

CITY of BEVERLY HILLS
STATE of CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

Year Ended June 30, 2010

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, 2010

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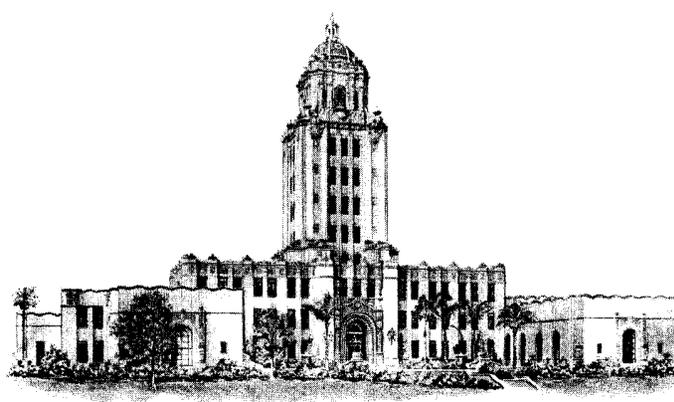
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CITY OF BEVERLY HILLS

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby submit the comprehensive annual financial report (CAFR) of the City of Beverly Hills, California (City) for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City of Beverly Hills, California. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Mayer Hoffman McCann P.C., an international public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Beverly

Hills, California for the fiscal year ended June 30, 2010, 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, 2010, are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditors' report is presented as the first component of the financial section of this report.

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

Profile of the City of Beverly Hills. The City of Beverly Hills, incorporated in 1914 under the general laws of the State of California, is a long-established residential city and commercial center located within Los Angeles County in Southern California. The City, located approximately 10 miles west of the Los Angeles City Hall, occupies a land area of approximately 5.7 square miles and serves a residential population of 35,953¹. The City estimates that services are provided to 100,000 to 150,000 persons during the day.

The City operates under a Council-Manager form of government. The City Council consists of five members elected at large for overlapping four-year terms. The Mayor is selected from the City Council members and serves a one-year term. The City's only other elected official is the City Treasurer whose term of office is four years. The City Council is responsible, among

¹ Estimate – State of California Dept. of Finance.



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other things, for passing ordinances, adopting the budget, appointing committees, and appointing a City Manager, City Attorney and City Clerk. In addition, the City Council appoints the members of the following advisory Commissions and Boards:

- Architectural Commission
- Public Works Commission
- Fine Art Commission
- Planning Commission
- R-1 Design Review Commission
- Human Relations Commission
- Recreation & Parks Commission
- Traffic & Parking Commission
- Solicitations Advisory Commission

In addition to sitting as the governing board of the City, the City Council also acts as the Board of Directors of two 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 36, is presented as part of the basic financial statements for the General Fund. The budget-to-actual comparisons for nonmajor governmental funds with appropriated annual budgets are presented in the Nonmajor Governmental Funds section of this report, and begin on page 97. The budget-to-actual comparison for the Infrastructure Capital Projects Fund, a Major governmental fund of the City, can be found on page 109.

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 2010/2011 based on the current economic conditions. Overall the City projected a substantial reduction in revenues based on the impact of the current world wide economic downturn on the City's retail, business and tourism trade.

With that stated, the FY 2010/2011 budget is balanced, whereby all expenditures are supported by revenues.

In developing the FY 2010/2011 budget, City staff was committed to the challenge of aligning escalating fixed costs – such as construction expenses,



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energy, fuel and unfunded liability or retiree health insurance costs – with reduced revenues. The result is a fiscally responsible budget that meets the quality-of-life expectations of the community while at the same time exploring new options for revenue generation.

It should also be noted that the fundamental cost associated with maintaining the same level of service to the community is built in at \$6 million to \$8 million each year. This, coupled with the quest to maintain the quality of life expectations of the community, has resulted in an ever-present concern that Beverly Hills' traditionally strong economic base may be unsustainable without expanding this economic base and/or incorporating new revenue sources. This concern is further exacerbated by the ever-increasing competition the city faces from other markets and tourism venues – both national and international.

City Council Goals and Budget Direction

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

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

These objectives, carried over from last year, and refined as a result of last December's City Council goals and priorities exercise, were expanded to include specific strategies:

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

Program-Based Budgeting

A useful tool in preparing the FY 2010/2011 budget was the City's program-based budget format. This approach requires an annual justification for every program, including its record in meeting objectives and providing value for dollars. Departments were able to evaluate program costs and effectiveness, and make recommendations based on this information. With narratives and financial figures for each service, the City's program-based format helped to identify areas for cost adjustments and bring transparency to funding sources and uses.

A new addition to the budget was to detail the changes in each program from the prior fiscal year (FY 2009/2010) to the new one (FY 2010/2011) so that City Council and the community can see the impacts. While it is never easy to make cuts during a budget process, a program-based approach offers a consistent framework for leaders who are compelled to reach such difficult decisions.

Revenue and Expenditure Review

Preliminary projections for the FY 2010/2011 budget resulted in the projection of an approximately \$9 million budget gap. However, with the budget cuts, furloughs, deferred equipment replacement and revenue enhancements, the Council was presented with a balanced budget. For FY 2010/2011, the General Fund revenues were projected at \$157.4 million and expenditures are expected to be \$157.3 million.

