funds:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Additionally, the City reports the following fund type:

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

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

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

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

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

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

D. Assets, Liabilities, Net Assets or Equity

Cash and Investments

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

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as inter-fund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

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

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

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

Inventories and Prepaid Items

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

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

Restricted Assets

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

ance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The proceeds of certain endowments, together with cumulative unspent earnings thereon, are also classified as restricted assets on the balance sheet because their use is limited by the terms of the endowments.

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

Capital Assets

Capital assets, which include property, plant, equipment, fine art and infrastructure assets (e.g., roads, bridges, sidewalks, traffic lights and signals, street lights and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2005.

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation and sick leave benefits are accrued as earned by employees. A portion of unused sick leave benefits, varying by employee bargaining unit, vests and is payable upon retirement. For proprietary funds, a current liability is reported for that portion of the estimated value of vacation and sick leave benefits to be used during the subsequent year, and the estimated value of vested sick leave benefits of employees approaching or at their respective retirement ages. The balance is considered a long-term obligation. For governmental funds the estimated compensated absences liability due within one year is included as a current liability in the *Employee Benefits Internal Service Fund* and the balance is included as a long-term liability in the *Employee Benefits Internal Service Fund*.

Long-Term Obligations

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

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

Net Assets and Fund Equity

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

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

Estimates

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

Self-Insurance Programs

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

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

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The following represents changes in the aggregate liabilities for claims for each of the City's self-insurance funds (general liability, workers' compensation and unemployment), including contracts payable amounts, for the years ended June 30, 2005 and 2004:

<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>				
2004	\$ 4,269,637	1,755,092	(1,529,165)	4,495,564
2005	4,495,564	(684,232)	(823,655)	2,987,677
<i>Workers' Compensation:</i>				
2004	6,253,292	1,658,550	(1,694,299)	6,217,543
2005	6,217,543	1,915,395	(1,616,514)	6,516,424
<i>Unemployment Insurance:</i>				
2004	\$ 15,048	38,131	(42,543)	10,636
2005	10,636	90,673	(81,047)	20,262

Pronouncements Issued, But Not Yet Implemented

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

- i. GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries.
- ii. GASB Statement No. 44, Economic Condition Reporting: The Statistical Section
- iii. GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions
- iv. GASB Statement No. 46, Net Assets Restricted for Enabling Legislation (An Amendment of GASB Statement No. 34)
- v. GASB Statement No. 47, Accounting for Termination Benefits

(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, 2005

(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

ASSETS	Total Governmental Funds	Capital Assets ¹	Long-Term Liabilities ²	Internal Service Funds ³	Reclassifications and Eliminations ⁴	Statement of Net Assets Totals
Cash and investments	\$ 55,448,404	—	—	67,950,213	—	123,398,617
Accounts receivable, net	1,230,857	—	—	—	—	1,230,857
Interest receivable	462,736	—	—	470,184	—	932,920
Taxes receivable	5,843,464	—	—	—	—	5,843,464
Interfund receivable	—	—	—	381,427	(381,427)	—
Intergovernmental receivable	4,929,671	—	—	—	—	4,929,671
Inventory	—	—	—	284,645	—	284,645
Prepaid expenses	78,841	—	—	238,317	—	317,158
Restricted assets:						
Cash and investments	22,008,510	—	—	10,344,351	—	32,352,861
Interest receivable	12,583	—	—	3,729	—	16,312
Deferred bond issuance costs, net	—	—	304,479	5,947,135	—	6,251,614
Advances to other funds	17,643,719	—	—	—	—	17,643,719
Net pension assets	—	—	—	485,380	13,420,437	13,905,817
Capital assets, net	—	76,850,155	—	167,975,082	—	244,825,237
Total assets	<u>107,658,785</u>	<u>76,850,155</u>	<u>304,479</u>	<u>254,080,463</u>	<u>13,039,010</u>	<u>451,932,892</u>
LIABILITIES						
Accounts payable	3,518,882	—	—	295,991	—	3,814,873
Contracts payable	979,276	—	—	77,332	—	1,056,608
Accrued payroll	1,396,624	—	—	61,431	—	1,458,055
Interest payable	—	—	147,173	452,152	—	599,325
Current portion of long-term liabilities	—	—	—	11,555,458	—	11,555,458
Interfund payable	381,427	—	—	—	(381,427)	—
Intergovernmental payables	722,936	—	—	1,267	—	724,203
Customer deposits	4,929,795	—	—	—	—	4,929,795
Deferred revenue	3,463,219	—	—	—	(3,463,219)	—
Long-term liabilities, net of current portion:						
Compensated absences	—	—	—	7,338,805	—	7,338,805
Outstanding claims	—	—	—	7,446,649	—	7,446,649
Revenue bonds	—	—	34,175,000	105,852,603	—	140,027,603
Original issue discount, net	—	—	(262,637)	—	—	(262,637)
Original issue premium, net	—	—	—	4,070,564	—	4,070,564
Deferred amount on refunding, net	—	—	—	(3,490,226)	—	(3,490,226)
Total liabilities	<u>15,392,159</u>	<u>—</u>	<u>34,059,536</u>	<u>133,662,026</u>	<u>(3,844,646)</u>	<u>179,269,075</u>
FUND BALANCES/NET ASSETS						
Fund balances:						
Reserved	32,131,022	—	—	—	(32,131,022)	—
Unreserved	59,979,390	—	—	—	(59,979,390)	—
Net assets:						
Invested in capital assets, net of related debt	—	76,850,155	(33,755,057)	73,179,465	18,341,208	134,615,771
Restricted	—	—	—	485,380	46,738,817	47,224,197
Unrestricted	—	—	—	—	16,965,037	16,965,037
Total fund balances/net assets	<u>\$ 92,110,412</u>	<u>76,850,155</u>	<u>(33,755,057)</u>	<u>73,664,845</u>	<u>(10,065,350)</u>	<u>198,805,005</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

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

1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet: Cost of Construction in Progress, Fine Art, and Infrastructure capital assets	\$ 115,610,452
Accumulated depreciation	<u>(38,760,297)</u>
Infrastructure capital assets, net	<u>\$ 76,850,155</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)	(262,637)
Less: deferred bond issuance costs (amortized over the life of the bonds to interest expense)	(304,479)
Plus: interest payable	<u>147,173</u>
Infrastructure long-term liabilities, net	<u>\$ 33,755,057</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	\$ 73,179,465
Restricted	485,380
Unrestricted	<u>-</u>
Internal service funds net assets	<u>\$ 73,664,845</u>

4) Certain reclassifications and eliminations are required to properly state governmental activities in the statement of net assets: – Special item, pension contribution, is a use of current financial resources and an expenditure at the fund level, is deferred and recognized as a net pension asset on the Statement of Net assets	<u>13,420,437</u>
Net increase in pension assets	<u>13,420,437</u>
– Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	113,861
Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	1,625,689
Certain sales tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	<u>1,723,669</u>
Net reduction in deferred revenue	<u>3,463,219</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	(32,131,022)
Fund balances, unreserved	(60,135,604)
Invested in capital assets, net of related debt	18,341,208
Net assets, restricted	46,820,198
Net assets, unrestricted	<u>43,988,876</u>
Net fund balance reclassifications	<u>16,883,656</u>
Net reclasses and eliminations	\$ <u>-</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

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

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

	Total Governmental Funds	Infrastructure Capital Assets⁵	Long-Term Liabilities⁶	Internal Service Funds⁷	Reclassifications and Eliminations⁸	Statement of Net Assets Totals
Revenues:						
Program revenues:						
Charges for services	\$ 12,006,613	—	—	41,777,983	(22,815,839)	30,968,757
Operating grants and contributions	—	—	—	—	1,933,510	1,933,510
Capital grants and contributions	3,086,159	—	—	21,408	147,629	3,255,196
Licenses and permits	8,010,556	—	—	—	(8,010,556)	—
Fines, forfeitures and penalties	4,962,465	—	—	—	(4,962,465)	—
General revenues:						
Taxes, net	99,689,948	—	—	—	859,602	100,549,550
Intergovernmental	3,427,136	—	—	—	(2,081,139)	1,345,997
Investment earnings	6,366,557	—	—	2,258,242	(50,784)	8,574,015
Net change in fair value of investments	(406,404)	—	—	(594,295)	—	(1,000,699)
PERS credit	—	—	—	—	—	—
Gain (loss) on sale of capital assets	—	—	—	1,958,607	—	1,958,607
Miscellaneous	1,118,830	—	—	—	—	1,118,830
Transfers in	429,230	—	—	64,723	(493,953)	—
Total revenues and transfers in	<u>138,691,090</u>	<u>—</u>	<u>—</u>	<u>45,486,668</u>	<u>(35,473,995)</u>	<u>148,703,763</u>
Expenditures/expenses:						
General government	16,682,422	—	—	—	177,795	16,860,217
Public safety	59,500,871	—	—	—	1,205,849	60,706,720
Public service	16,017,702	—	—	—	(2,044,032)	13,973,670
Culture and recreation	30,695,540	—	—	—	4,160,419	34,855,959
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest	1,766,075	—	24,747	5,589,807	—	7,380,629
Finance charges	4,125	—	—	—	(4,125)	—
Capital outlay	12,840,014	—	—	—	(12,840,014)	—
Internal service fund operating expenses:						
Salaries and employee benefits	—	—	—	5,907,210	(5,907,210)	—
Maintenance and operation	—	—	—	16,592,731	(16,592,731)	—
Insurance premiums, settlements and provisions	—	—	—	4,299,653	(4,299,653)	—
Depreciation	—	2,342,405	—	8,520,762	(11,212,837)	(349,670)
Amortization of debt issue costs	—	—	—	349,670	—	349,670
Transfers out	64,723	—	—	429,230	(493,953)	—
Infrastructure and fine art assets completed and transferred	—	(11,567,679)	—	—	11,567,679	—
Special item, pension contribution	13,420,437	—	—	—	(13,420,437)	—
Total expenditures/expenses and transfers out	<u>150,991,909</u>	<u>(9,225,274)</u>	<u>24,747</u>	<u>41,689,063</u>	<u>(49,703,250)</u>	<u>133,777,195</u>
Change in fund balances/net assets	(12,300,819)	9,225,274	(24,747)	3,797,605	14,229,255	14,926,568
Fund balances/net assets, July 1	104,567,445	67,624,881	(33,730,310)	116,620,832	2,654,401	257,737,249
Fund balances/net assets, June 30	\$ <u>92,266,626</u>	<u>76,850,155</u>	<u>(33,755,057)</u>	<u>120,418,437</u>	<u>16,883,656</u>	<u>272,663,817</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(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	\$ 12,840,014
Items not capitalized and reclassified	(1,272,335)
Infrastructure transferred from internal service funds	—
Depreciation expense	<u>(2,342,405)</u>
Excess of capital outlay expenditures over depreciation expense in the current period	<u>\$ 9,225,274</u>
6) Bond issuance costs and original issue discount are expended when incurred in governmental funds, but are deferred and amortized over the life of the bonds in the statement of activities	\$ <u>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>3,797,605</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	\$ 1,625,689
Sales Tax	1,723,669
Interest	<u>113,861</u>
Net reduction in deferred revenue	<u>3,463,219</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	(1,782,627)
Sales taxes	(707,129)
Interest revenue	(164,645)
Net assets, beginning	<u>2,654,401</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	(35,788,860)
General government expenditures	4,944,466
Public safety expenditures	17,237,310
Public services expenditures	6,749,911
Culture and recreation expenditures	<u>6,857,173</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	12,973,021
Licenses and permits	(8,010,556)
Fines, forfeitures and penalties	<u>(4,962,465)</u>
Net effect of reclassification of certain revenues	<u>—</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(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	\$ 1,933,510
Capital grants and contributions	147,629
Intergovernmental revenues	<u>(2,081,139)</u>
Net effect of reclassification of certain program-specific revenues	<u>—</u>
– Internal service fund operating expenses and other governmental expenses are reclassified in the major governmental activities classifications:	
General government	5,122,261
Public safety	18,443,159
Public service	4,044,319
Culture and recreation	10,402,692
Salaries and employee benefits	(5,907,210)
Maintenance and operation	(16,592,731)
Insurance premiums and settlements	(4,299,653)
Depreciation and amortization	<u>(11,212,837)</u>
Net effect of reclassification of internal service funds operating expenses	<u>—</u>
– Operating transfers within governmental activities are eliminated:	
Reduction in transfers in	(493,953)
Reduction in transfers out	<u>493,953</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	657,435
Culture and recreation expense	614,900
Capital outlay expense	<u>(1,272,335)</u>
Net effect of reclassification of capital outlay not capitalized	<u>—</u>

– Other reclassifications:	
Special item, pension contribution that is deferred and amortized in the Statement of Activities	13,420,437
Public service expense	4,125
Finance charges expense	<u>(4,125)</u>
Net effect of other reclassifications	<u>13,420,437</u>
Net reclassifications and eliminations	<u>\$ 16,883,656</u>

(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

Supplemental Budget Appropriations and Adjustments

The budget at June 30, 2005 includes appropriations based on encumbrances outstanding and approved reappropriations at June 30, 2004 and excludes amounts reserved for encumbrances outstanding and approved reappropriations at June 30, 2005.

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	\$ 125,197,187	13,173,682
Reappropriation of prior year approved projects and expenditures	1,301,936	2,571,682
Additional appropriations for:		
Legal and professional services	909,098	—
Community support, tourism and promotions	88,835	—
Purchase of furniture and equipment	325,740	80,091
Various capital improvement projects	—	126,760
Miscellaneous programs	25,000	39,654
Adjustments and net transfers between funds	13,038,951	29,320
Encumbrances outstanding at year-end	<u>(1,891,374)</u>	<u>(752,407)</u>
Final budget	<u>\$ 138,995,373</u>	<u>15,268,782</u>

B. Excess of Expenditures and Other Uses Over Appropriations

For the year ended June 30, 2005, expenditures and other uses exceeded appropriations in the Air Quality Special Revenue Fund by \$14,688. These over-expenditures were funded by the available fund balance.

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 \$518, and \$192,753, 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

A. Cash and Investments

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

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

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

The City's cash and investments at June 30, 2005 are summarized as follows.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(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	\$ 37,035,816	—	37,035,816	—	—	—	37,035,816
Infrastructure Capital Projects	—	—	—	18,341,208	—	18,341,208	18,341,208
Water Enterprise	—	22,473,312	22,473,312	—	1,027,478	1,027,478	23,500,790
Parking Facilities Enterprise	—	5,449,976	5,449,976	—	774,364	774,364	6,224,340
Solid Waste Enterprise	—	5,220,979	5,220,979	—	—	—	5,220,979
Wastewater Enterprise	—	8,921,187	8,921,187	—	1,712,955	1,712,955	10,634,142
Stormwater Enterprise	—	3,647,997	3,647,997	—	—	—	3,647,997
	37,035,816	45,713,451	82,749,267	18,341,208	3,514,797	21,856,005	104,605,272
Nonmajor funds	18,412,588	—	18,412,588	3,667,302	—	3,667,302	22,079,890
Total fund type	55,448,404	45,713,451	101,161,855	22,008,510	3,514,797	25,523,307	126,685,162
Internal service funds	67,950,213	—	67,950,213	10,344,351	—	10,344,351	78,294,564
Total	\$ 123,398,617	45,713,451	169,112,068	32,352,861	3,514,797	35,867,658	204,979,726
Components of cash and investments:							
Cash in demand deposits			\$ 1,208,552			—	1,208,552
Change and petty cash funds			19,558			—	19,558
Pooled investments			167,883,958			235,958	168,119,916
Investments with fiscal agents			—			35,631,700	35,631,700
Total cash and investments			\$ 169,112,068			35,867,658	204,979,726

B. Financial Risks

Interest Rate Risk

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

Credit Risk

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(4) CASH AND INVESTMENTS, CONTINUED

Custodial Credit Risk

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

At June 30, 2005, the carrying amount of the City's various demand deposit accounts totaled \$1,208,552. Bank balances totaled \$2,534,922, of which \$100,000 was covered by Federal depository insurance and \$2,434,922 was fully collateralized by investments held by the banks' trust department. The California Government Code requires California banks and savings and loan associations to secure a local governmental agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a government agency's deposits. California law also allows financial institutions to secure a government agency's deposits by pledging seasoned first trust deed mortgage notes having a value of 150% of a governmental agency's total deposits. Change and petty cash funds totaled \$19,558 at June 30, 2005.