At the time that the budget was prepared the projected General Fund operating expenses for FY 2009/2010 were \$158.4 million and with mandatory increases in salaries and benefits (based on memoranda of understanding with employee associations), and energy and water costs, other program cuts were necessary to produce a balanced budget. The FY 2010/2011 General Fund operating budget is 1 percent lower than the FY 2009/2010 budget.

Revenue projections for FY 2010/2011 are 0.2% below the adopted FY 2009/2010 revenue projections. Property tax has remained a stable source of revenue for the City and business tax show a great deal more strength than was expected.



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General Fund

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

Enterprise Funds

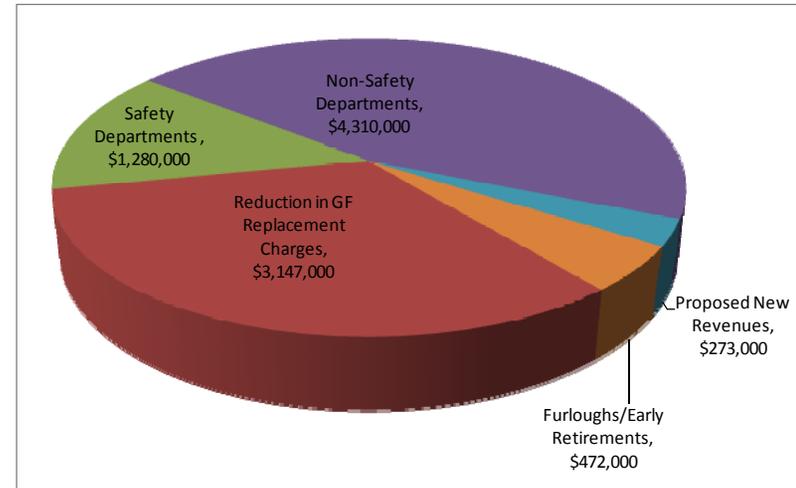
Total appropriations for FY 2010/2011 were estimated at \$343.2 million for all operating expenses (all funds) and \$59.3 million for the Capital Improvement Program (CIP) – most of which are grant or bond funded – amounting to a total of \$402.5 million for all requested appropriations. Total appropriations for the General Fund and total budget for FY2010/2011 are about 0.2 percent and 0.1 percent less than the FY 2009/2010 appropriations and budget, respectively.

Recognizing that deferred maintenance often results in greater and unnecessary costs, the City will continue its targeted spending program for CIPs. While construction costs are down, the City can maximize the effectiveness of its capital dollars by advancing infrastructure and asset enhancement projects. A \$9 million General Fund contribution to the Infrastructure and Capital Asset Funds helps to support critical projects in the 5-year CIP. Major capital initiatives for the coming year include street resurfacing, traffic signal replacement, new Gateway enhancements, construction of the 9400 Santa Monica building, roof replacements on City buildings, and continued investment at Greystone Mansion. The CIP has been separated into a second volume of the Budget, as it has been for the past several years, so that the project descriptions, budgets, and timelines can be easily referenced during budget discussions and throughout the year.

Cost Saving Measures

As required by law, the FY 2010/2011 budget is balanced, with all expenditures supported by available resources. In crafting this document, the City used a very conservative approach, making no assumptions that we will see a strong, economic growth spurt in the near future.

Based on Council’s objectives, the City’s approximately \$9 million shortfall was addressed in the budget through the following reductions:



Those strategies implemented in 2009/2010 to deal with the City’s revenue shortfall were continued in this budget including the elimination of 25 full-time positions and the possible elimination and contracting out of another 20 positions in Community Services and 10 positions in Public Works; this, in addition to the 49 that were cut in FY 2009/2010. Non-essential programs that were eliminated have not been re-instated and no new programs or services have been added. New, significant cuts and cost-saving measures included in the FY 2010/2011 budget are:

- keeping vacant positions open
- implementing 40-hours of furloughs for all non-safety, non-critical positions
- developing a two-tier employee retirement system for Council consideration
- restructuring departments for greater efficiencies
- reducing internal service charges
- developing an early retirement program
- looking for alternate sources of revenue



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- concentrating on systemic changes in the City budget to match long range revenue projections
- raising fees for programs that are currently subsidized by the General Fund

Department-Specific Program Recommendations

Each City department prepared detailed programmatic reductions. While all program budget reductions are significant, of key interest are the following:

- reduction of the Tourism and Marketing Program (including Holiday Program) due to a decline in Transient Occupancy Tax (TOT) revenue
- reductions in certain recreation and library programs
- reductions in Community Assistance Grant Funding
- deferral of certain parks and public works facilities maintenance
- deferral of automobile replacements, and IT equipment and radio replacements
- reduction of School Resource Officers
- internal reorganization of the City Clerks' Office
- elimination of a vacant executive position in Policy & Management
- reduction in development services programs and staffing
- outsourcing of park maintenance services to reduce costs and maintain service levels
- elimination of two positions in Administrative Services through a reorganization of the revenue and customer service functions

Detailed program reductions and changes are outlined in the individual departments' budgets as part of the "Changes from Prior Year" section of each department budget.

The Economic and Fiscal Context

The City of Beverly Hills traditionally holds up very well during state and national economic downturns. We have a vibrant business community with internationally recognized retail and corporate brands, a strong housing market, a low unemployment rate, high personal income levels, a relatively

healthy reserve fund and financial policies and procedures that ensure economic sustainability and growth. We hold the rare and prestigious AAA bond rating. We are, however, not immune to external recessionary impacts. Revenues for calendar year 2008 began strong, but the last two quarters, especially the final quarter (the holiday shopping season), showed a sharp and rapid decline in retail sales and transient occupancy tax (TOT).