Concentration of Credit Risk

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

<u>Issuer</u>			<u>Investment Type</u>	<u>Reported Amount</u>
Federal	Home	Loan	Federal Agency Securities	\$ 42,966,490
Bank				
Federal	National	Mort-	Federal Agency Securities	\$ 30,459,847
gauge Association				
Federal	Home	Loan	Federal Agency Securities	\$ 30,720,010
Mortgage Corporation				

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(4) CASH AND INVESTMENTS, CONTINUED

	Fair Value	Investment Maturities				
		<1 Year	<2 Years	<3 Years	<4 Years	<5 Years
Pooled investments:						
U.S. Treasury Securities	\$ 27,533,275	2,176,270	14,924,904	10,432,101	—	—
U.S. Federal Agency securities	106,231,433	49,734,375	29,752,791	9,935,886	16,808,381	—
Money market mutual funds	5,058,804	5,058,804	—	—	—	—
State Treasurer's Local Agency Investment Fund	21,768,531	21,768,531	—	—	—	—
Asset backed securities	4,140,797	—	—	842,172	2,554,406	744,219
Corporate Bonds	3,387,075	—	—	3,387,075	—	—
Total pooled investments	168,119,916	78,737,980	44,677,696	24,597,234	19,362,787	744,219
Investments held by fiscal agents:						
U.S. Treasury Securities	26,620,423	26,620,423	—	—	—	—
Money market mutual funds	9,011,277	9,011,277	—	—	—	—
Total investments held by fiscal agents	35,631,700	35,631,700	—	—	—	—
Total investments	\$ 203,751,616	114,369,680	44,677,696	24,597,234	19,362,787	744,219

	Minimum Legal Rating	Total	Exempt from Disclosure	Rating as of Year End				
				AAA	A+	A	A-	Not Rated
Pooled investments:								
U.S. Treasury Securities	N/A	27,533,275	27,533,275	—	—	—	—	—
U.S. Federal Agency securities	N/A	106,231,433	—	106,231,433	—	—	—	—
Money market mutual funds	AAAm	5,058,804	—	5,058,804	—	—	—	—
State Treasurer's Local Agency Investment Fund	N/A	21,768,531	—	—	—	—	—	21,768,531
Asset backed securities	A1	4,140,797	—	4,140,797	—	—	—	—
Corporate Bonds	Investment grade	3,387,075	—	—	1,503,914	1,502,092	381,069	—
Total pooled investments		168,119,916	27,533,275	115,431,035	1,503,914	1,502,092	381,069	21,768,531
Investments held by fiscal agents:								
U.S. Treasury Securities	N/A	26,620,423	26,620,423	—	—	—	—	—
Money market mutual funds	AAAm	9,011,277	—	9,011,277	—	—	—	—
Total investments held by fiscal agents		35,631,700	26,620,423	9,011,277	—	—	—	—
Total investments		203,751,616	54,153,698	124,442,312	1,503,914	1,502,092	381,069	21,768,531

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(4) CASH AND INVESTMENTS, CONTINUED

State Treasurer's Local Agency Investment Fund

At June 30, 2005, the City had \$21,768,531 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, 2005, such investments represent 2.099% of the total PMIA portfolio of \$60.6 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.

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	\$ 35,786,277
Permanently restricted	<u>81,381</u>
	<u>\$ 35,867,658</u>

Restricted Cash and Investments June 30, 2005

Debt Issues/Capital Projects/Endowments	Amount
Governmental activities:	
Major fund – Infrastructure Capital Projects Fund – construction fund	\$ 18,341,208
Nonmajor funds:	
Infrastructure Debt Service Fund – reserve funds	3,431,344
Permanent Funds:	
Temporarily restricted:	
Buck Fund endowment	134,207
Burton Green Fund endowment	<u>20,370</u>
	<u>154,577</u>
Permanently restricted:	
Buck Fund endowment	34,641
Burton Green Fund endowment	<u>46,740</u>
	<u>81,381</u>
Total permanent funds	<u>235,958</u>
Total governmental funds	<u>22,008,510</u>
Capital Assets Internal Service Fund –	
1999 Lease Revenue Bonds construction funds	60,921
2003 Refunding Bonds construction funds	<u>10,283,430</u>
Total internal service funds	<u>10,344,351</u>
Total governmental activities	<u>32,352,861</u>
Business-type activities:	
Water Enterprise Fund:	
1998 Refunding Water Bonds reserve funds	1,027,384
2003 Refunding Bonds construction funds	<u>93</u>
Total Water Enterprise Fund	<u>1,027,477</u>
Parking Facilities Enterprise Fund –	
1999 Lease Revenue Bonds construction funds	138
2001 Lease Revenue Bonds construction funds	773,465
2003 Refunding Bonds construction funds	<u>762</u>
Total Parking Facilities Enterprise Fund	<u>774,365</u>
Wastewater Enterprise Fund:	
1998 Ref. Wastewater Bonds reserve funds	<u>1,712,955</u>
Total business-type activities	<u>3,514,797</u>
Total restricted cash and investments	<u>\$ 35,867,658</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(4) CASH AND INVESTMENTS, CONTINUED

D. Cash and Investments – Deferred Compensation Plan

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

(5) RECEIVABLES AND DEFERRED REVENUE

A. Receivables

Receivables at June 30, 2005 for the City's individual major funds, and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are detailed below.

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

<u>Accounts Receivable</u>	<u>General</u>	<u>Infra- structure</u>	<u>Nonmajor Govern- mental</u>	<u>Internal Service</u>	<u>Total</u>	
Governmental activities:						
Accounts	\$ 1,795,628	—	7,986	—	1,803,614	
Taxes	5,843,464	—	—	—	5,843,464	
Interest – unrestricted	338,463	—	124,273	470,184	932,920	
Intergovernmental	4,731,510	—	198,161	—	4,929,671	
Interest and other – restricted	—	3,829	8,754	3,729	16,312	
Gross receivables	12,709,065	3,829	339,174	473,913	13,525,981	
Less: allowance for uncollectibles	(572,757)	—	—	—	(572,757)	
Net receivables	\$ 12,136,308	3,829	339,174	473,913	12,953,224	
<u>Accounts Receivable</u>	<u>Water</u>	<u>Parking Facilities</u>	<u>Solid Waste</u>	<u>Waste- water</u>	<u>Storm- water</u>	<u>Total</u>
Business-type activities:						
Accounts	\$ 3,268,194	203	1,738,870	917,124	263,003	6,187,394
Interest – unrestricted	159,265	49,313	40,259	58,581	24,879	332,297
Interest and other – restricted	2,131	1,511	—	3,553	—	7,195
Gross receivables	3,429,590	51,027	1,779,129	979,258	287,882	6,526,886
Less: allowance for uncollectibles	(241,074)	—	(214,969)	(140,461)	(48,190)	(644,694)
Net receivables	\$ 3,188,516	51,027	1,564,160	838,798	239,692	5,882,192

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(5) RECEIVABLES AND DEFERRED REVENUE, CONTINUED

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, 2005, the various components of deferred revenue and unearned revenue are as follows:

	Unavailable		Unearned
Governmental funds:		Business-type activities:	
Delinquent property taxes	\$ 1,625,689	Prepaid monthly parking fees	\$ 176,470
Sales tax receivable	1,723,669	Prepaid Post Office lease	726,921
Interest receivable	113,861		
	\$ 3,463,219		\$ 903,391

(6) INTERFUND RECEIVABLES/PAYABLES

Interfund receivable/payable balances at June 30, 2005 consist of the following:

- The Housing and Community Development and State Park Bonds Special Revenue Funds borrowed \$33,976, and \$192,753, respectively, from the General Fund to cover overdrafts of the cash and investment pool. These overdrafts resulted from timing differences on collection of grants receivable for the City's Community Development Block Grant and various park improvement grants.
- The General Fund advanced a total of \$17,643,719 to the Parking Enterprise Fund to cover D-Lot project expenditures. Total advances from the General Fund represent 51.7% of the \$34.1 million project cost. These advances will be repaid at 5.5% interest over a twenty-year period commencing 2004-05.
- As of June 30th, 2005, the General Fund had advanced a total of \$4,030,223 to the Infrastructure Capital Projects fund for the ongoing construction of certain capital projects. This amount will be repaid to the General Fund when the Infrastructure Capital Projects fund receives reimbursement for its requested drawdown of debt proceeds from the City's fiscal agent.
- 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, 2005 is \$330,783.
- The Capital Projects Fund borrowed a total of \$381,427 from the Capital Assets Internal Service Fund to cover costs of operations and maintenance expenses. The amount will be repaid to the Capital Assets fund in the next fiscal year.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(7) TRANSFERS

Following is a summary of transfers between funds during the year ended June 30, 2005:

Fund Transferred From	Fund Transferred To				Total
	Governmental				
	General	Law Enforce- ment SRF	Capital Assets ISF	Infrastructure DSF	
Governmental funds:					
General Fund:					
Debt service	\$ —	—	—	1,724,000	1,724,000
Grant matching	—	1,189	—	—	1,189
Capital outlay	—	—	64,723	—	64,723
Total General Fund	—	1,189	64,723	1,724,000	1,789,912
Nonmajor governmental funds:					
Streets & Highways State Gas Tax SRF – engineering services	151,414	—	—	—	151,414
Eliminations	151,414	1,189	64,723	1,724,000	1,941,326
Total governmental funds	(151,414)	(1,189)	(64,723)	(1,724,000)	(1,941,326)
	—	—	—	—	—
Internal service funds – transfer interest earned:					
Information Technology	90,236	—	—	—	90,236
Reprographics	24,706	—	—	—	24,706
Cable TV	54,142	—	—	—	54,142
Liability Insurance	95,599	—	—	—	95,599
Workers' Compensation	162,479	—	—	—	162,479
Unemployment Insurance	2,068	—	—	—	2,068
Total internal service funds	429,230	—	—	—	429,230
Eliminations	(429,230)	—	—	—	(429,230)
Net transfers – governmental activities	\$ —	—	—	—	—

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(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, 2005 were as follows:

Governmental Activities	Beginning Balance	Acquisition and Construction/ Depreciation	Sales and Other Dispositions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 35,559,359	—	(3,517,653)	—	32,041,706
Fine Art Collection	1,119,390	—	—	—	1,119,390
Construction in progress	15,327,673	14,671,769	(18,796)	(9,444,938)	20,535,708
Total capital assets not being depreciated	52,006,422	14,671,769	(3,536,449)	(9,444,938)	53,696,804
Capital assets being depreciated:					
Buildings	151,417,624	—	—	770,623	152,188,247
Improvements other than buildings	26,261,617	—	—	—	26,261,617
Infrastructure	91,192,960	—	—	7,983,353	99,176,313
Machinery and equipment	43,109,136	2,232,147	(680,238)	690,962	45,352,007
Total capital assets being depreciated	311,981,337	2,232,147	(680,238)	9,444,938	322,978,184
Less accumulated depreciation for:					
Buildings	(47,428,132)	(3,560,903)	—	—	(50,989,035)
Improvements other than buildings	(8,104,848)	(784,564)	—	—	(8,889,412)
Infrastructure	(36,417,892)	(2,342,405)	—	—	(38,760,297)
Machinery and equipment	(29,696,981)	(4,175,295)	661,269	—	(33,211,007)
Total accumulated depreciation	(121,647,853)	(10,863,167)	661,269	—	(131,849,751)
Net capital assets being depreciated	190,333,484	(8,631,020)	(18,969)	9,444,938	191,128,433
Total net capital assets – governmental activities	\$ 242,339,906	6,040,749	(3,555,418)	—	244,825,237
General government	\$ 3,684,990				
Public safety	3,639,368				
Public service	2,110,784				
Culture and recreation	1,428,025				
Total depreciation expense – governmental activities	\$ 10,863,167				

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(8) CAPITAL ASSETS, CONTINUED

B. Capital Assets – Business-type Activities

Changes in capital assets for business-type activities for the year ended June 30, 2005 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	6,910,006	3,877,495	(381,269)	(1,304,151)	9,102,081
Total capital assets not being depreciated	<u>32,863,799</u>	<u>3,877,495</u>	<u>(381,269)</u>	<u>(1,304,151)</u>	<u>35,055,874</u>
Capital assets being depreciated:					
Buildings	115,587,591	—	—	1,304,151	116,891,742
Utility systems	118,588,566	2,187,290	—	—	120,775,856
Improvements other than buildings	1,549,147	—	—	—	1,549,147
Machinery and equipment	7,723,377	—	—	—	7,723,377
Total capital assets being depreciated	<u>243,448,681</u>	<u>2,187,290</u>	<u>—</u>	<u>1,304,151</u>	<u>246,940,122</u>
Less accumulated depreciation for:					
Buildings	(45,102,861)	(4,494,090)	—	—	(49,596,951)
Utility systems	(36,696,388)	(2,977,201)	—	—	(39,673,589)
Improvements other than buildings	(883,634)	(58,334)	—	—	(941,968)
Machinery and equipment	(6,279,354)	(339,898)	—	—	(6,619,251)
Total accumulated depreciation	<u>(88,962,237)</u>	<u>(7,869,522)</u>	<u>—</u>	<u>—</u>	<u>(96,831,759)</u>
Net capital assets being depreciated	<u>154,486,445</u>	<u>(5,682,232)</u>	<u>—</u>	<u>1,304,151</u>	<u>150,108,363</u>
Total net capital assets – business-type activities	\$ <u>187,350,243</u>	<u>(1,804,737)</u>	<u>(381,269)</u>	<u>—</u>	<u>185,164,237</u>
Water	\$ 2,748,578				
Parking facilities	3,941,651				
Solid waste	—				
Wastewater	996,582				
Stormwater	182,711				
Total depreciation expense – business-type activities	\$ <u>7,869,523</u>				

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(8) CAPITAL ASSETS, CONTINUED

C. Capital Assets – Major Proprietary Funds:

Changes in capital assets for major proprietary funds for the year ended June 30, 2005 were as follows:

<u>Major Proprietary Funds</u>	<u>Beginning Balance</u>	<u>Acquisition and Construction/ Depreciation</u>	<u>Sales and Other Dispositions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Water Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 5,269,705	—	—	—	5,269,705
Construction in progress	6,695,505	1,917,849	(145,870)	—	8,467,484
Total capital assets not being depreciated	<u>11,965,210</u>	<u>1,917,849</u>	<u>(145,870)</u>	<u>—</u>	<u>13,737,189</u>
Capital assets being depreciated:					
Buildings	16,330,800	—	—	—	16,330,800
Utility systems	70,050,972	204,011	—	—	70,254,983
Improvements other than buildings	—	—	—	—	—
Machinery and equipment	4,266,085	—	—	—	4,266,085
Total capital assets being depreciated	<u>90,647,857</u>	<u>204,011</u>	<u>—</u>	<u>—</u>	<u>90,851,868</u>
Less accumulated depreciation for:					
Buildings	(2,021,204)	(744,264)	—	—	(2,765,468)
Utility systems	(24,843,830)	(1,803,037)	—	—	(26,646,867)
Improvements other than buildings	—	—	—	—	—
Machinery and equipment	(3,264,887)	(201,277)	—	—	(3,466,164)
Total accumulated depreciation	<u>(30,129,921)</u>	<u>(2,748,578)</u>	<u>—</u>	<u>—</u>	<u>(32,878,499)</u>
Net capital assets being depreciated	60,517,936	(2,544,567)	—	—	57,973,369
Total net capital assets – Water Enterprise Fund	\$ <u>72,483,146</u>	<u>(626,718)</u>	<u>(145,870)</u>	<u>—</u>	<u>71,710,558</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(8) CAPITAL ASSETS, CONTINUED

<u>Major Proprietary Funds</u>	<u>Beginning Balance</u>	<u>Acquisition and Construction/ Depreciation</u>	<u>Sales and Other Dispositions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Parking Facilities Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 11,975,088	—	—	—	11,975,088
Construction in progress	214,501	1,896,546	(172,299)	(1,304,151)	634,597
Total capital assets not being depreciated	<u>12,189,589</u>	<u>1,896,546</u>	<u>(172,299)</u>	<u>(1,304,151)</u>	<u>12,609,685</u>
Capital assets being depreciated:					
Buildings	99,256,791	—	—	1,304,151	100,560,942
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>103,750,712</u>	<u>—</u>	<u>—</u>	<u>1,304,151</u>	<u>105,054,863</u>
Less accumulated depreciation for:					
Buildings	(43,081,657)	(3,749,825)	—	—	(46,831,482)
Improvements other than buildings	(883,634)	(58,334)	—	—	(941,968)
Machinery and equipment	(2,516,565)	(133,492)	—	—	(2,650,057)
Total accumulated depreciation	<u>(46,481,856)</u>	<u>(3,941,651)</u>	<u>—</u>	<u>—</u>	<u>(50,423,507)</u>
Net capital assets being depreciated	<u>57,268,856</u>	<u>(3,941,651)</u>	<u>—</u>	<u>1,304,151</u>	<u>54,631,356</u>
Total net capital assets – Parking Fac. Enterprise Fund	\$ <u>69,458,445</u>	<u>(2,045,105)</u>	<u>(172,299)</u>	<u>—</u>	<u>67,241,041</u>
Solid Waste Enterprise Fund:					
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	(209,400)	—	—	—	(209,400)
Total accumulated depreciation	<u>(209,400)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(209,400)</u>
Net capital assets being depreciated	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total net capital assets – Solid Waste Enterprise Fund	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(8) CAPITAL ASSETS, CONTINUED

Major Proprietary Funds	Beginning Balance	Acquisition and Construction/ Depreciation	Sales and Other Dispositions	Transfers	Ending Balance
Wastewater Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 8,709,000	—	—	—	8,709,000
Construction in progress	—	63,100	(63,100)	—	—
Total capital assets not being depreciated	<u>8,709,000</u>	<u>63,100</u>	<u>(63,100)</u>	<u>—</u>	<u>8,709,000</u>
Capital assets being depreciated:					
Utility systems	38,697,168	1,983,279	—	—	40,680,447
Improvements other than buildings	—	—	—	—	—
Machinery and equipment	295,442	—	—	—	295,442
Total capital assets being depreciated	<u>38,992,610</u>	<u>1,983,279</u>	<u>—</u>	<u>—</u>	<u>40,975,889</u>
Less accumulated depreciation for:					
Utility systems	(6,770,576)	(992,219)	—	—	(7,762,795)
Improvements other than buildings	—	—	—	—	—
Machinery and equipment	(284,536)	(4,363)	—	—	(288,899)
Total accumulated depreciation	<u>(7,055,112)</u>	<u>(996,582)</u>	<u>—</u>	<u>—</u>	<u>(8,051,694)</u>
Net capital assets being depreciated	<u>31,937,498</u>	<u>986,697</u>	<u>—</u>	<u>—</u>	<u>32,924,195</u>
Total net capital assets – Wastewater Enterprise Fund	<u>\$ 40,646,498</u>	<u>1,049,797</u>	<u>(63,100)</u>	<u>—</u>	<u>41,633,195</u>
Stormwater Enterprise Fund:					
Capital assets not being depreciated:					
Construction in progress	\$ —	—	—	—	—
Total capital assets not being depreciated	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Capital assets being depreciated:					
Utility systems	9,840,426	—	—	—	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	(5,081,982)	(181,945)	—	—	(5,263,927)
Machinery and equipment	(3,966)	(766)	—	—	(4,732)
Total accumulated depreciation	<u>(5,085,948)</u>	<u>(182,711)</u>	<u>—</u>	<u>—</u>	<u>(5,268,659)</u>
Net capital assets being depreciated	<u>4,762,154</u>	<u>(182,711)</u>	<u>—</u>	<u>—</u>	<u>4,579,443</u>
Total net capital assets – Stormwater Enterprise Fund	<u>\$ 4,762,154</u>	<u>(182,711)</u>	<u>—</u>	<u>—</u>	<u>4,579,443</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(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, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental activities:</i>					
Revenue bonds payable	\$ 149,154,033	—	(4,472,268)	144,681,765	4,654,162
Plus (less) deferred amounts for:					
Original issue premiums	4,426,782	—	(356,218)	4,070,564	—
Original issue discounts	(274,097)	—	11,460	(262,637)	—
Refundings	(3,777,836)	—	287,610	(3,490,226)	—
Total bonds payable	<u>149,528,882</u>	<u>—</u>	<u>(4,529,416)</u>	<u>144,999,466</u>	<u>4,654,162</u>
Compensated absences	10,884,423	4,448,629	(3,152,571)	12,180,481	4,841,676
Claims payable	10,723,743	1,638,913	(2,856,387)	9,506,269	2,059,620
Long-term liabilities of governmental activities	<u>171,137,048</u>	<u>6,087,542</u>	<u>(10,538,374)</u>	<u>166,686,216</u>	<u>11,555,458</u>
<i>Business-type activities:</i>					
Revenue bonds payable	74,335,967	—	(3,912,732)	70,423,235	4,055,838
Plus (less) deferred amounts for:					
Original issue premiums	2,011,540	—	(180,964)	1,830,576	—
Original issue discounts	(76,369)	—	4,263	(72,106)	—
Refundings	(4,476,833)	—	345,633	(4,131,200)	—
Total bonds payable	<u>71,794,305</u>	<u>—</u>	<u>(3,743,800)</u>	<u>68,050,505</u>	<u>4,055,838</u>
Capital leases payable	20,457,678	—	(602,343)	19,855,335	639,494
Compensated absences	581,877	374,470	(386,495)	569,852	165,410
Long-term liabilities of business-type activities	<u>92,833,860</u>	<u>374,470</u>	<u>(4,732,638)</u>	<u>88,475,692</u>	<u>4,860,742</u>
Total long-term liabilities	<u>\$ 263,970,908</u>	<u>6,462,012</u>	<u>(15,271,012)</u>	<u>255,161,908</u>	<u>16,416,200</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(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, 2005 are composed of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>General Fund –</i>					
Compensated absences	\$ 544,739	—	(539,961)	4,778	4,778
<i>Infrastructure capital assets-related:</i>					
Revenue bonds payable	34,175,000	—	—	34,175,000	—
Less deferred amounts for:					
Original issue discounts	(274,097)	—	11,460	(262,637)	—
Total bonds payable	<u>33,900,903</u>	<u>—</u>	<u>11,460</u>	<u>33,912,363</u>	<u>—</u>
<i>Internal service funds:</i>					
Revenue bonds payable	114,979,033	—	(4,472,268)	110,506,765	4,654,162
Plus (less) deferred amounts for:					
Original issue premiums	4,426,782	—	(356,218)	4,070,564	—
Original issue discounts	—	—	—	—	—
Refundings	(3,777,836)	—	287,610	(3,490,226)	—
Total bonds payable	<u>115,627,979</u>	<u>—</u>	<u>(4,540,876)</u>	<u>111,087,103</u>	<u>4,654,162</u>
Compensated absences	10,338,316	4,448,629	(2,611,242)	12,175,703	4,836,898
Claims payable	10,723,743	1,638,913	(2,856,387)	9,506,269	2,059,620
Total internal service funds	<u>136,690,038</u>	<u>6,087,542</u>	<u>(10,008,505)</u>	<u>132,769,075</u>	<u>11,550,680</u>
<i>Other governmental funds –</i>					
Compensated absences	1,368	—	(1,368)	—	—
Long-term liabilities of governmental activities	\$ <u>171,137,048</u>	<u>6,087,542</u>	<u>(10,538,374)</u>	<u>166,686,216</u>	<u>11,555,458</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(9) LONG-TERM LIABILITIES, CONTINUED

Changes in the long-term liabilities of business-type activities for the year ended June 30, 2005 are composed of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Water Enterprise Fund:</i>					
Revenue bonds payable	\$ 15,055,948	—	(638,106)	14,417,842	659,646
Plus (less) deferred amounts for:					
Original issue premiums	197,377	—	(18,080)	179,297	—
Original issue discounts	(49,783)	—	2,779	(47,004)	—
Refundings	(916,105)	—	58,464	(857,641)	—
Total bonds payable	<u>14,287,437</u>	<u>—</u>	<u>(594,943)</u>	<u>13,692,494</u>	<u>659,646</u>
Capital leases payable	20,457,678	—	(602,343)	19,855,335	639,494
Compensated absences	274,535	118,476	(204,416)	188,595	59,524
Total Water Enterprise Fund	<u>35,019,650</u>	<u>118,476</u>	<u>(1,401,702)</u>	<u>33,736,424</u>	<u>1,358,664</u>
<i>Parking Facilities Enterprise Fund:</i>					
Revenue bonds payable	38,835,019	—	(2,499,626)	36,335,393	2,596,192
Plus (less) deferred amounts for:					
Original issue premiums	1,814,163	—	(162,884)	1,651,279	—
Original issue discounts	—	—	—	—	—
Refundings	(2,337,188)	—	218,879	(2,118,309)	—
Total bonds payable	<u>38,311,994</u>	<u>—</u>	<u>(2,443,631)</u>	<u>35,868,363</u>	<u>2,596,192</u>
Compensated absences	27,259	72,331	(17,609)	81,981	34,702
Total Parking Facilities Enterprise Fund	<u>38,339,253</u>	<u>72,331</u>	<u>(2,461,240)</u>	<u>35,950,344</u>	<u>2,630,894</u>
<i>Solid Waste Enterprise Fund –</i>					
Compensated absences	<u>111,058</u>	<u>104,544</u>	<u>(73,166)</u>	<u>142,436</u>	<u>46,146</u>
<i>Wastewater Enterprise Fund:</i>					
Revenue bonds payable	20,445,000	—	(775,000)	19,670,000	800,000
Less deferred amounts for:					
Original issue discounts	(26,586)	—	1,484	(25,102)	—
Refundings	(1,223,540)	—	68,290	(1,155,250)	—
Total bonds payable	<u>19,194,874</u>	<u>—</u>	<u>(705,226)</u>	<u>18,489,648</u>	<u>800,000</u>
Compensated absences	84,572	32,313	(21,520)	95,365	13,506
Total Wastewater Enterprise Fund	<u>19,279,446</u>	<u>32,313</u>	<u>(726,746)</u>	<u>18,585,013</u>	<u>813,506</u>
<i>Stormwater Enterprise Fund –</i>					
Compensated absences	<u>84,453</u>	<u>46,806</u>	<u>(69,784)</u>	<u>61,475</u>	<u>11,532</u>
Long-term liabilities of business-type activities	\$ <u>92,833,860</u>	<u>374,470</u>	<u>(4,732,638)</u>	<u>88,475,692</u>	<u>4,860,742</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(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, 2005 is as follows:

Debt Issue	Govern- mental Activities	Business- type Activities	Total
Revenue bonds:			
1998 Refunding Water	—	11,765,000	11,765,000
1998 Refunding Wastewater	—	19,670,000	19,670,000
1998 Lease Revenue	34,175,000	—	34,175,000
1999 Refunding Lease	74,030,187	6,464,813	80,495,000
2001 Refunding Lease	—	8,155,000	8,155,000
2003 Refunding Lease	36,476,578	24,368,422	60,845,000
Original issue premium	4,070,564	1,830,576	5,901,140
Original issue discount	(262,637)	(72,106)	(334,743)
Deferred amount on refunding	(3,490,226)	(4,131,200)	(7,621,426)
Total revenue bonds	<u>144,999,466</u>	<u>68,050,505</u>	<u>213,049,971</u>
Total bonds	<u>\$ 144,999,466</u>	<u>68,050,505</u>	<u>213,049,971</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.

	\$ 11,765,000
Less original issue discount	(47,004)
Less deferred amount on refunding	<u>(671,530)</u>
Net Bonds outstanding	<u>11,046,466</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.

	\$ 19,670,000
Less original issue discount	(25,102)
Less deferred amount on refunding	<u>(1,155,250)</u>
Net Bonds outstanding	<u>18,489,648</u>

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

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

	\$34,175,000
Less original issue discount	<u>(262,637)</u>
Net Bonds outstanding	<u>33,912,363</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(9) LONG-TERM LIABILITIES, CONTINUED

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

Public Financing Authority, Lease Revenue Bonds, 1999 Refunding Series A, issued March 1999, are due in annual installments ranging from \$355,000 to \$12,785,000 through June 1, 2020, with interest rates ranging from 4.00% to 5.125% payable semi-annually June 1 and December 1. The Bonds are special obligations of the Public Financing Authority secured by and payable solely from rent payments from the City pursuant to a lease agreement. The 1999 Refunding Lease Revenue Bonds were issued to refund bonds originally issued for multiple purposes, so the principal has been allocated and is accounted for in the appropriate City funds (enterprise and internal service funds). The following is a schedule of the allocation of the 1999 Lease Revenue Bonds, net of original issue premium and deferred amount on refunding, by fund at June 30, 2005:

Capital Assets Fund	\$74,030,187	
Parking Facilities Fund	<u>6,464,813</u>	
		\$ 80,495,000
Plus initial issue premium	1,745,413	
Less deferred amount on refunding	<u>(2,069,873)</u>	
Net Bonds outstanding		<u>80,170,539</u>

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

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

Plus original issue premium	43,415	
Less deferred amount on refunding	<u>(427,368)</u>	
Net Bonds outstanding		<u>7,771,047</u>

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

Public Financing Authority, Lease Revenue Bonds, 2003 Refunding Series A, issued March 2003, are due in annual installments ranging from \$2,285,000 to \$9,870,000 through June 1, 2015, with interest rates ranging from 3.00% to 5.25% payable semi-annually June 1 and December 1. Bonds maturing on or after June 1, 2014 are subject to optional redemption in part, without premium, from prepayments of base rental payments on or after June 1, 2014. The Bonds are special limited obligations of the Public Financing Authority and are payable solely from rent payments from the City pursuant to a lease agreement. The 2003 Refunding LRBs were issued to advance refunding the 1993 Refunding LRBs, which were in turn issued for multiple purposes so the principal has been allocated and is accounted for in the appropriate City funds (enterprise and internal service funds). The following is a schedule of the allocation of the 2003 Refunding LRBs, net of premium, by fund at June 30, 2005:

Capital Assets Fund	\$36,476,578	
Parking Facilities Fund	21,715,581	
Water Enterprise Fund	<u>2,652,841</u>	
		\$ 60,845,000
Plus original issue premium	4,112,312	
Less deferred amount on refunding	<u>(3,297,405)</u>	
Net bonds outstanding		<u>61,659,907</u>

Total bonds outstanding		<u>\$ 213,049,971</u>
-------------------------	--	-----------------------

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(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			
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	6,037,268	6,573,694	3,762,732	2,753,859	9,800,000	9,327,553	19,127,553
2010	6,321,111	6,265,996	3,948,889	2,590,705	10,270,000	8,856,701	19,126,701
2011-2015	29,615,843	27,116,127	30,139,157	9,393,418	59,755,000	36,509,545	96,264,545
2016-2020	53,341,833	17,304,352	15,473,167	3,533,102	68,815,000	20,837,454	89,652,454
2021-2025	19,720,000	6,945,300	5,075,000	364,563	24,795,000	7,309,863	32,104,863
2026-2028	14,455,000	1,543,500	—	—	14,455,000	1,543,500	15,998,500
Total minimum debt service payments	\$ 144,681,765	<u>86,738,347</u>	70,423,235	<u>27,823,572</u>	215,105,000	<u>114,561,919</u>	329,666,919
Unamortized portion of:							
Original issue premium	4,070,564		1,830,576		5,901,140		5,901,140
Original issue discount	(262,637)		(72,106)		(334,743)		(334,743)
Deferred amount on refunding	<u>(3,490,226)</u>		<u>(4,131,200)</u>		<u>(7,621,426)</u>		<u>(7,621,426)</u>
Net total bonded debt outstanding	\$ <u>144,999,466</u>		<u>68,050,505</u>		<u>213,049,971</u>		<u>327,611,890</u>

Reserve Funds

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

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

Based on the reserve alternative calculation methods, restricted assets at June 30, 2005, consisting of cash and investments, include the following:

	Requirement	Balance
1998 Refunding Water	\$ 1,023,048	1,027,478
1998 Refunding Wastewater	1,704,970	1,712,955
1998 Lease Revenue	3,417,500	3,431,344

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, 2005 under these capital leases are as follows:

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(9) LONG-TERM LIABILITIES, CONTINUED