Throughout the past year, expenditures have been continuously streamlined to aid in the balancing act between rising fixed costs and lagging revenues. In this new budget, the City has been forced to trim even more, and the results in 2010/2011 will be more noticeable. What remains unchanged, however, is the City's commitment to deliver remaining services of the highest quality possible to Beverly Hills residents. We are proud of our ability to do more with less, to turn tough decisions into positive actions, and to uphold the standards for which Beverly Hills is known.

Major Initiatives for Fiscal Year 2009/2010

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

Revenues:

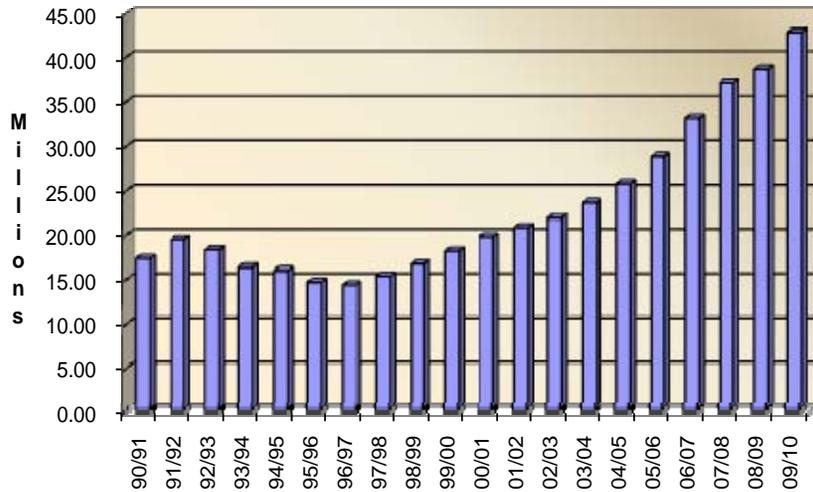
The four major sources of General Fund revenue include Property Tax, Sales Tax, Business Tax and Transient Occupancy Tax (TOT).

The graph illustrates how property tax revenues respond to economic conditions. In FY 90/91 the State and Nation entered into a period of economic downturn similar to our current circumstance. As the chart illustrates, property taxes did not respond to this economic trend as rapidly as other tax based revenues. Fiscal year 09/10 saw property tax revenues increase to \$42.9 million, an 11% increase over the prior year. Once again we see that property tax responds at a much slower rate than other consumer based taxes.



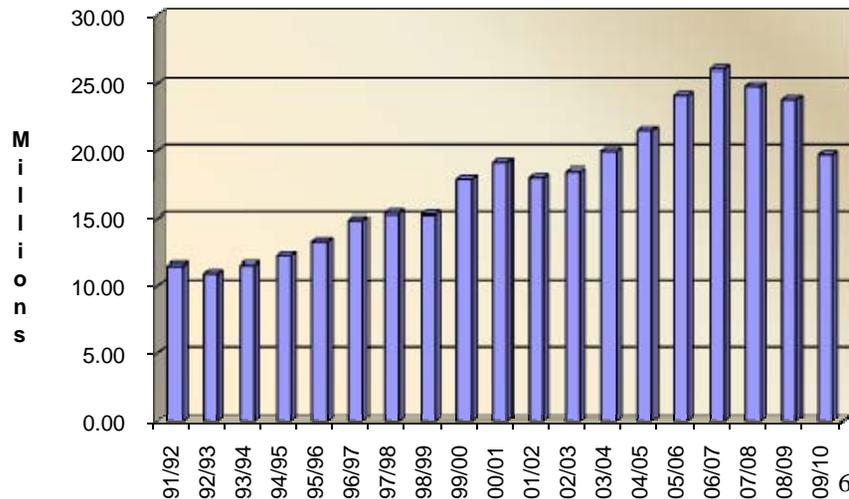
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Property Tax



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

Sales Tax



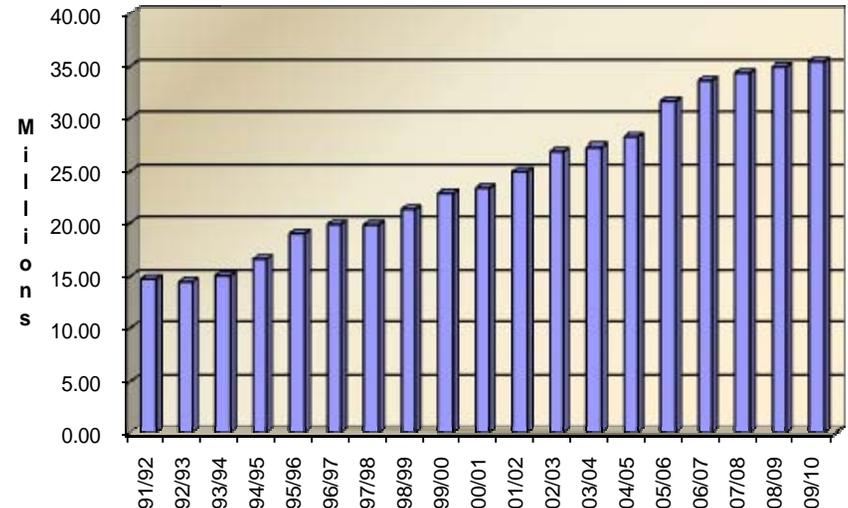
downturns by lessening the immediacy of revenue loss.