	Public Works Facility		Water Treatment Plant	
	Principal	Interest	Principal	Interest
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	396,773	546,997	368,497	501,151
2010	421,245	522,525	391,225	478,424
2011-2015	2,529,518	2,189,034	2,349,250	1,998,995
2016-2020	3,411,940	1,306,911	3,168,786	1,179,459
2021-2023	2,537,028	236,607	2,241,832	200,430
	<u>\$ 10,353,799</u>	<u>6,576,089</u>	<u>9,501,536</u>	<u>5,985,457</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, 2005 are as follows:

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

F. Compensated Absences

Compensated absences consists of accrued vacation leave and accrued vested sick leave (e.g., that portion of unused sick leave benefit that vests and is payable upon retirement). Compensated absences of governmental funds are reported in the Employee Benefits Internal Service Fund. Compensated absences consist of the following at June 30, 2005:

	Governmental Activities	Business-type Activities	Total
Vacation leave:			
Current:			
Internal service	\$ 1,661,496	—	1,661,496
Enterprise	—	152,746	152,746
Long-term	<u>2,524,511</u>	<u>139,828</u>	<u>2,664,339</u>
Total vacation leave	<u>4,186,007</u>	<u>292,574</u>	<u>4,478,581</u>
Vested sick leave:			
Current:			
Internal service	3,180,180	—	3,180,180
Enterprise	—	12,664	12,664
Long-term	<u>4,814,294</u>	<u>264,614</u>	<u>5,078,908</u>
Total vested sick leave	<u>7,994,474</u>	<u>277,278</u>	<u>8,271,752</u>
Total compensated absences	<u>\$ 12,180,481</u>	<u>569,852</u>	<u>12,750,333</u>

G. No Commitment Debt

In December 2002, the Community Facilities District 2002-A (Business Triangle) of the City of Beverly Hills (Community Facilities District) issued \$16,215,000 of Special Tax Bonds, Series 2002. These bonds were issued by the Community Facilities District, a special assessment district within the Business Triangle of the City, the location of world famous retail businesses and hotels. The net proceeds of these bonds together with a contribution from the City of approximately \$2.7 million, is being used to fund a \$15 million Urban Design Program within the City's Business Triangle. This program will provide for pedestrian and other infrastructure improvements which will be owned and maintained by the City upon completion of the project. The Community Facility District Bonds, payable solely from net special assessments levied on taxable properties within the District, are not obligations of the City, but rather are limited obligations of the Community Facilities District. Accordingly, these bonds are not included in the accompanying basic financial statements. At June 30, 2005, the outstanding principal amount of the bonds were \$16,030,000.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(9) LONG-TERM LIABILITIES, CONTINUED

H. Non-issued Bonds

On November 2nd, 1955 and on June 7th, 1966, the voters of the City authorized \$5,000,000 and \$9,500,000 of bonds, respectively, to be issued for the purpose of acquisition and construction of public off-street parking lots and garages. However, following the authorization, the City has thus far not taken action to issue a portion of these bonds. Of the 1955 authorization, \$1,450,000 remains un-issued and of the 1966 authorization, \$9,500,000 remains un-issued. As of June 30, 2005, the City does not plan to issue these bonds. Additionally, on June 4th, 1974, the voters of the City also authorized \$3,750,000 of bonds to be issued for the purpose of adding to and extending the City's water works system. As of June 30, 2005, the entire authorization of \$3,750,000 remains un-issued, and the City does not plan to issue these bonds.

(10) EMPLOYEE RETIREMENT SYSTEMS AND DEFERRED COMPENSATION PLANS

A. Defined Benefit Pension Plan

Retirement Plan Description

The City's defined benefit pension plan, Beverly Hills Public Employees' Retirement Plan (Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. State statutes within the Public Employees' Retirement Law establish a menu of benefit provisions, as well as other requirements. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

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

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

Funding Policy

Active full-time plan members in the Plan are required to contribute 8%, for miscellaneous employees, and 9%, for safety employees, of their annual covered salary. The City makes such employee contributions for all safety employees and for members of the executive, executive management and confidential bargaining units on their behalf and for their account. For the remaining full-time bargaining groups the City contributes 7% of their annual covered salary on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2005 was 25.634% for safety members and 3.219% for miscellaneous employees. The contribution requirements of the Plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For the year ended June 30, 2005, the City's annual pension cost and actual contributions were \$5,052,075 for the safety employees and \$970,814 for miscellaneous employees. The City also contributed \$1,773,764 on behalf of the safety employees and \$1,907,331 on behalf of miscellaneous employees. Miscellaneous full and part-time employees directly contributed \$413,522. Total contributions were \$10,049,301. The required contribution for the year ended June 30, 2005 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 4.27% to 11.59% for safety members), and (c) 3.75% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.50%. The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. Initial unfunded liabilities are amortized over a

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

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

closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the Plan are amortized over an open 13-year period, which results in an amortization of 10% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period. As of the actuarial valuation date of June 30, 2002 (for 2004-05 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

Fiscal Year ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Overpayment)
2005	\$ 6,022,889	341%	(14,500,000)
2004	1,598,800	100	—
2003	1,084,168	100	—

On June 29, 2005, the City made a contribution payment in the amount of \$14.5 million in addition to the annual required contribution which is reflected as a net pension asset in the Government-wide Statement of Net Assets and in the proprietary fund statements. The Net Pension Asset will be amortized over 20 years in accordance with the method used by CalPERS in calculating actuarial gains and losses.

B. Employee Deferred Compensation Plan

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

Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City's deferred compensation administrator, the International City Managers' Association (ICMA) qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered the property

and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

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

(11) RELATED PARTY TRANSACTIONS

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

The City of Beverly Hills and its City Manager, Roderick J. Wood, entered into an employment contract that provided a home loan of up to \$1.5 million dollars for the purchase of a primary residence within the city limits of Beverly Hills. The loan provided funding to purchase the home and upgrades and remodeling up to the total authorized loan amount of \$1.5 million. The loan period is 40 years with an interest rate of 2.5% per annum. At June 30, 2005 the outstanding principal balance of the loan was \$1,295,478, contained within the General Fund receivables (note 5).

(12) POST EMPLOYMENT HEALTH CARE BENEFITS

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

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

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

- For service retirees after February 1, 1990 through age 70, or the date the retiree becomes eligible for Medicare, \$300 per month in health benefits is provided.
- For service retirees after July 1, 2000 through age 70, or the date the retiree becomes eligible for Medicare, the City provides up to \$300 per month in health benefits. The benefit is extended up to \$150 per month after age 70 if the employee retired on or after age 60 with 20 or more years of service and up to \$75 with 15 to 20 years of service.
- Police Association employees:
 - For employees retiring (service retirement only) after July 1, 1989 through age 70, the City pays up to the two-party rate of the Peace Officers Research Association of California (PORAC) Plan under PERS.
 - For retirees who retired between July 1, 1978 and July 1, 1989, the City pays \$211/month, through age 65.
 - Retired sworn police personnel who received a disability retirement on or after July 1, 1987 are eligible for the PERS health plan if the employee had 20 years of service with the Beverly Hills Police Department or is over 45 years of age at the time of his or her retirement.
- Police Management Association employees:
 - For employees who retired after July 1, 1989, the City pays up to the two-party rate of the PORAC Plan under PERS (with spouse continuance).
 - For employees who retired before July 1, 1979, the City pays \$16/month.
- Firemen's Association employees:
 - For management employees retired after July 1, 1980 with 15 years active City service, the City pays up to the two-party rate of the PERSCare Plan, through age 65.
 - For non-management employees (service retirement only) retired after July 1, 1980, the City pays up to the two-party rate of the PERSCare Plan, up to age 65.
 - Retired sworn fire employees who received a disability retirement on or after July 1, 1981 are eligible for PERS health care coverage if the employee would have received a service retirement of 50% or greater.
- Safety Support Association employees:
 - For employees service-retired on or after July 1, 1984, the City pays up to the single-party coverage.
 - For service retirees after July 1, 2001, the City provides health benefits up to \$150 per month if the employee retired after age 60 with 20 or

more years of service and up to \$75 per month with 15 to 20 years of service.

- Executive employees and Management and Professional employees:
 - For employees service-retired after July 1, 1981, with the exception of those employees hired after December 2, 1997, the City pays up to the two-party rate of the PERSCare Plan (with spouse continuance).
 - For employees hired or promoted into their service group on or after July 1, 1997 and who complete a minimum of 5 years of full-time employment with the City, receive a service retirement and do not perform any paid work for a PERS contracting agency following retirement, the City pays up to the single-party coverage of the PERSCare Plan at 25% for employees who have completed at least 5 years of service with the City, incremented by 5% for each year of service completed up to 20 years.
- Confidential employees:
 - For employees service-retired after July 1, 1981, the City pays up to the one-party rate of the PERSCare Plan.

The above postretirement health benefits are financed on a pay-as-you-go basis. The City currently provides these benefits to an average of 136 participants at a cost of \$907,577 for the year ended June 30, 2005. Additionally, for those retirees and their covered family members who no longer qualify for the benefits detailed above, but who choose to maintain coverage, the City contributed \$32.20 per month from July 1, 2004 through December 31, 2004, and \$48.40 per month thereafter. The City currently provides this benefit to 72 participants at a cost of \$34,545 for the year ended June 30, 2005.

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, 2005. The City believes there are adequate legal defenses to these actions and the City does not anticipate any material adverse effects on the financial position of the City from the disposition of these lawsuits and claims. As of June 30, 2005, the City is not able to state whether an outcome unfavorable to the City is either probable or remote, nor provide an estimate of the amount or range of potential loss in the event of an unfavorable outcome.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(13) COMMITMENTS AND CONTINGENCIES, CONTINUED

B. Grants

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

C. Construction Commitments

The City has a number of construction programs currently underway. The more significant of these programs and the commitment under related construction contracts at June 30, 2005 is as follows (note that this does not represent the expected total remaining cost of these programs):

CAPITAL PROJECT	Construction in Progress thru June 30, 2005	Future Budgeted
Street Resurfacing	\$ 1,220,584	5,000,000
Operations Service Center	2,127,427	18,336,000
Reservoir Projects	348,847	4,195,000
Radio System Upgrade	367,759	8,300,000
City Hall Master Plan	107,952	3,543,625
Community Telecommunications	1,226,960	2,500,000
Coldwater Canyon reservoir upgrades	4,675,205	19,250,000
Water main and hydrant replacement	708,930	17,449,000
Water Treatment Plant	2,670,764	735,000
"D-Lot" parking and retail	—	1,800,000
"T-Lot" Parking & Public Gardens	959,200	33,000,000
Urban Design project	13,724,385	—
Traffic signal installation	369,780	2,460,000
	<u>\$ 28,507,794</u>	<u>116,568,625</u>

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

D. Future Minimum Operating Lease Revenues/Expenses

The City is lessor under a variety of property operating leases (primarily retail sites in parking structures and buildings in the industrial sector) and lessee in a variety of equipment operating leases. In addition, the City uses educational and recreational facilities, provided by the Beverly Hills Unified School District, in carrying out its programs for the benefit of its residents. The City, through a JPA with the District, leases the facilities for the annual sum of \$7,925,000 for each year of the term of the agreement. Payments are made at the beginning of each quarter throughout the year.

Future minimum lease payments receivable under property leases at June 30, 2005 are as follows:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

June 30, 2005

(13) COMMITMENTS AND CONTINGENCIES, CONTINUED

Future minimum lease payments payable for equipment and property leases at June 30, 2005 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental</u>	<u>Business-type</u>
2006	8,346,833	—
2007	8,584,583	—
2008	8,829,466	—
2009	421,833	—
2010	421,833	—
	<u>\$ 26,604,548</u>	<u>—</u>

(14) RESTATEMENT OF NET ASSETS

A. Governmental Activities and Fund Balance

The City's Net Assets for Governmental Activities at June 30, 2004 have been restated to record the following:

- (1) Unrecorded Sales tax revenue at fund level
- (2) Unrecorded Government-wide sales tax revenue
- (3) Unrecorded Interest revenue on the inter-fund loan between the General Fund and the Parking Fund

The restatement had the following effect on the Net Assets for Governmental Activities:

Beginning, as previously reported	\$ 254,408,758
Accrued Sales Tax Revenue affecting:	
General Fund	1,749,500
Statement of Activities Reclassifications	707,129
Accrued Interest Revenue	871,862
Beginning, as restated	<u>\$ 257,737,249</u>

The restatements had the following effects on Beginning Fund Balance:

General Fund:	
Beginning, as previously reported	\$ 63,461,546
Accrued Sales Tax Revenue	1,749,500
Accrued Interest Revenue	871,862
Beginning, as restated	<u>\$ 66,082,908</u>

The City believes that the restatements had an immaterial effect on the Statement of Activities for the year ended June 30, 2004.

B. Business-type Activities

The City's Net Assets for Business-Type Activities at June 30, 2004 have been restated to record the following:

- (1) Additional utility revenue that was unbilled, but still earned
- (2) A correction to overstated interest, rental, and water purchase expense
- (3) A correction to parking revenue
- (4) Unrecorded interest on the inter-fund loan between the General Fund and the Parking Fund.

The City believes that the restatements had an immaterial effect on the Statement of Activities for the year ended June 30, 2004.

The following table lists the amounts of restatement by individual Enterprise Fund:

Water Enterprise Fund:	
Beginning net assets	58,901,941
Accrue Revenue	1,522,989
Correction to overstated expense	1,813,418
Beginning net assets, as restated	<u>62,238,348</u>
Parking Facilities Enterprise Fund:	
Beginning net assets	21,016,177
Accrue interest on interfund loan	(871,862)
Correction to overstated revenue	(133,687)
Beginning net assets, as restated	<u>20,010,628</u>
Solid Waste Enterprise Fund:	
Beginning net assets	5,103,427
Accrue Revenue	421,743
Beginning net assets, as restated	<u>5,525,170</u>
Wastewater Enterprise Fund:	
Beginning net assets	29,052,910
Accrue Revenue	502,827
Beginning net assets, as restated	<u>29,555,737</u>
Stormwater Enterprise Fund:	
Beginning net assets	8,064,584
Accrue Revenue	142,999
Beginning net assets, as restated	<u>8,207,583</u>

The restatement had no material effect on the respective fund's statement of revenues, expenses and changes in net assets for the year ended June 30, 2005.

CITY OF BEVERLY HILLS, CALIFORNIA

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

Year ended June 30, 2005

DEFINED BENEFIT PENSION PLAN

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

FUNDED STATUS OF THE SAFETY PLAN

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets) (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
2004	\$ 209,598,010	185,609,157	23,988,853	88.555%	\$ 18,806,176	127.558%
2003	200,439,820	177,378,413	23,061,407	88.495	18,146,974	127.081
2002	194,082,159	176,672,000	17,410,159	91.029	17,572,021	99.079
2001	183,111,282	190,157,538	(7,046,256)	103.848	16,896,486	(41.702)
2000	173,426,238	186,336,129	(12,909,891)	107.444	16,512,226	(78.184)
1999	144,228,835	163,584,943	(19,356,108)	113.420	15,665,935	(123.555)
1998	132,565,779	145,156,868	(12,591,089)	109.498	14,387,898	(87.512)
1997	119,140,130	124,461,016	(5,320,886)	104.466	14,269,005	(37.290)
1996	108,485,627	108,997,525	(511,898)	100.472	13,429,447	(3.812)

FUNDED STATUS OF THE MISCELLANEOUS PLAN

Valuation Date (June 30)	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets) (UAAL)	Funded Status	Annual Covered Payroll	UAAL as a Percentage of Payroll
2004	\$ 145,826,663	135,044,808	10,781,855	92.606%	\$ 30,169,690	35.737%
2003	137,232,316	130,907,323	6,324,993	95.391	29,760,662	21.253
2002	116,880,116	132,048,639	(15,168,523)	112.978	28,134,395	(53.915)
2001	109,287,931	143,257,149	(33,969,218)	131.082	27,210,550	(124.838)
2000	102,414,098	141,380,981	(38,966,883)	138.048	25,832,054	(150.847)
1999	87,642,035	124,387,791	(36,745,756)	141.927	24,319,472	(151.096)
1998	83,141,329	111,406,984	(28,265,655)	133.997	22,492,348	(125.668)
1997	77,322,702	94,885,718	(17,563,016)	122.714	21,146,172	(83.055)
1996	76,691,169	83,599,717	(6,908,548)	109.008	18,951,514	(36.454)

See accompanying independent auditors’ report.



CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2005

	Special Revenue Funds							
	Streets and Highways State Gas Tax	Bikeway Grant	Housing and Community Development	In-Lieu Parking District	Parks and Recreation Facilities	Metropolitan Transportation Authority	Prop. A Local Transit Assistance	Prop. C Local Transit Assistance
Assets								
Cash and investments	\$ 853,452	—	—	449,944	12,943,257	—	1,730,571	987,695
Accounts receivable, net	—	—	7,986	—	—	—	—	—
Interest receivable	12,917	—	—	3,016	80,012	—	12,420	6,102
Intergovernmental receivables	62,369	—	100,282	—	25,000	—	—	—
Restricted assets:								
Cash and investments	—	—	—	—	—	—	—	—
Interest receivable	—	—	—	—	—	—	—	—
Total assets	\$ 928,738	—	108,268	452,960	13,048,269	—	1,742,991	993,797
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 21,630	—	74,810	—	69,230	—	42,418	29,512
Contracts payable	156,987	—	—	—	—	—	—	—
Accrued payroll	—	—	—	—	—	—	1,215	953
Interfund payables	—	—	33,976	—	—	—	—	—
Intergovernmental payables	—	—	—	—	—	—	—	—
Customer deposits	—	—	—	—	—	—	—	—
Deferred revenue	3,371	—	—	787	20,882	—	3,242	1,592
Total liabilities	181,988	—	108,786	787	90,112	—	46,875	32,057
Fund balances (deficit):								
Reserved for:								
Encumbrances	679,040	—	—	—	73,367	—	—	—
Debt service	—	—	—	—	—	—	—	—
Endowment or Trust Agreement	—	—	—	—	—	—	—	—
Unreserved – undesignated	67,710	—	(518)	452,173	12,884,790	—	1,696,116	961,740
Total fund balances	746,750	—	(518)	452,173	12,958,157	—	1,696,116	961,740
Total liabilities and fund balances	\$ 928,738	—	108,268	452,960	13,048,269	—	1,742,991	993,797

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet, Continued

Nonmajor Governmental Funds

June 30, 2005

Special Revenue Funds

	Fine Art	Seized and Forfeited Property	Air Quality Improvement	State Park Bond	Roberti-Z'berg Urban Block Grant	Law Enforcement Grants	Inmate Welfare	Total
Assets								
Cash and investments	\$ 928,831	98,754	187,495	—	—	118,003	11,582	18,309,584
Accounts receivable, net	—	—	—	—	—	—	—	7,986
Interest receivable	6,059	767	1,195	—	—	1,001	77	123,566
Intergovernmental receivables	—	—	10,510	—	—	—	—	198,161
Restricted assets:								
Cash and investments	—	—	—	—	—	—	—	—
Interest receivable	—	—	—	—	—	—	—	—
Total assets	\$ 934,890	99,521	199,200	—	—	119,004	11,659	18,639,297
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ —	—	—	—	—	—	126	237,726
Contracts payable	—	—	—	—	—	—	—	156,987
Accrued payroll	—	—	—	—	—	1,210	—	3,378
Interfund payables	—	—	—	192,753	—	—	—	226,729
Intergovernmental payables	—	—	—	—	—	381	—	381
Customer deposits	551,086	—	—	—	—	—	—	551,086
Deferred revenue	1,581	200	312	—	—	261	20	32,248
Total liabilities	552,667	200	312	192,753	—	1,852	146	1,208,535
Fund balances:								
Reserved for:								
Encumbrances	—	—	—	—	—	—	—	752,407
Debt service	—	—	—	—	—	—	—	—
Endowment or Trust Agreement	—	—	—	—	—	—	—	—
Unreserved – undesignated	382,223	99,321	198,888	(192,753)	—	117,152	11,513	16,678,355
Total fund balances	382,223	99,321	198,888	(192,753)	—	117,152	11,513	17,430,762
Total liabilities and fund balances	\$ 934,890	99,521	199,200	—	—	119,004	11,659	18,639,297

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet, Continued

Nonmajor Governmental Funds

June 30, 2005

	<u>Debt Service</u>	<u>Permanent Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Infra- structure</u>	<u>Buck</u>	<u>Burton Green</u>	<u>Total</u>	
Assets					
Cash and investments	\$ 103,004	—	—	—	18,412,588
Accounts receivable, net	—	—	—	—	7,986
Interest receivable	707	—	—	—	124,273
Intergovernmental receivables	—	—	—	—	198,161
Restricted assets:					
Cash and investments	3,431,344	168,848	67,110	235,958	3,667,302
Interest receivable	7,117	1,157	480	1,637	8,754
Total assets	<u>\$ 3,542,172</u>	<u>170,005</u>	<u>67,590</u>	<u>237,595</u>	<u>22,419,064</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ —	—	—	—	237,726
Contracts payable	—	—	—	—	156,987
Accrued payroll	—	—	—	—	3,378
Interfund payables	—	—	—	—	226,729
Intergovernmental payables	—	—	—	—	381
Customer deposits	—	—	—	—	551,086
Deferred revenue	184	—	—	—	32,432
Total liabilities	<u>184</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,208,719</u>
Fund balances:					
Reserved for:					
Encumbrances	—	—	—	—	752,407
Debt service	3,541,988	—	—	—	3,541,988
Endowment or Trust					
Agreement	—	34,641	46,740	81,381	81,381
Unreserved – undesignated	—	135,364	20,850	156,214	16,834,569
Total fund balances	<u>3,541,988</u>	<u>170,005</u>	<u>67,590</u>	<u>237,595</u>	<u>21,210,345</u>
Total liabilities and fund balances	<u>\$ 3,542,172</u>	<u>170,005</u>	<u>67,590</u>	<u>237,595</u>	<u>22,419,064</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	Special Revenue Funds							Prop. C Local Transit Assistance
	Streets and Highways State Gas Tax	Bikeway Grant	Housing and Community Development	In-Lieu Parking District	Parks and Recreation Facilities	Metropolitan Transportation Authority	Prop. A Local Transit Assistance	
Revenues:								
Taxes other than property	\$ —	—	—	65,875	3,369,205	—	—	—
Intergovernmental	658,598	53,035	238,959	—	25,000	—	553,756	427,385
Use of money and property	75,538	—	—	12,541	338,510	—	57,562	25,404
Net change in fair value of investments	(24,675)	—	—	(3,846)	(104,216)	—	(17,317)	(7,013)
Miscellaneous	—	—	—	—	—	—	53,400	13,486
Total revenues	709,461	53,035	238,959	74,570	3,628,499	—	647,401	459,262
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	—	—	238,960	—	—	—	699,615	215,201
Culture and recreation	—	—	—	—	95,018	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	2,106,049	53,035	—	—	606,265	—	—	—
Total expenditures	2,106,049	53,035	238,960	—	701,283	—	699,615	215,201
Excess (deficiency) of rev- enues over expenditures	(1,396,588)	—	(1)	74,570	2,927,216	—	(52,214)	244,061
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	(151,414)	—	—	—	—	—	—	—
Total other financing sources (uses)	(151,414)	—	—	—	—	—	—	—
Special item, pension contribution	—	—	(463)	—	—	—	(10,863)	(8,597)
Net change in fund balances	(1,548,002)	—	(464)	74,570	2,927,216	—	(63,077)	235,464
Fund balances, July 1,	2,294,752	—	(54)	377,603	10,030,941	—	1,759,193	726,276
Fund balances (deficit), June 30	\$ 746,750	—	(518)	452,173	12,958,157	—	1,696,116	961,740

(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, 2005

	Special Revenue Funds							Total
	Fine Art	Seized and Forfeited Property	Air Quality Improvement	State Park Bond	Roberti-Z'berg Urban Block Grant	Law Enforcement Grants	Inmate Welfare	
Revenues:								
Taxes other than property	\$ 94,681	—	—	—	—	—	—	3,529,761
Intergovernmental	—	15,392	41,973	—	—	134,899	—	2,148,997
Use of money and property	27,043	4,726	6,422	—	—	6,102	1,440	555,288
Net change in fair value of investments	(7,887)	(1,619)	(1,466)	—	—	(2,347)	(102)	(170,488)
Miscellaneous	—	—	—	—	—	—	—	66,886
Total revenues	113,837	18,499	46,929	—	—	138,654	1,338	6,130,444
Expenditures:								
Current:								
Public safety	—	80,159	—	—	—	227,322	126	307,607
Public service	—	—	—	—	—	—	—	1,153,776
Culture and recreation	—	—	—	—	—	—	—	95,018
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	8,635	—	31,176	—	—	—	—	2,805,160
Total expenditures	8,635	80,159	31,176	—	—	227,322	126	4,361,561
Excess (deficiency) of revenues over expenditures	105,202	(61,660)	15,753	—	—	(88,668)	1,212	1,768,883
Other financing sources (uses):								
Transfers in	—	—	—	—	—	1,189	—	1,189
Transfers out	—	—	—	—	—	—	—	(151,414)
Total other financing sources (uses)	—	—	—	—	—	1,189	—	(150,225)
Special item, pension contribution	—	—	—	—	—	(9,397)	—	(29,320)
Net change in fund balances	105,202	(61,660)	15,753	—	—	(96,876)	1,212	1,589,338
Fund balances, July 1,	277,021	160,981	183,135	(192,753)	—	214,028	10,301	15,841,424
Fund balances (deficit), June 30	\$ 382,223	99,321	198,888	(192,753)	—	117,152	11,513	17,430,762

(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, 2005

	<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	\$ —	—	—	—	3,529,761
Intergovernmental	—	—	—	—	2,148,997
Use of money and property	61,130	5,236	2,214	7,450	623,868
Net change in fair value of investments	(961)	(1,579)	(664)	(2,243)	(173,692)
Miscellaneous	—	—	—	—	66,886
Total revenues	<u>60,169</u>	<u>3,657</u>	<u>1,550</u>	<u>5,207</u>	<u>6,195,820</u>
Expenditures:					
Current:					
Public safety	—	—	—	—	307,607
Public service	—	—	4,000	4,000	1,157,776
Culture and recreation	—	—	—	—	95,018
Debt service:					
Interest	1,766,075	—	—	—	1,766,075
Finance charges	4,125	—	—	—	4,125
Capital outlay	—	—	—	—	2,805,160
Total expenditures	<u>1,770,200</u>	<u>—</u>	<u>4,000</u>	<u>4,000</u>	<u>6,135,761</u>
Excess (deficiency) of rev- enues over expenditures	<u>(1,710,031)</u>	<u>3,657</u>	<u>(2,450)</u>	<u>1,207</u>	<u>60,059</u>
Other financing sources (uses):					
Transfers in	1,724,000	—	—	—	1,725,189
Transfers out	—	—	—	—	(151,414)
Total other financing sources (uses)	<u>1,724,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,573,775</u>
Special item, pension contribution	—	—	—	—	(29,320)
Net change in fund balances	<u>13,969</u>	<u>3,657</u>	<u>(2,450)</u>	<u>1,207</u>	<u>1,604,514</u>
Fund balances, July 1,	<u>3,528,019</u>	<u>166,348</u>	<u>70,040</u>	<u>236,388</u>	<u>19,605,831</u>
Fund balances (deficit), June 30	\$ <u>3,541,988</u>	<u>170,005</u>	<u>67,590</u>	<u>237,595</u>	<u>21,210,345</u>

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	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	658,598	31,598	—	—	53,035	53,035
Use of money and property	257,309	257,309	75,538	(181,771)	—	—	—	—
Net change in fair value of investments	—	—	(24,675)	(24,675)	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	<u>884,309</u>	<u>884,309</u>	<u>709,461</u>	<u>(174,848)</u>	<u>—</u>	<u>—</u>	<u>53,035</u>	<u>53,035</u>
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	<u>2,550,000</u>	<u>4,085,366</u>	<u>2,106,049</u>	<u>(1,979,317)</u>	<u>—</u>	<u>—</u>	<u>53,035</u>	<u>53,035</u>
Total expenditures	<u>2,550,000</u>	<u>4,085,366</u>	<u>2,106,049</u>	<u>(1,979,317)</u>	<u>—</u>	<u>—</u>	<u>53,035</u>	<u>53,035</u>
Excess (deficiency) of revenues over expenditures	<u>(1,665,691)</u>	<u>(3,201,057)</u>	<u>(1,396,588)</u>	<u>1,804,469</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(151,414)</u>	<u>145,414</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>(151,414)</u>	<u>145,414</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Special item, pension contribution	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>(1,671,691)</u>	<u>(3,207,057)</u>	<u>(1,548,002)</u>	<u>1,659,055</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances (deficit), July 1	<u>2,294,752</u>	<u>2,294,752</u>	<u>2,294,752</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances (deficit), June 30	\$ <u>623,061</u>	<u>(912,305)</u>	<u>746,750</u>	<u>1,659,055</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	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	65,875	(609,125)
Intergovernmental	362,986	362,986	238,959	(124,027)	—	—	—	—
Use of money and property	—	—	—	—	94,747	94,747	12,541	(82,206)
Net increase in fair value of investments	—	—	—	—	—	—	(3,846)	(3,846)
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	<u>362,986</u>	<u>362,986</u>	<u>238,959</u>	<u>(124,027)</u>	<u>769,747</u>	<u>769,747</u>	<u>74,570</u>	<u>(695,177)</u>
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	293,079	293,542	238,960	(54,582)	—	—	—	—
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—	—	—
Total expenditures	<u>293,079</u>	<u>293,542</u>	<u>238,960</u>	<u>(54,582)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>69,907</u>	<u>69,444</u>	<u>(1)</u>	<u>(69,445)</u>	<u>769,747</u>	<u>769,747</u>	<u>74,570</u>	<u>(695,177)</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	—	—	—	—	(1,000,000)	(1,000,000)	—	(1,000,000)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>—</u>	<u>(1,000,000)</u>
Special item, pension contribution	—	—	(463)	(463)	—	—	—	—
Net change in fund balances	<u>69,907</u>	<u>69,444</u>	<u>(464)</u>	<u>(69,908)</u>	<u>(230,253)</u>	<u>(230,253)</u>	<u>74,570</u>	<u>304,823</u>
Fund balances (deficit), July 1	<u>(54)</u>	<u>(54)</u>	<u>(54)</u>	<u>—</u>	<u>377,603</u>	<u>377,603</u>	<u>377,603</u>	<u>—</u>
Fund balances (deficit), June 30	<u>\$ 69,853</u>	<u>69,390</u>	<u>(518)</u>	<u>(69,908)</u>	<u>147,350</u>	<u>147,350</u>	<u>452,173</u>	<u>304,823</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	Special Revenue Funds							
	Parks and Recreation Facilities				Metropolitan Transportation Authority			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Taxes other than property	\$ 1,344,629	1,344,629	3,369,205	2,024,576	—	—	—	—
Intergovernmental	—	—	25,000	25,000	—	—	—	—
Use of money and property	281,246	281,246	338,510	57,264	—	—	—	—
Net change in fair value of investments	—	—	(104,216)	(104,216)	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	<u>1,625,875</u>	<u>1,625,875</u>	<u>3,628,499</u>	<u>2,002,624</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	—	—	—	—	—	—	—	—
Culture and recreation	—	—	95,018	95,018	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	745,000	981,589	606,265	(375,324)	—	—	—	—
Total expenditures	<u>745,000</u>	<u>981,589</u>	<u>701,283</u>	<u>(280,306)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>880,875</u>	<u>644,286</u>	<u>2,927,216</u>	<u>2,282,930</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	(7,000,000)	(7,000,000)	—	(7,000,000)	—	—	—	—
Total other financing sources (uses)	<u>(7,000,000)</u>	<u>(7,000,000)</u>	<u>—</u>	<u>7,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Special item, pension contribution	—	—	—	—	—	—	—	—
Net change in fund balances	<u>(6,119,125)</u>	<u>(6,355,714)</u>	<u>2,927,216</u>	<u>9,282,930</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances (deficit), July 1	<u>10,030,941</u>	<u>10,030,941</u>	<u>10,030,941</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances (deficit), June 30	<u>\$ 3,911,816</u>	<u>3,675,227</u>	<u>12,958,157</u>	<u>9,282,930</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	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	537,284	537,284	553,756	16,472	395,295	395,295	427,385	32,090
Use of money and property	35,077	35,077	57,562	22,485	15,852	15,852	25,404	9,552
Net change in fair value of investments	—	—	(17,317)	(17,317)	—	—	(7,013)	(7,013)
Miscellaneous	—	78,000	53,400	(24,600)	—	—	13,486	13,486
Total revenues	572,361	650,361	647,401	(2,960)	411,147	411,147	459,262	48,115
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	813,700	824,563	699,615	(124,948)	459,531	468,128	215,201	(252,927)
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—	—	—
Total expenditures	813,700	824,563	699,615	(124,948)	459,531	468,128	215,201	(252,927)
Excess (deficiency) of revenues over expenditures	(241,339)	(174,202)	(52,214)	121,988	(48,384)	(56,981)	244,061	301,042
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—	—	—	—
Special item, pension contribution	—	—	(10,863)	(10,863)	—	—	(8,597)	(8,597)
Net change in fund balances	(241,339)	(174,202)	(63,077)	111,125	(48,384)	(56,981)	235,464	292,445
Fund balances (deficit), July 1	1,759,193	1,759,193	1,759,193	—	726,276	726,276	726,276	—
Fund balances (deficit), June 30	\$ 1,517,854	1,584,991	1,696,116	111,125	677,892	669,295	961,740	292,445