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 the 9/11 incident in FY 03/04.

Sales tax revenues ended fiscal year 09/10 at \$19.7 million, a 17.15% decrease from fiscal year 08/09 results.

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

Business Tax





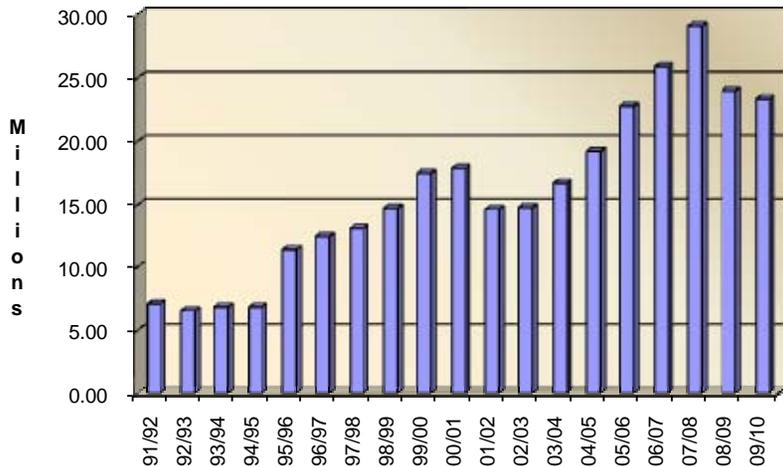
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of overall economic activity in the City.

As the chart illustrates, business taxes have been a barometer of the economic climate in Beverly Hills, responding rapidly to the changing economic climate. Recognizing that significant portions of business tax revenues are based on gross receipts, we can see how downward trends in the economy impact City revenues. Vacant office and retail space - which reflect revenue from real estate rentals - and a reduction in retail sales negatively impacted business tax revenues. Fiscal year 09/10 ended with an increase of 1.49% for total revenues of \$35.5 million.

In the transient occupancy tax (bed tax) chart the variations beginning in FY 92/93 are due to hotel closures and tax rate changes. Two world class hotels, The Beverly Hills Hotel and the L'Ermitage were closed for refurbishment in FY 92/93. The Beverly Hills Hotel had its reopening in June of FY 94/95. The L'Ermitage had its grand opening in June, 1998. In FY 91/92, the City raised the transient occupancy tax rate from 11% to 12%

Transient Occupancy Tax

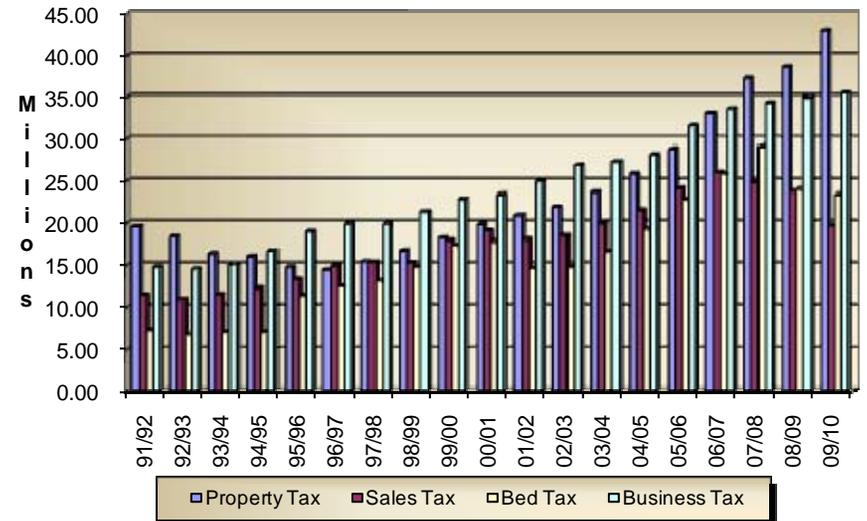


to improve revenues and remain consistent with surrounding communities. In February 1994, the City Council, at the urging of the Chamber of Commerce and the City's hotel operators, voted to increase the transient occupancy tax rate from 12% to 14% to fund local advertising/promotion

campaigns. From that point until the terrorist activities of September 2001, transient occupancy taxes experienced steady growth. From \$17.8 million in revenues in FY 00/01, transient occupancy taxes fell about 18% to \$14.6 million in FY 01/02 and rebounded only slightly to \$14.8 million in FY 02/03. Revenue for FY 03/04 increased 12.7% to recover some of their prior strength and end the year at about \$16.7 million. Fiscal year 04/05 and 05/06 had increases of 15.5% (\$2.6 million increase for total revenues of \$19.26 million) and 18.58% (\$3.6 million increase for total revenues of \$22.8 million) respectively, far greater than anticipated and back on track to pre 9/11 growth. Fiscal year 07/08 exceeded all records and was far greater than anticipated at 29.1 million (a 12.48% increase). In November of 2008 the City's newest five star hotel, Montage, began operations. As a result of the current economic cycle, fiscal year 08/09 revenue fell 17.53% to 24.00 million and fiscal year 09/10 continued the declining to 23.4 million, 2.5% down.