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	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	94,681	44,681	—	—	—	—
Intergovernmental	—	—	—	—	—	—	15,392	15,392
Use of money and property	5,000	5,000	27,043	22,043	—	—	4,726	4,726
Net change in fair value of investments	—	—	(7,887)	(7,887)	—	—	(1,619)	(1,619)
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	55,000	55,000	113,837	58,837	—	—	18,499	18,499
Expenditures:								
Current:								
Public safety	—	—	—	—	—	82,873	80,159	(2,714)
Public service	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	100,000	100,000	8,635	(91,365)	—	—	—	—
Total expenditures	100,000	100,000	8,635	(91,365)	—	82,873	80,159	(2,714)
Excess (deficiency) of revenues over expenditures	(45,000)	(45,000)	105,202	150,202	—	(82,873)	(61,660)	21,213
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—	—	—	—
Special item, pension contribution	—	—	—	—	—	—	—	—
Net change in fund balances	(45,000)	(45,000)	105,202	150,202	—	(82,873)	(61,660)	21,213
Fund balances (deficit), July 1	277,021	277,021	277,021	—	160,981	160,981	160,981	—
Fund balances (deficit), June 30	\$ 232,021	232,021	382,223	150,202	160,981	78,108	99,321	21,213

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	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	—	—	41,973	41,973	—	—	—	—
Use of money and property	—	—	6,422	6,422	—	—	—	—
Net change in fair value of investments	—	—	(1,466)	(1,466)	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	—	—	46,929	46,929	—	—	—	—
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	—	16,488	31,176	14,688	—	31,897	—	(31,897)
Total expenditures	—	16,488	31,176	14,688	—	31,897	—	(31,897)
Excess (deficiency) of revenues over expenditures	—	(16,488)	15,753	32,241	—	(31,897)	—	31,897
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—	—	—	—
Special item, pension contribution	—	—	—	—	—	—	—	—
Net change in fund balances	—	(16,488)	15,753	32,241	—	(31,897)	—	31,897
Fund balances (deficit), July 1	183,135	183,135	183,135	—	(192,753)	(192,753)	(192,753)	—
Fund balances (deficit), June 30	\$ 183,135	166,647	198,888	32,241	(192,753)	(224,650)	(192,753)	31,897

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	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	237,120	134,899	(102,221)
Use of money and property	—	—	—	—	20,000	20,000	6,102	(13,898)
Net change in fair value of investments	—	—	—	—	—	—	(2,347)	(2,347)
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	—	—	—	—	221,437	257,120	138,654	(118,466)
Expenditures:								
Current:								
Public safety	—	—	—	—	205,727	377,755	227,322	(150,433)
Public service	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—	—	—
Total expenditures	—	—	—	—	205,727	377,755	227,322	(150,433)
Excess (deficiency) of revenues over expenditures	—	—	—	—	15,710	(120,635)	(88,668)	31,967
Other financing sources (uses):								
Transfers in	—	—	—	—	1,189	1,189	1,189	—
Transfers out	—	—	—	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	1,189	1,189	1,189	—
Special item, pension contribution	—	—	—	—	—	—	(9,397)	(9,397)
Net change in fund balances	—	—	—	—	16,899	(119,446)	(96,876)	22,570
Fund balances (deficit), July 1	—	—	—	—	214,028	214,028	214,028	—
Fund balances (deficit), June 30	\$ —	—	—	—	230,927	94,582	117,152	22,570

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	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	3,529,761	1,460,132
Intergovernmental	—	—	—	—	2,124,002	2,159,685	2,148,997	(10,688)
Use of money and property	1,500	1,500	1,440	(60)	710,731	710,731	555,288	(155,443)
Net change in fair value of investments	—	—	(102)	(102)	—	—	(170,488)	(170,488)
Miscellaneous	—	—	—	—	—	78,000	66,886	(11,114)
Total revenues	1,500	1,500	1,338	(162)	4,904,362	5,018,045	6,130,444	1,112,399
Expenditures:								
Current:								
Public safety	645	645	126	(519)	206,372	461,273	307,607	(153,666)
Public service	—	—	—	—	1,566,310	1,586,233	1,153,776	(432,457)
Culture and recreation	—	—	—	—	—	—	95,018	95,018
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	—	—	—	—	3,395,000	5,215,340	2,805,160	(2,410,180)
Total expenditures	645	645	126	(519)	5,167,682	7,262,846	4,361,561	(2,901,285)
Excess (deficiency) of revenues over expenditures	855	855	1,212	357	(263,320)	(2,244,801)	1,768,883	4,013,684
Other financing sources (uses):								
Transfers in	—	—	—	—	1,189	1,189	1,189	—
Transfers out	—	—	—	—	(8,006,000)	(8,006,000)	(151,414)	(7,854,586)
Total other financing sources (uses)	—	—	—	—	(8,004,811)	(8,004,811)	(150,225)	(7,854,586)
Special item, pension contribution	—	—	—	—	—	—	(29,320)	(29,320)
Net change in fund balances	855	855	1,212	357	(8,268,131)	(10,249,612)	1,589,338	(3,870,222)
Fund balances (deficit), July 1	10,301	10,301	10,301	—	15,841,424	15,841,424	15,841,424	—
Fund balances (deficit), June 30	\$ 11,156	11,156	11,513	357	7,573,293	5,591,812	17,430,762	(3,870,222)

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	Debt Service Fund				Permanent Funds			
	Infrastructure				Buck			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
Original	Final	Original			Final			
Revenues:								
Taxes other than property	\$ —	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—
Use of money and property	374,323	374,323	61,130	(313,193)	—	—	5,236	5,236
Net change in fair value of investments	—	—	(961)	(961)	—	—	(1,579)	(1,579)
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	<u>374,323</u>	<u>374,323</u>	<u>60,169</u>	<u>(314,154)</u>	<u>—</u>	<u>—</u>	<u>3,657</u>	<u>3,657</u>
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	1,766,075	1,766,075	1,766,075	—	—	—	—	—
Finance charges	8,899	8,899	4,125	(4,774)	—	—	—	—
Capital outlay	—	—	—	—	—	—	—	—
Total expenditures	<u>1,774,974</u>	<u>1,774,974</u>	<u>1,770,200</u>	<u>(4,774)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(1,400,651)</u>	<u>(1,400,651)</u>	<u>(1,710,031)</u>	<u>(309,380)</u>	<u>—</u>	<u>—</u>	<u>3,657</u>	<u>3,657</u>
Other financing sources (uses):								
Transfers in	1,766,075	1,766,075	1,724,000	(42,075)	—	—	—	—
Transfers out	—	—	—	—	—	—	—	—
Total other financing sources (uses)	<u>1,766,075</u>	<u>1,766,075</u>	<u>1,724,000</u>	<u>(42,075)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Special item, pension contribution	—	—	—	—	—	—	—	—
Net change in fund balances	<u>365,424</u>	<u>365,424</u>	<u>13,969</u>	<u>(351,455)</u>	<u>—</u>	<u>—</u>	<u>3,657</u>	<u>3,657</u>
Fund balances (deficit), July 1	<u>3,528,019</u>	<u>3,528,019</u>	<u>3,528,019</u>	<u>—</u>	<u>166,348</u>	<u>166,348</u>	<u>166,348</u>	<u>—</u>
Fund balances (deficit), June 30	<u>\$ 3,893,443</u>	<u>3,893,443</u>	<u>3,541,988</u>	<u>(351,455)</u>	<u>166,348</u>	<u>166,348</u>	<u>170,005</u>	<u>3,657</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	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	—	—	2,214	2,214	—	—	7,450	7,450
Net change in fair value of investments	—	—	(664)	(664)	—	—	(2,243)	(2,243)
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	—	—	1,550	1,550	—	—	5,207	5,207
Expenditures:								
Current:								
Public safety	—	—	—	—	—	—	—	—
Public service	—	—	4,000	4,000	—	—	4,000	4,000
Culture and recreation	—	—	—	—	—	—	—	—
Debt service:								
Interest	—	—	—	—	—	—	—	—
Finance charges	—	—	—	—	—	—	—	—
Capital outlay	—	—	—	—	—	—	—	—
Total expenditures	—	—	4,000	4,000	—	—	4,000	4,000
Excess (deficiency) of revenues over expenditures	—	—	(2,450)	(2,450)	—	—	1,207	1,207
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	—	—
Transfers out	—	—	—	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—	—	—	—
Special item, pension contribution	—	—	—	—	—	—	—	—
Net change in fund balances	—	—	(2,450)	(2,450)	—	—	1,207	1,207
Fund balances (deficit), July 1	70,040	70,040	70,040	—	236,388	236,388	236,388	—
Fund balances (deficit), June 30	\$ 70,040	70,040	67,590	(2,450)	236,388	236,388	237,595	1,207

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2005

	Total Nonmajor Governmental Funds			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final		
Revenues:				
Taxes other than property	\$ 2,069,629	2,069,629	3,529,761	1,460,132
Intergovernmental	2,124,002	2,159,685	2,148,997	(10,688)
Use of money and property	1,085,054	1,085,054	623,868	(461,186)
Net change in fair value of investments	—	—	(173,692)	(173,692)
Miscellaneous	—	78,000	66,886	(11,114)
Total revenues	<u>5,278,685</u>	<u>5,392,368</u>	<u>6,195,820</u>	<u>803,452</u>
Expenditures:				
Current:				
Public safety	206,372	461,273	307,607	(153,666)
Public service	1,566,310	1,586,233	1,157,776	(428,457)
Culture and recreation	—	—	95,018	95,018
Debt service:				
Interest	1,766,075	1,766,075	1,766,075	—
Finance charges	8,899	8,899	4,125	(4,774)
Capital outlay	<u>3,395,000</u>	<u>5,215,340</u>	<u>2,805,160</u>	<u>(2,410,180)</u>
Total expenditures	<u>6,942,656</u>	<u>9,037,820</u>	<u>6,135,761</u>	<u>(2,902,059)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,663,971)</u>	<u>(3,645,452)</u>	<u>60,059</u>	<u>3,705,511</u>
Other financing sources (uses):				
Transfers in	1,767,264	1,767,264	1,725,189	(42,075)
Transfers out	<u>(8,006,000)</u>	<u>(8,006,000)</u>	<u>(151,414)</u>	<u>(7,854,586)</u>
Total other financing sources (uses)	<u>(6,238,736)</u>	<u>(6,238,736)</u>	<u>1,573,775</u>	<u>7,812,511</u>
Special item, pension contribution	—	—	<u>(29,320)</u>	<u>(29,320)</u>
Net change in fund balances	<u>(7,902,707)</u>	<u>(9,884,188)</u>	<u>1,604,514</u>	<u>11,488,702</u>
Fund balances (deficit), July 1	<u>19,605,831</u>	<u>19,605,831</u>	<u>19,605,831</u>	<u>—</u>
Fund balances (deficit), June 30	<u>\$ 11,703,124</u>	<u>9,721,643</u>	<u>21,210,345</u>	<u>11,488,702</u>

See accompanying independent auditors' report.





CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Net Assets

Internal Service Funds

June 30, 2005

	<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>Eliminations</u>	<u>Total</u>
ASSETS										
Current assets:										
Cash and investments	\$ 3,221,657	37,564,226	1,138,109	2,671,674	4,918,997	7,999,384	94,314	10,341,852	—	67,950,213
Interest receivable	25,468	259,532	8,392	18,398	32,779	54,051	686	70,878	—	470,184
Interfund receivable	—	712,210	—	—	—	—	—	—	(330,783)	381,427
Inventory	—	284,645	—	—	—	—	—	—	—	284,645
Prepaid expenses	—	—	3,549	—	234,768	—	—	—	—	238,317
Total current assets	<u>3,247,125</u>	<u>38,820,613</u>	<u>1,150,050</u>	<u>2,690,072</u>	<u>5,186,544</u>	<u>8,053,435</u>	<u>95,000</u>	<u>10,412,730</u>	<u>(330,783)</u>	<u>69,324,786</u>
Noncurrent assets:										
Restricted assets:										
Cash and investments	—	10,344,351	—	—	—	—	—	—	—	10,344,351
Interest and other receivables	—	3,729	—	—	—	—	—	—	—	3,729
Total restricted assets	<u>—</u>	<u>10,348,080</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,348,080</u>
Deferred bond issuance costs, net	—	5,947,135	—	—	—	—	—	—	—	5,947,135
Net pension assets	163,467	256,289	37,334	28,290	—	—	—	—	—	485,380
Total other noncurrent assets	<u>163,467</u>	<u>6,203,424</u>	<u>37,334</u>	<u>28,290</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,432,515</u>
Capital assets:										
Land	—	32,041,706	—	—	—	—	—	—	—	32,041,706
Buildings	3,336,544	148,851,703	—	—	—	—	—	—	—	152,188,247
Improvements other than buildings	—	26,261,617	—	—	—	—	—	—	—	26,261,617
Machinery and equipment	25,142,679	19,284,810	69,335	855,183	—	—	—	—	—	45,352,007
	28,479,223	226,439,836	69,335	855,183	—	—	—	—	—	255,843,577
Less accumulated depreciation	(20,925,399)	(71,412,496)	(66,850)	(684,709)	—	—	—	—	—	(93,089,454)
Construction in progress	2,143,260	3,077,699	—	—	—	—	—	—	—	5,220,959
Total capital assets, net	<u>9,697,084</u>	<u>158,105,039</u>	<u>2,485</u>	<u>170,474</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>167,975,082</u>
Total noncurrent assets	<u>9,860,551</u>	<u>174,656,543</u>	<u>39,819</u>	<u>198,764</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>184,755,677</u>
Total assets	<u>13,107,676</u>	<u>213,477,156</u>	<u>1,189,869</u>	<u>2,888,836</u>	<u>5,186,544</u>	<u>8,053,435</u>	<u>95,000</u>	<u>10,412,730</u>	<u>(330,783)</u>	<u>254,080,463</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Net Assets, Continued

Internal Service Funds

June 30, 2005

	<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>Eliminations</u>	<u>Total</u>
LIABILITIES										
Current liabilities:										
Accounts payable	\$ 59,058	207,009	8,802	21,122	—	—	—	—	—	295,991
Contracts payable	57,313	1,925	—	—	18,094	—	—	—	—	77,332
Accrued payroll	20,700	31,712	4,287	4,732	—	—	—	—	—	61,431
Interest payable	—	452,152	—	—	—	—	—	—	—	452,152
Current portion of:										
Compensated absences	46,613	75,655	11,138	9,348	—	—	—	4,698,922	—	4,841,676
Outstanding claims	—	—	—	—	72,478	1,966,880	20,262	—	—	2,059,620
Revenue bonds	—	4,654,162	—	—	—	—	—	—	—	4,654,162
Interfund payable	330,783	—	—	—	—	—	—	—	(330,783)	—
Intergovernmental payable	865	375	27	—	—	—	—	—	—	1,267
Total current liabilities	<u>515,332</u>	<u>5,422,990</u>	<u>24,254</u>	<u>35,202</u>	<u>90,572</u>	<u>1,966,880</u>	<u>20,262</u>	<u>4,698,922</u>	<u>(330,783)</u>	<u>12,443,631</u>
Long-term liabilities (net of current portion):										
Compensated absences	109,677	292,982	49,889	9,443	—	—	—	6,876,814	—	7,338,805
Outstanding claims	—	—	—	—	2,897,105	4,549,544	—	—	—	7,446,649
Revenue bonds	—	105,852,603	—	—	—	—	—	—	—	105,852,603
Original issue premium, net	—	4,070,564	—	—	—	—	—	—	—	4,070,564
Deferred amount on refunding, net	—	(3,490,226)	—	—	—	—	—	—	—	(3,490,226)
Total long-term liabilities	<u>109,677</u>	<u>106,725,923</u>	<u>49,889</u>	<u>9,443</u>	<u>2,897,105</u>	<u>4,549,544</u>	<u>—</u>	<u>6,876,814</u>	<u>—</u>	<u>121,218,395</u>
Total liabilities	<u>625,009</u>	<u>112,148,913</u>	<u>74,143</u>	<u>44,645</u>	<u>2,987,677</u>	<u>6,516,424</u>	<u>20,262</u>	<u>11,575,736</u>	<u>(330,783)</u>	<u>133,662,026</u>
NET ASSETS										
Invested in capital assets, net of related debt	9,697,084	63,309,422	2,485	170,474	—	—	—	—	—	73,179,465
Restricted for:										
Debt service	—	—	—	—	—	—	—	—	—	—
Net pension asset	163,467	256,289	37,334	28,290	—	—	—	—	—	485,380
Construction of capital assets	—	—	—	—	—	—	—	—	—	—
Unrestricted	<u>2,622,116</u>	<u>37,762,532</u>	<u>1,075,907</u>	<u>2,645,427</u>	<u>2,198,867</u>	<u>1,537,011</u>	<u>74,738</u>	<u>(1,163,006)</u>	<u>—</u>	<u>46,753,592</u>
Total net assets (deficit)	\$ <u>12,482,667</u>	<u>101,328,243</u>	<u>1,115,726</u>	<u>2,844,191</u>	<u>2,198,867</u>	<u>1,537,011</u>	<u>74,738</u>	<u>(1,163,006)</u>	<u>—</u>	<u>120,418,437</u>

CITY OF BEVERLY HILLS, CALIFORNIA

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

Internal Service Funds

Year Ended June 30, 2005

	<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>Eliminations</u>	<u>Total</u>
Operating revenues –										
Sales, service charges and fees	\$ 5,669,410	20,799,555	1,263,190	944,337	4,146,273	3,129,034	81,047	9,183,743	(3,438,606)	41,777,983
Operating expenses:										
Salaries and employee benefits	1,643,884	2,654,352	335,600	365,143	—	—	—	1,697,291	(789,060)	5,907,210
Maintenance and operation	2,567,811	6,495,578	750,581	120,361	124,203	—	—	9,183,743	(2,649,546)	16,592,731
Insurance premiums, settlements and provisions	—	—	—	—	2,020,415	2,188,565	90,673	—	—	4,299,653
Depreciation	3,142,047	5,338,888	3,907	35,920	—	—	—	—	—	8,520,762
Amortization of issuance costs	—	349,670	—	—	—	—	—	—	—	349,670
Total operating expenses	<u>7,353,742</u>	<u>14,838,488</u>	<u>1,090,088</u>	<u>521,424</u>	<u>2,144,618</u>	<u>2,188,565</u>	<u>90,673</u>	<u>10,881,034</u>	<u>(3,438,606)</u>	<u>35,670,026</u>
Operating income (loss)	<u>(1,684,332)</u>	<u>5,961,067</u>	<u>173,102</u>	<u>422,913</u>	<u>2,001,655</u>	<u>940,469</u>	<u>(9,626)</u>	<u>(1,697,291)</u>	<u>—</u>	<u>6,107,957</u>
Nonoperating revenues (expenses):										
Investment revenue	131,548	1,344,109	34,444	77,619	134,651	231,312	2,970	319,904	(18,315)	2,258,242
Net change in fair value of investments	(41,312)	(314,331)	(9,738)	(23,477)	(39,052)	(68,833)	(902)	(96,650)	—	(594,295)
Interest expense	(18,315)	(5,589,807)	—	—	—	—	—	—	18,315	(5,589,807)
Gain on sale of capital assets	—	1,958,607	—	—	—	—	—	—	—	1,958,607
Contribution in aid of construction	—	21,408	—	—	—	—	—	—	—	21,408
Total nonoperating revenues (expenses)	<u>71,921</u>	<u>(2,580,014)</u>	<u>24,706</u>	<u>54,142</u>	<u>95,599</u>	<u>162,479</u>	<u>2,068</u>	<u>223,254</u>	<u>—</u>	<u>(1,945,845)</u>
Income (loss) before contributions and operating transfers	<u>(1,612,411)</u>	<u>3,381,053</u>	<u>197,808</u>	<u>477,055</u>	<u>2,097,254</u>	<u>1,102,948</u>	<u>(7,558)</u>	<u>(1,474,037)</u>	<u>—</u>	<u>4,162,112</u>
Transfers in	—	64,723	—	—	—	—	—	—	—	64,723
Transfers out	<u>(90,236)</u>	—	<u>(24,706)</u>	<u>(54,142)</u>	<u>(95,599)</u>	<u>(162,479)</u>	<u>(2,068)</u>	—	—	<u>(429,230)</u>
Change in net assets	<u>(1,702,647)</u>	<u>3,445,776</u>	<u>173,102</u>	<u>422,913</u>	<u>2,001,655</u>	<u>940,469</u>	<u>(9,626)</u>	<u>(1,474,037)</u>	<u>—</u>	<u>3,797,605</u>
Net assets, July 1	<u>14,185,314</u>	<u>97,882,467</u>	<u>942,624</u>	<u>2,421,278</u>	<u>197,212</u>	<u>596,542</u>	<u>84,364</u>	<u>311,031</u>	<u>—</u>	<u>116,620,832</u>
Net assets (deficit), June 30	\$ <u>12,482,667</u>	<u>101,328,243</u>	<u>1,115,726</u>	<u>2,844,191</u>	<u>2,198,867</u>	<u>1,537,011</u>	<u>74,738</u>	<u>(1,163,006)</u>	<u>—</u>	<u>120,418,437</u>



CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2005

	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	\$ 5,669,411	20,799,555	1,263,190	944,338	4,146,273	3,129,034	81,047	9,183,743	45,216,591
Cash payments to employees for services	(1,625,284)	(2,604,690)	(336,069)	(377,450)	—	—	—	—	(4,943,493)
Cash payments for goods and services	(2,789,163)	(7,008,255)	(737,432)	(120,042)	—	—	—	(9,183,743)	(19,838,635)
Cash payments for insurance premiums, settle- ments and claims	—	—	—	—	(3,647,105)	(1,889,683)	(81,047)	—	(5,617,835)
Net cash provided by operating activities	1,254,964	11,186,610	189,689	446,846	499,168	1,239,351	—	—	14,816,628
Cash flows from noncapital financing activities –									
Payment for unfunded liabilities	(163,467)	(256,289)	(37,334)	(28,291)	—	—	—	—	(485,381)
Transfers in	—	64,723	—	—	—	—	—	—	64,723
Transfers out	(90,236)	—	(24,706)	(54,142)	(95,599)	(162,479)	(2,068)	—	(429,230)
Net cash (used in) noncapital financing activities	(253,703)	(191,566)	(62,040)	(82,433)	(95,599)	(162,479)	(2,068)	—	(849,888)
Cash flows from capital financing activities:									
Proceeds from sale of property	—	1,958,608	—	—	—	—	—	—	1,958,608
Acquisition and construction of capital assets	(2,660,890)	807,658	—	—	—	—	—	—	(1,853,232)
Capital contributions received	—	21,408	—	—	—	—	—	—	21,408
Principal received (paid) on interfund advance	(330,000)	330,000	—	—	—	—	—	—	—
Interest received (paid) on interfund advance	(19,139)	19,139	—	—	—	—	—	—	—
Principal payments on debt	—	(4,472,268)	—	—	—	—	—	—	(4,472,268)
Interest payments on debt	—	(5,604,714)	—	—	—	—	—	—	(5,604,714)
Net cash (used in) capital financing activities	(3,010,029)	(6,940,169)	—	—	—	—	—	—	(9,950,198)
Cash flows from investing activities –									
Earnings on investments	114,521	881,708	25,888	57,622	105,706	174,307	2,297	250,515	1,612,564
Net increase (decrease) in cash and cash equivalents	(1,894,247)	4,936,583	153,537	422,035	509,275	1,251,179	229	250,515	5,629,106
Cash and cash equivalents, July 1	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 cash equivalents, June 30	\$ 3,221,657	37,564,226	1,138,109	2,671,674	4,918,997	7,999,384	94,314	10,341,852	67,950,213
Cash and investments	\$ 3,221,657	37,564,226	1,138,109	2,671,674	4,918,997	7,999,384	94,314	10,341,852	67,950,213
Restricted cash and investments	—	10,344,351	—	—	—	—	—	—	10,344,351
Total cash and investments	3,221,657	47,908,577	1,138,109	2,671,674	4,918,997	7,999,384	94,314	10,341,852	78,294,564
Less nonpooled investments	—	(10,344,351)	—	—	—	—	—	—	(10,344,351)
Cash and cash equivalents	\$ 3,221,657	37,564,226	1,138,109	2,671,674	4,918,997	7,999,384	94,314	10,341,852	67,950,213

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Cash Flows, Continued

Internal Service Funds

Year Ended June 30, 2005

	<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)	\$ (1,684,332)	5,961,067	173,102	422,913	2,001,655	940,469	(9,626)	(1,697,291)	6,107,957
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:									
Depreciation	3,142,047	5,338,888	3,907	35,920	—	—	—	—	8,520,762
Amortization of issuance costs	—	349,670	—	—	—	—	—	—	349,670
Changes in assets and liabilities:									
Decrease in restricted cash	—	377	—	—	—	—	—	—	377
Increase in inventory	—	(36,541)	—	—	—	—	—	—	(36,541)
Decrease in prepaid expenses	—	—	9,393	—	5,400	—	—	—	14,793
Increase (decrease) in accounts payable	(221,531)	(94,832)	3,748	319	18,094	—	—	—	(294,202)
Increase (decrease) in intergovernmental payable	180	(381,681)	9	—	—	—	—	—	(381,492)
Increase (decrease) in accrued payroll	(21,191)	(47,453)	(8,988)	(11,758)	—	—	—	—	(89,390)
Increase (decrease) in accrued compensated absences	39,791	97,115	8,518	(549)	—	—	—	1,697,291	1,842,166
Increase (decrease) in outstanding claims	—	—	—	—	(1,525,981)	298,882	9,626	—	(1,217,473)
Total adjustments	2,939,296	5,225,543	16,587	23,932	(1,502,487)	298,882	9,626	1,697,291	8,708,670
Net cash provided by operating activities	\$ <u>1,254,964</u>	<u>11,186,610</u>	<u>189,689</u>	<u>446,845</u>	<u>499,168</u>	<u>1,239,351</u>	<u>—</u>	<u>—</u>	<u>14,816,627</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	—	10,583	—	—	—	—	—	—	10,583



CITY OF BEVERLY HILLS, CALIFORNIA

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

Infrastructure Capital Projects Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final		
Revenues:				
Use of money and property	—	—	324,215	324,215
Net increase in fair value of investments	—	—	38,199	38,199
Contribution in aid of construction	—	—	3,086,159	3,086,159
Total revenues	<u>—</u>	<u>—</u>	<u>3,448,573</u>	<u>3,448,573</u>
Expenditures:				
Current – public service	—	—	—	—
Capital outlay	490,000	18,462,993	10,034,854	(8,428,139)
Total expenditures	<u>490,000</u>	<u>18,462,993</u>	<u>10,034,854</u>	<u>(8,428,139)</u>
Deficiency of revenues over expenditures	(490,000)	(18,462,993)	(6,586,281)	11,876,712
Other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deficiency of revenues and other sources over expenditures	(490,000)	(18,462,993)	(6,586,281)	11,876,712
Fund balance, July 1	<u>18,878,706</u>	<u>18,878,706</u>	<u>18,878,706</u>	<u>—</u>
Fund balance, June 30	<u>\$ 18,388,706</u>	<u>415,713</u>	<u>12,292,425</u>	<u>11,876,712</u>



CITY OF BEVERLY HILLS, CALIFORNIA

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

June 30, 2005 with comparative amounts for June 30, 2004

	<u>2005</u>	<u>2004</u>
Governmental funds capital assets by type, function and activity:		
Construction in progress	\$ 15,314,749	11,730,422
Infrastructure	99,176,313	91,192,960
Less accumulated depreciation	<u>(38,760,297)</u>	<u>(36,417,891)</u>
Net infrastructure assets – public works – streets and subdrains	60,416,016	54,775,069
Fine Art Collection – general government – art and culture	<u>1,119,390</u>	<u>1,119,390</u>
Total governmental funds capital assets	\$ <u>76,850,155</u>	<u>67,624,881</u>
Investments in governmental capital assets by source:		
1998 Lease Revenue Bonds	\$ 33,248,498	25,210,974
Capital projects general revenues	37,083,064	37,832,081
General Fund revenues	815,190	840,020
Special revenue funds revenues	<u>5,703,403</u>	<u>3,741,806</u>
Total investment in governmental capital assets by source	\$ <u>76,850,155</u>	<u>67,624,881</u>

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

CITY OF BEVERLY HILLS, CALIFORNIA

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

June 30, 2005

Function and Activity	Construction in Progress	Infrastructure	Fine Art Collection	Total
Construction in progress	\$ 15,314,749	—	—	15,314,749
General government – art and culture	—	—	1,119,390	1,119,390
Public works – streets and subdrains	—	60,416,016	—	60,416,016
Total	\$ <u>15,314,749</u>	<u>60,416,016</u>	<u>1,119,390</u>	<u>76,850,155</u>

CITY OF BEVERLY HILLS, CALIFORNIA

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

Year Ended June 30, 2005

<u>Function and Activity</u>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance June 30, 2005</u>
Construction in progress	\$ 11,730,422	11,568,201	(521)	(7,983,353)	15,314,749
General government – Art and culture – fine art collection	1,119,390	—	—	—	1,119,390
Total general government	1,119,390	—	—	—	1,119,390
Public works:					
Street and subdrain:					
Infrastructure	91,192,960	—	—	7,983,353	99,176,313
Less accumulated depreciation	(36,417,891)	(2,342,406)	—	—	(38,760,297)
Total public works	54,775,069	(2,342,406)	—	7,983,353	60,416,016
Total	\$ 67,624,881	9,225,795	(521)	—	76,850,155



CITY OF BEVERLY HILLS, CALIFORNIA

Government-wide Expenses by Function¹

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities					Business-type Activities					Total
	General Government	Public Safety	Public Service	Culture and Recreation	Interest on Long-Term Debt	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater	
2005	\$ 16,860,217	60,706,720	13,973,670	34,855,959	7,380,629	17,522,958	12,852,588	10,686,276	3,957,544	1,558,291	180,354,852
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 ²	117,000,000
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

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 Revenues¹

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 ²	Other	
2005	\$ 79,189,812	1,933,510	3,255,196	100,549,550	1,345,997	8,700,546	3,144,152	198,118,763
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
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

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 Function¹

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Government	Public Safety	Public Service	Culture and Recreation	Debt Service	Other Uses	Total
2005	\$ 16,682,422	59,500,871	16,017,702	30,695,540	1,770,200	64,723	124,731,458
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

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

General Governmental Revenues by Source¹

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes²	Licenses and Permits	Intergovernmental	Charges for Services	Fines Forfeitures and Penalties	Use of Money and Property	Change in Fair Value of Investments³	All Street Meters⁴	Miscellaneous Revenues	Other Financing Sources	Total
2005	\$ 99,689,948	8,010,556	3,427,136	12,006,613	4,962,465	6,366,557	(406,404)	—	1,118,830	429,230	135,604,931
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

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. Effective July 1, 2004, these revenues were reclassified as

CITY OF BEVERLY HILLS, CALIFORNIA

General Governmental Tax Revenues by Source¹

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Property Tax	General Sales Tax	Business License Tax	Transient Occupancy Tax²	Parks and Recreation Facilities Tax	Other Taxes	Total
2005	\$ 25,883,525	21,560,680	28,188,103	19,263,710	3,369,205	1,424,725	99,689,948
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	15,347,000	19,855,000	13,086,000	1,431,000	1,688,000	66,836,000
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