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

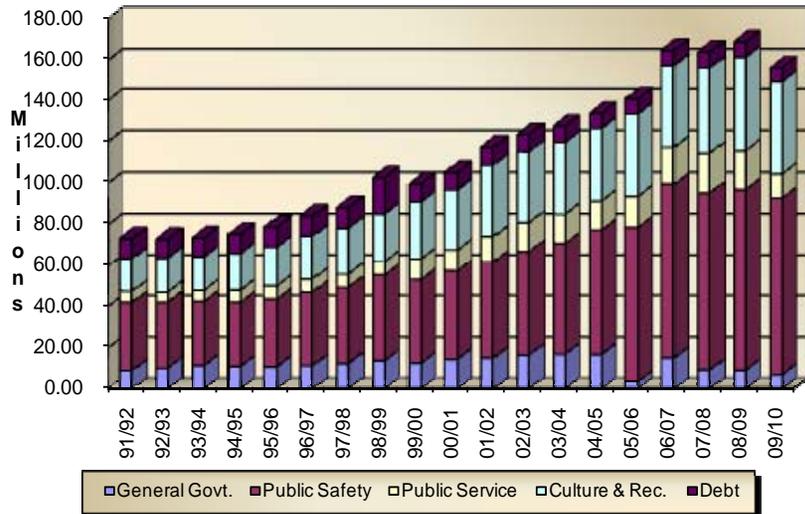
**Total Tax Revenues
 Shown Individually**





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Governmental Operating Expenses
 (Shown Cumulatively)



reductions in activity. Concurrently, the City moved, in concert with the Chamber of Commerce and the business community, to promote and enhance the City's economic climate.

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

Expenditures:

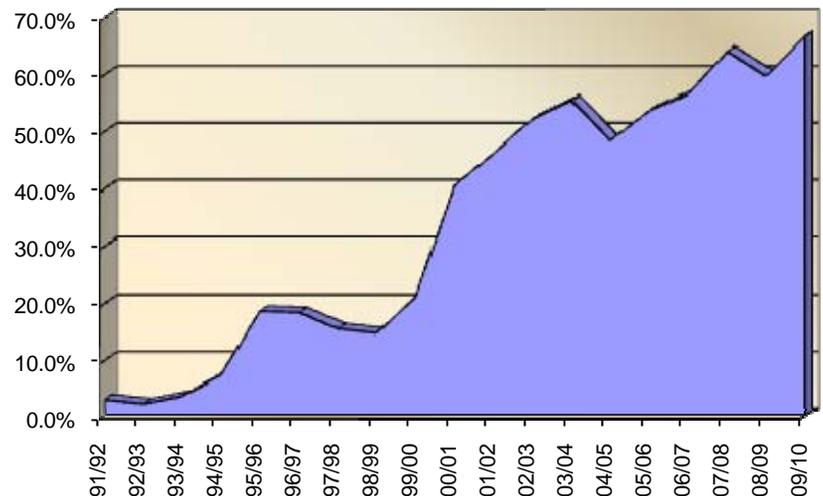
The following chart examines the City's expenditures over the past several years and illustrates how the cost control measures implemented were able to keep expenses within available resources.

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

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

The continued improvements in revenues provide the City with a strong economic base to build upon for the future. 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 09/10. However, this budget assumes that the City will continue to reduce expenditures through more efficient operations, and hiring delays (i.e. extend the hiring process so that non essential positions

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





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are held vacant a minimum number of days prior to being actively recruited). With significant increases expected in pension and health care contribution costs for its employees (especially public safety), the soaring costs of managing claims, litigation and workers' compensation, and the unknown impact on local government as the State attempts to balance its budget, the City Council continues to pursue strategies that maintain the City government's fiscal health.

Perhaps the best measure of the City's effectiveness in weathering an economic downturn and building sustained growth for the future is its ability to build fund reserves. As a rule of thumb, a city should maintain sufficient reserves to weather the worst potential emergency scenarios. Ideally, municipalities would maintain a reserve equal to 25% to 50% of their annual General Fund operating expenditure budget. For Beverly Hills, that would equate to reserves between \$36.6 million and \$73.2 million for fiscal year 2009/10. 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.

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

- The City has made major changes to employee benefit programs that substantially reduce current operating costs and future liabilities as follows:
 - The City moved from providing full coverage for health insurance programs to providing a reduced level of benefit through a cafeteria program that allows employees to select a level of coverage that is appropriate for their needs. Higher cost programs now require some contribution from the employee.
 - Employees hired after January 1, 2010 are provided a defined contribution retire health program rather than a defined benefit program. This change eliminates future increases to the City's Other Post Employment Benefit (OPEB) liability from new employees.

- The City sought to reduce its current OPEB liability for current employees by offering an Alternative Retiree Medical Program (ARMP).
- 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.
- Continue preliminary planning for facilities to house such desired activities as a sports center, performing arts center and counseling center.

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, 2009. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. The report satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

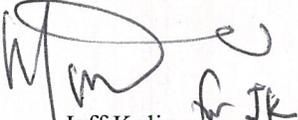


The Honorable Mayor, City Council and
Citizens of the City of Beverly Hills, California
Letter of Transmittal
January 19, 2011

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

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

Sincerely,


Jeff Kolin
City Manager


Scott G. Miller, PhD
Chief Financial Officer

CITY OF BEVERLY HILLS, CALIFORNIA

Principal City Officials

Elected Officials

City Council

Mayor	Jimmy Delshad
Vice Mayor	Barry Brucker
Councilmember	Nancy Krasne
Councilmember	William W. Brien, MD
Councilmember	John A. Mirisch

City Treasurer

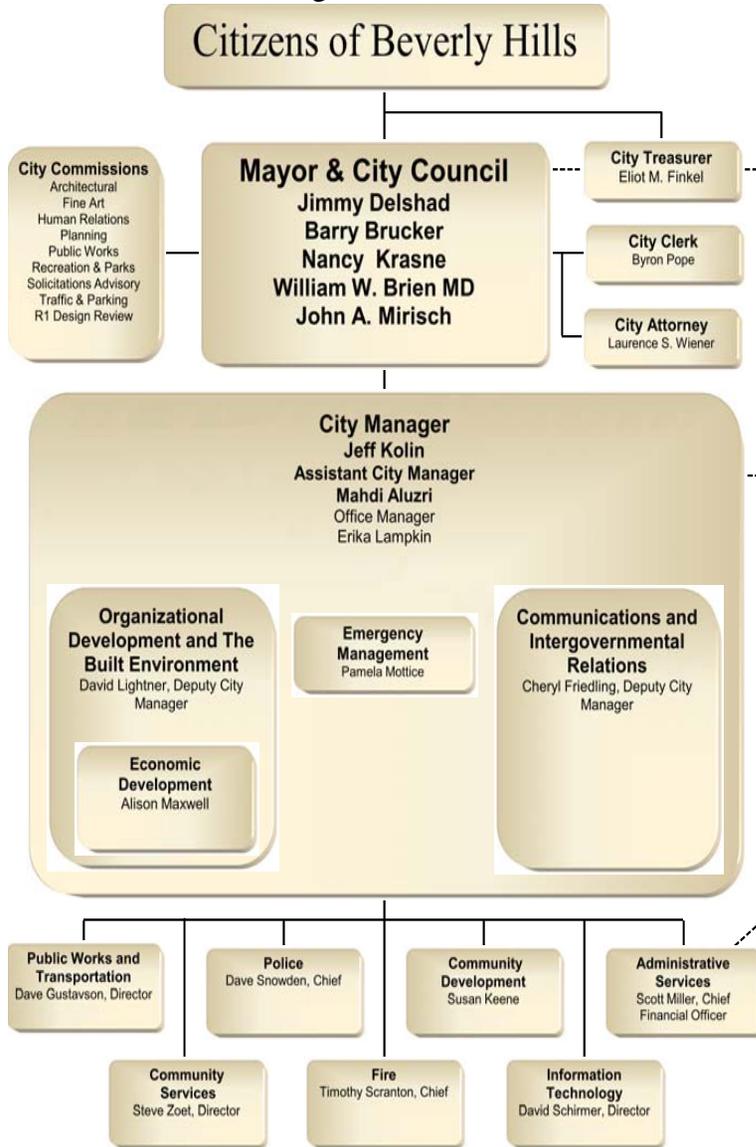
Eliot M. Finkel

Appointed Officials

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

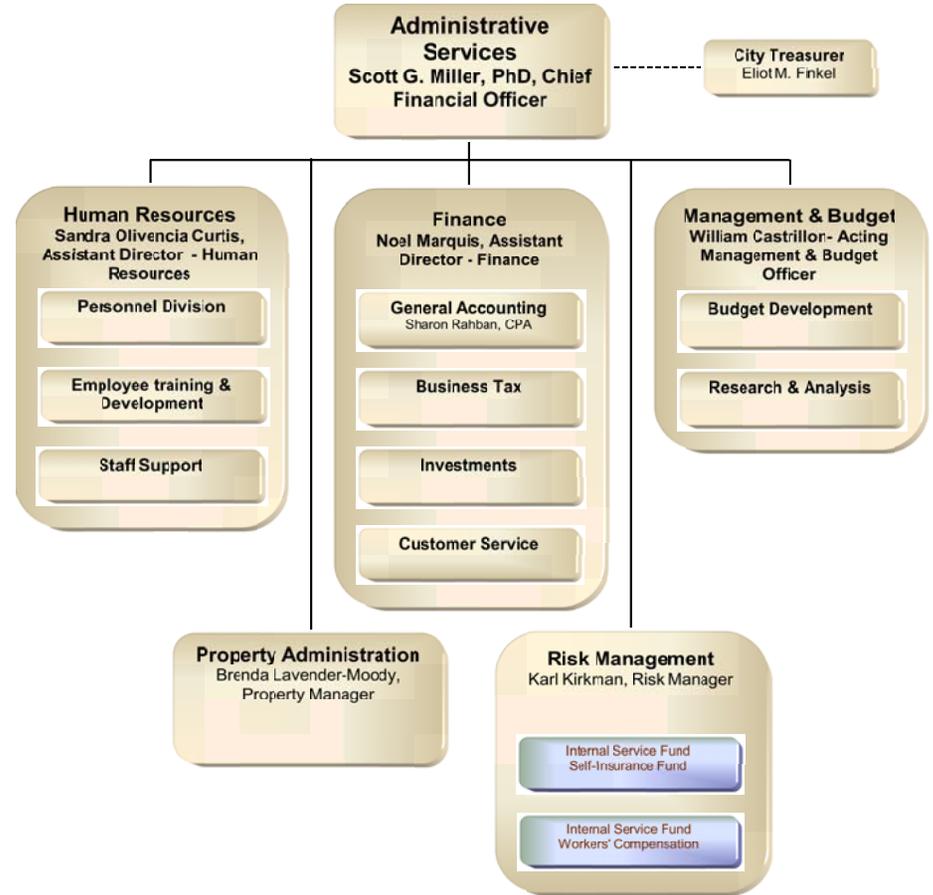
CITY OF BEVERLY HILLS, CALIFORNIA

Organizational Chart



CITY OF BEVERLY HILLS, CALIFORNIA

Department of Administrative Services Organizational Chart





The Honorable Mayor, City Council and
Citizens of the City of Beverly Hills, California
Letter of Transmittal
January 19, 2011

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Beverly Hills
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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.