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 ¹		Total Levy	Collections	Delinquency ¹ (Delinquencies Collected)	
			Amount	Percent			Amount	Percent
2005	\$ 23,053,582	21,930,784	1,122,798	4.87%	1,210,988	1,208,802	2,186	0.18%
2004	21,401,458	20,446,150	955,308	4.46	1,257,766	1,224,093	33,673	2.68
2003	20,079,300	19,285,914	793,386	3.95	1,296,475	1,202,994	93,481	7.21
2002	19,006,555	18,030,992	975,563	5.13	1,296,903	1,170,601	126,302	9.74
2001	17,678,108	16,776,158	901,950	5.10	1,197,378	1,164,422	32,956	2.75
2000	16,932,000	15,878,000	1,054,000	6.22	1,087,000	1,078,000	9,000	0.83
1999	15,574,000	14,828,000	746,000	4.79	995,000	935,000	60,000	6.03
1998	13,988,000	13,228,000	760,000	5.43	946,000	943,000	3,000	0.32
1997	14,401,000	12,978,000	1,423,000	9.88	925,000	900,000	25,000	2.70
1996	14,685,000	13,419,000	1,266,000	8.62	914,000	844,000	70,000	7.66

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

CITY OF BEVERLY HILLS, CALIFORNIA

Assessed and Estimated Actual Value of Taxable Property¹

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Real Property Exemptions	Net Assessed Value	Estimated Actual Value	Ratio of Net Assessed Value to Estimated Actual Value
2005	\$ 13,678,028,419	438,688,276	36,335,600	14,080,381,095	14,116,716,695	99.74%
2004	12,797,945,339	398,885,451	36,197,000	13,160,633,790	13,196,830,790	99.73%
2003	12,045,395,152	409,001,238	36,428,000	12,417,968,390	12,454,396,390	99.71
2002	11,458,425,101	418,296,255	36,436,400	11,840,284,956	11,876,721,356	99.69
2001	10,562,377,726	414,388,951	36,727,600	10,940,039,077	10,976,766,677	99.67
2000	9,803,770,000	372,665,000	37,047,000	10,139,388,000	10,176,435,000	99.64
1999	8,734,770,000	350,126,000	37,377,000	9,047,519,000	9,084,896,000	99.59
1998	8,411,686,000	308,970,000	37,604,000	8,683,052,000	8,720,656,000	99.57
1997	8,392,848,000	315,121,000	37,605,000	8,670,364,000	8,707,969,000	99.57
1996	8,600,679,000	288,777,000	37,884,000	8,851,572,000	8,889,456,000	99.57

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

CITY OF BEVERLY HILLS, CALIFORNIA

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

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City of Beverly Hills			School Districts			County of Los Angeles				West		Total
	General Fund (Base) ²	Retirement Benefits for Public Safety Personnel	Total	Beverly Hills Unified	Los Angeles Unified	Los Angeles Community College ³	Flood Control District	Sanitation District No. 4	School Services ³	Metropolitan Water District	Mosquito Abatement District ³		
2005	\$ 1.0000	0.0061	1.0061	0.0619	0.0888	0.0181	0.0009	0.0002	—	—	0.0058	—	1.1818
2004	1.0000	0.0062	1.0062	0.0668	0.0771	0.0199	0.0010	0.0005	—	—	0.0061	—	1.1776
2003	1.0000	0.0064	1.0064	0.0678	0.0369	0.0146	0.0010	0.0009	0.0010	—	0.0067	—	1.1353
2002	1.0000	0.0064	1.0064	0.0420	0.0481	0.0160	0.0011	0.0011	0.0010	—	0.0077	—	1.1234
2001	1.0000	0.0079	1.0079	0.0448	0.0276	—	0.0013	0.0016	0.0013	—	0.0088	—	1.0933
2000	1.0000	0.0143	1.0143	0.0492	0.0315	—	0.0014	0.0018	0.0016	—	0.0089	—	1.1087
1999	1.0000	0.0208	1.0208	0.0644	0.0247	—	0.0015	0.0020	0.0015	—	0.0089	—	1.1238
1998	1.0000	0.0096	1.0096	0.0130	0.0120	—	0.0016	0.0022	0.0023	—	0.0089	—	1.0496
1997	1.0000	0.0151	1.0151	0.0125	0.0033	—	0.0016	0.0020	0.0022	—	0.0089	—	1.0456
1996	1.0000	0.0143	1.0143	0.0196	0.0034	—	0.0018	0.0010	0.0026	—	0.0089	—	1.0516

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Property Tax Levies for All Overlapping Governments¹

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	School Districts			County of Los Angeles			Metropolitan Water District	West Mosquito Abatement District	
	Beverly Hills Unified	Los Angeles Unified	Los Angeles Community College	General	Flood Control District	Sanitation District No. 4			School Services
2005	\$ 30,871,967	913,999,954	179,854,125	1,819,799,380	72,120,621	250,145	1,638,404,110	50,158,693	613,289
2004	29,440,970	806,245,366	172,145,440	1,690,927,359	68,658,901	233,828	1,532,895,593	45,823,845	579,904
2003	27,774,098	647,868,189	143,792,343	1,575,523,696	66,870,275	220,548	1,435,656,696	50,337,656	552,379
2002	23,460,661	640,376,246	133,106,930	1,493,979,343	64,124,699	271,372	1,359,151,316	51,936,338	518,550
2001	21,932,717	547,594,140	81,656,970	1,395,631,981	62,138,839	258,052	1,278,737,970	53,288,297	485,297
2000	20,717,000	526,564,000	77,066,000	1,305,263,000	59,024,000	244,000	1,212,694,000	49,790,000	449,000
1999	19,601,000	480,349,000	72,589,000	1,232,911,000	56,316,000	219,000	1,154,981,000	46,002,000	410,000
1998	14,476,000	439,845,000	70,384,000	1,189,353,000	55,308,000	235,000	1,135,412,000	43,744,000	399,000
1997	14,378,000	418,476,000	69,603,000	1,170,828,000	53,699,000	232,000	1,133,258,000	42,820,000	409,000
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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Property Taxpayers¹

Year Ended June 30, 2005

(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	\$ 185,227,738	1.37%
B W Hotel LLC	Hotel	147,927,463	1.10
Sajatera, Inc.	Hotel	146,200,000	1.08
Rodeo Owner Corporation	Shopping center	145,513,871	1.08
Oasis West Realty LLC	Office buildings	123,315,000	0.91
Douglass Emmett Realty Fund	Office buildings	94,149,363	0.70
Wilroad Association Ltd. Partnership	Office/store/residential/parking	92,336,367	0.68
Maple Plaza, Ltd.	Office buildings	64,303,407	0.48
Burton Way Hotel, Inc.	Hotel	59,466,658	0.44
Belvedere Hotel Partnership	Hotel	<u>55,969,683</u>	<u>0.41</u>
Total of principal property taxpayers		1,114,409,550	8.26
All other property taxpayers		<u>12,372,597,172</u>	<u>91.74</u>
Total		<u>\$ 13,487,006,722</u>	100.00%

1. Source – Los Angeles County Tax Assessor

CITY OF BEVELRY HILLS, CALIFORNIA

Computation of Legal Debt Margin

June 30, 2005

(Unaudited)

Assessed valuations:		
Net assessed value		\$ 14,080,381,095
Add back exempt real property		<u>36,335,600</u>
Total assessed value		<u>\$ 14,116,716,695</u>
Legal debt margin:		
Debt limitation (3.75% of total assessed value)		\$ 529,376,876
Debt applicable to limitation:		
Total long-term liabilities	\$ 255,161,908	
Amounts to be paid from:		
Water revenue	33,547,829	
Parking revenue	35,868,363	
Wastewater revenue	18,489,648	
Other lease revenue bonds	144,999,466	
Compensated absences	12,750,333	
Outstanding claims	<u>9,506,269</u>	
Total long-term liabilities excluded from computation	<u>255,161,908</u>	
Total debt applicable to limit		<u>—</u>
Legal debt margin		<u>\$ 529,376,876</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Computation of Direct and Overlapping Debt

June 30, 2005
(Unaudited)

Jurisdiction	Gross Debt	Net Assessed Valuation ²	Amount of Gross Debt Applicable to the City ³		Gross Debt Applicable to the City
			Direct	Overlapping	
City of Beverly Hills	\$ 144,999,466	¹ 14,080,381,095	144,999,466	—	100.000%
Beverly Hills Unified School District	108,489,260	14,063,048,526	—	108,214,782	99.747
Los Angeles Unified School District	5,083,168,350	328,818,214,850	—	864,139	0.017
Los Angeles Community College District	738,680,000	408,061,902,345	—	27,183,424	3.680
County of Los Angeles	2,829,208,783	761,355,097,239	—	59,130,464	2.090
Los Angeles County Flood Control District	121,880,000	715,598,712,391	—	2,532,666	2.078
County Sanitation District No. 4 Authority	4,113,697	Direct Assessment	—	109,753	2.668
Mountains Recreation/Conservation Authority	14,225,000	Direct Assessment	—	114	0.001
	<u>\$ 9,044,764,556</u>		<u>144,999,466</u>	<u>198,035,342</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)

Fiscal Year	Estimated Population¹	Net Assessed Valuation²	Total Long-Term Debt³	Less Debt Service Funds⁴	Less Debt Payable from Enterprise Revenues	Net Long-Term Debt	Ratio of Net Long-Term Debt to Net Assessed Value	Net Long-Term Debt Per Capita
2005	35,969	\$ 14,080,381,095	255,161,908	13,780,313	87,905,840	153,475,755	1.09%	\$ 4,267
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

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 Expenses¹

Last Ten Fiscal Years
(Unaudited)

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Water Enterprise Fund Long-Term Debt Coverage

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Water Enterprise Fund Operations			Water Enterprise Long-Term Debt Service Requirements ³			Coverage
	Gross Revenues ¹	Expenses		Principal	Interest	Total	
		Net of Depreciation and Interest ²	Net Revenue Available for Debt Service				
2005	\$ 17,616,827	12,817,261	4,799,566	638,106	1,902,705	2,540,811	1.89
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

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 Revenues¹	Expenses		Net Revenue Available for Debt Service	Parking Facilities Enterprise Long-Term Debt Service Requirements³			Coverage
		Net of Depreciation and Interest²			Principal	Interest	Total	
2005	\$ 11,119,954	6,098,341		5,021,613	2,499,626	2,663,513	5,163,139	0.97
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

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

Wastewater Enterprise Fund Long-Term Debt Coverage

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Wastewater Enterprise Fund Operations						Coverage	
	Gross Revenues ¹	Expenses		Net Revenue Available for Debt Service	Wastewater Enterprise Long-Term Debt Service Requirements ³			
		Net of Depreciation and Interest ²			Principal	Interest		Total
2005	\$ 7,549,042	1,949,560		5,599,482	775,000	928,138	1,703,138	3.29
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	5,479,165	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

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 ¹	Number of Building Permits Issued	Building Permits Revenue	Construction Value	Average Construction Value Per Permit	Business-type Activities Within the City Limits ²		
						Banks	Savings & Loans ³	Total
2005	\$ 14,080,381,095	2,743	\$ 4,447,686	180,087,709	65,654	n/a ⁴	n/a ⁴	n/a ⁴
2004	13,160,633,790	2,447	4,419,719	177,124,342	72,384	9,103,474,000	1,875,442,000	10,978,916,000
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

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

Demographic Statistical Data

June 30, 2005
(Unaudited)**Total Population:**

2002 ² :	34,864
2003 ² :	35,350
2004 ² :	35,701
2005 ² :	35,969

Percent of Population in Various Age Groups¹:

<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
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

Average income levels (2000 Census)¹:

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

Housing Units (Estimated January 2005)²: —**Housing Units (2000 Census)¹:**

	<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>

Population Distribution by Race (2000 Census)¹:

	<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>

Household Size (1990 Census)¹:

<u>Household</u>	<u>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>

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

BHUSD (K-12) ³ :	5,285
All schools (Nursery - 12) (2000 Census) ¹ :	6,141

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

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Sales Taxpayers¹
(Listed Alphabetically)

Year Ended June 30, 2005
(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	Mastro's Steakhouse	Restaurant with beer
The Beverly Hilton	Hotel food/bar sales	Neiman-Marcus Department Store	Department stores
Cartier, Inc.	Jewelry stores	The Peninsula Beverly Hotels	Hotel food/bar sales
Chanel Boutique	Women's apparel	Polo Ralph Lauren	Family apparel
Chase Manhattan Auto Finance	Passenger car leasing	Prada Mens Wear	Men's apparel
Crate & Barrel	Specialty stores	Rite Aid Drug Stores	Drug stores
Daimler Chrysler Financial	Leasing	Robinsons-May Department Store	Department stores
DCFS Trust	Leasing	Rolls Royce of Beverly Hills	New car dealers
DG USA	Men's apparel	Saint John's Boutique	Women's apparel
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, 2005.



CITY OF BEVERLY HILLS, CALIFORNIA

Insurance in Force

June 30, 2005
(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: Building and contents, City vehicles, fine arts, valuable papers, extra expenses, loss of rents, boiler and machinery	\$ 252.432	FM Global	TE 928	\$ 222,248	07/01/05
Earthquake and flood:					
Library	5.0 xs 5.0	Axis Specialty Insurance	ALF707758-04		
Civic Center Site Amenities	5.0 p/o 15.0 xs 15.0	Pacific Insurance Co.	ZG0026567		
461 North Bedford	5.0 p/o 15.0 xs 15.0	Redlands Insurance Co.	SIU31125-01		
430 North Camden	5.0 p/o 15.0 xs 15.0	Insurance Company of the West	XHO213301600		
221 North Crescent and	25.0 xs 25.0	Clarendon America Insurance Co.	303025EQ-1		
	20.0 p/o 50.0 xs 50.0				
333 North Crescent	12.0 p/o 50.0 xs 50.0	Great American Insurance Co.	IMP6029170		
Santa Monica-5 Parking	3.0 p/o 50.0 xs 50.0	Greenwich Insurance Co.	ACG4465954		
Structures and City Hall	15.0 p/o 50.0 xs 50.0	Great American Insurance Co.	CPP5165954		
Headquarters Fire Station and	64.343 xs 100.0	Underwriters Lloyds of London	NA001860C		
Civic Center Parking Structure					
Beverly/Canon Parking Structure					
Workers' Compensation:					
Workers' compensation		Self-insured			

xs - Excess

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Insurance in Force, Continued

June 30, 2005

(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	Insurance Co. of the State of Pennsylvania	42052151	\$ 321,325	03/01/06
	15.0 xs 10.0	ARCH Specialty Insurance Co.	UXP000469-00		
Special Event liability (tenants and					
Fidelity:					
Honesty blanket bond	5.0	National Union Fire Insurance Co. of Pittsburg, PA	9784364	36,819	01/07/06
Public Officials:					
City Treasurer	0.135	Western Surety	69266337	675	01/01/06
City Clerk	0.025	Western Surety	6938058	255	06/16/06
Deputy Treasurers	0.025	Fidelity & Deposit Co. of Maryland	3015 4168	225	04/01/06
	0.025	Fidelity & Deposit Co. of Maryland	3015 4264	225	04/01/06
Group coverages:					
Group term life	28.53	Guardian	01423	109,582 *	Continuous
Group health	Various	PERS Health Benefits Program	Various	6,510,000 *	Continuous
Group dental	Various	Guardian**	39140	721,517 **	Continuous
Group vision	Various	Vision Service Plan	30513	168,215 *	Continuous
Group disability	Various	Fortis	40891	291,942 *	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

Miscellaneous Statistical Data

June 30, 2005

(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.

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 \$180,087,709(Approx. Value)	2,743
--	-------

Business licenses:

Services	4,500
Retail, wholesale, contractors & manufacturing	1,858
Professions	2,029
Apartment houses	1,251
Commercial property rental	555
Brokers	1,308
Miscellaneous	119

Total	<u>11,620</u>
-------	---------------

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

Fire protection –

Stations with 84 authorized positions	3
---------------------------------------	---

Police protection –

Stations with 209 authorized positions	1
--	---

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	547
Exempt service	126

Total	<u><u>673</u></u>
-------	-------------------