A handwritten signature in black ink, appearing to read 'Jeffrey R. Enow'.

President

A handwritten signature in black ink, appearing to read 'Jeffrey R. Enow'.

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, 2009. This was the twenty-second consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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





Mayer Hoffman McCann P.C.

An Independent CPA Firm

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www.mhm-pc.com

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

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Beverly Hills. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, of the City of Beverly Hills, California and the respective budgetary comparison information for the general fund of the City for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2011, on our consideration of the City of Beverly Hills internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
January 19, 2011

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis

June 30, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 - 10 of this report.

(A) Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$614,725,670 (*net assets*). Of this amount, \$206,064,099 (*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 \$39,576,895.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$151,617,621, an increase of \$5,937,737 from the prior year. Of this amount, \$54,906,771 or approximately 36.6% of total fund balances are reported as Committed (\$19,912,937), Assigned (\$7,304,313), or Unassigned (\$27,689,521) fund balances making them available for spending at the City's discretion (*in compliance with Governmental Accounting Standards Board's (GASB) Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions see Note 15*).
- The increase in the City's governmental funds reported combined fund balances was the result of an overall decrease in revenues of \$4,393,301, a decrease in expenditures of \$8,804,823 and a decrease in other financing sources of \$410,622 resulting in a net change in fund balances of \$5,937,737 or an increase of \$4,000,900 from the prior year.
- At the end of the current fiscal year, the Committed, Assigned and Unassigned (GASB Statement No. 54) fund balance for the General Fund was \$41,811,363, or 28.2% of total General Fund expenditures.
- The City's net capital assets increased by \$43,968,186 from the prior year as a result of the current capital replacement programs activities including replacement of a major reservoir, construction

of a new vehicle maintenance facility, 2 new parking structures and a new four story 72,460 sq. ft. office building.

- The City's net long-term liabilities decreased by \$1,895,298 or 0.65% as the result of reductions in the City's OPEB obligation, Compensated Absences, Outstanding claims and the City of Beverly Hills Public Financing Authority 2009 Lease Revenue Bonds (Capital Improvement and Refunding Project).

B) Overview of the Financial Statements

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

Government-wide Financial Statements

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

The statement of net 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

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2010

of the City include general government, public safety, public services, culture and recreation and interest on long-term debt. The business-type activities of the City include operations of its water, wastewater and solid waste utilities, parking facilities operations and stormwater activities.

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

The government-wide financial statements can be found on page 29-31 of this report.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better under-

stand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

Proprietary Funds

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

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2010

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

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

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

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

The basic proprietary fund financial statements can be found on pages 38-44 of this report.

Fiduciary Funds

The City maintains a fiduciary fund and acts as the treasurer for the Westside Cities Council of Governments (WSCCOG) (a Joint Powers Authority). WSCCOG was established to enable members to voluntarily engage in regional and cooperative planning and the coordination of government services and responsibilities so as to assist the members in the conduct of their affairs. The goal and intent of the WSCCOG is one of voluntary cooperation among cities for the collective benefit of cities in the Westside area of Los Angeles County.

A fiduciary fund is used to report the assets held by the City in trust for the WSCCOG because these assets cannot be used for the City for its own programs. Because the resources of fiduciary funds, by definition, cannot be used to support the City's own programs, such funds are excluded from the government-wide financial statements. They are reported, however, as part of the basic financial statements to endure fiscal accountability.

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 89-90 of this report.

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

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2010

(C) Government-wide Financial Analysis

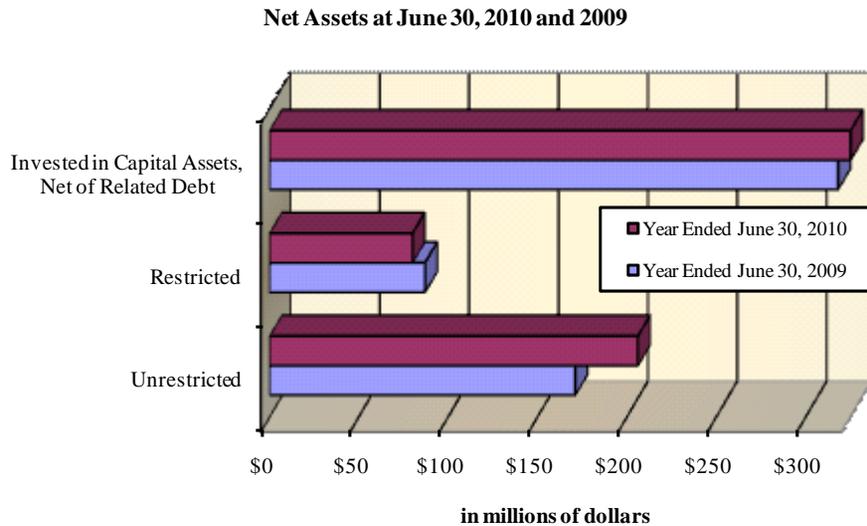
As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$ 614,725,670 at the close of the most recent fiscal year.

The second largest portion of the City's net assets (33.5%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

The largest portion of the City's net assets (53.5%) reflects its investment in capital assets (e.g., land, buildings, utility and general government infrastructure, machinery and equipment, etc.), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (12.96%) represents resources that are subject to external restrictions on how they may be used. Of these restricted net assets 62.7% is for repayment of long-term debt, 26.3% is for construction of capital assets (unspent proceeds from long-term debt issues) and 10.99% relates to restrictions in the City's special revenue and permanent funds.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the City as a whole, as well as for its separate governmental activities. However, as a result of maintaining its free parking program in the Parking Enterprise Fund the business-type activities unrestricted category had a negative \$1,066,250. The prior fiscal year the City reported positive balances in all three categories or net assets for the City as a whole as well as for its



City of Beverly Hills' Net Assets (000's)						
As of June 30, 2010 and 2009						
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current assets	\$ 211,243	181,144	71,660	81,198	282,903	262,342
Restricted and other assets	115,119	139,230	(39,126)	(43,451)	75,993	95,779
Capital assets	332,680	307,502	278,786	259,996	611,466	567,498
Total assets	659,042	627,876	311,320	297,743	970,362	925,619
Current liabilities	45,960	39,839	20,479	19,538	66,439	59,377
Long-term liabilities, net of current portion	165,911	171,695	123,285	119,399	289,196	291,094
Total liabilities	211,871	211,534	143,764	138,937	355,635	350,471
Net assets:						
Invested in capital assets, net of related debt	170,539	171,765	158,450	145,756	328,989	317,521
Restricted	69,501	77,375	10,172	9,463	79,673	86,838
Unrestricted	207,130	167,202	(1,066)	3,587	206,064	170,789
Total net assets \$	447,170	416,342	167,556	158,806	614,726	575,148

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2010

separate governmental and business-type activities.

The City's governmental current assets increased by \$30,098,563, which resulted primarily from an increase of \$26,055,863 in Cash and Investments, and Taxes receivable of \$2,292,700 and moderate increases in all other categories totaling \$1,750,000. The governmental restricted assets decreased by \$17,555,758, recognizing the continued progress in completing bonded capital projects.

The City's business-type current assets decreased by \$9,537,449, primarily from decreases in Cash and investments of \$525,333 and Accounts receivable of \$9,866,170. Current assets have been impacted over the current and prior fiscal year by the replacement of the City's water meters with current state-of-the art meters and an automated meter reading and reporting system. This project caused a delay in billing which resulted in a higher than normal accounts receivable balance in the prior fiscal year. This excess balance has been reduced to a more normal level during the current fiscal year. Restricted assets increased by \$2,479,940. This change is the result of timing differences between the receipt and payment of invoices to contractors related to several capital projects, the drawdown of bond proceeds to reimburse the contractors and the issue of new debt for replacement of some end-of-life water tanks for the Water Enterprise Fund.

The City reported a net increase of \$43,968,186 in capital assets, \$25,177,616 in governmental activities and \$18,790,570 in business-type activities. The net increase in both governmental and business-type activities was the result of the completion of several large projects adding new Buildings (\$50,009,761), upgrades and replacements of utility systems (\$12,130,533), new Machinery and equipment (\$13,479,145), a reduction in Construction in progress (\$15,887,450) and increased depreciation (\$19,577,794).

The City's net assets increased by \$39,576,895 during the current fiscal year, a 6.9% increase over the prior year. Total adjusted revenues decreased 1.31% (\$3.6 million). The City experienced a decrease of 1.8% in tax revenues (\$2.3 million), and a 32.5% (\$1.1 million) decrease in other revenues. The decreases reflect the overall economic conditions. Expenses decreased by 3.6% (\$8.5 million) over the prior year. The

City of Beverly Hills' Changes in Net Assets (000's)						
As of June 30, 2010 and 2009						
	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services \$	48,485	49,379	73,630	72,809	122,115	122,188
Op. grants & cont.	3,703	4,678	3	36	3,706	4,714
Cap. grants & cont.	1,507	646	-	-	1,507	646
General revenues:						
Taxes	123,253	125,543	-	-	123,253	125,543
Investment earnings	12,972	12,666	1,867	2,125	14,839	14,791
Other	2,253	3,353	34	34	2,287	3,387
Total revenues	192,173	196,265	75,534	75,004	267,707	271,269
Expenses:						
General government	7,161	9,308	-	-	7,161	9,308
Public safety	85,792	87,728	-	-	85,792	87,728
Public services	17,366	18,659	-	-	17,366	18,659
Culture and recreation	44,365	45,772	-	-	44,365	45,772
Interest on LT debt	7,344	7,417	-	-	7,344	7,417
Water	-	-	23,694	26,031	23,694	26,031
Parking facilities	-	-	19,439	18,607	19,439	18,607
Solid waste	-	-	13,865	12,895	13,865	12,895
Wastewater	-	-	6,323	6,916	6,323	6,916
Stormwater	-	-	2,782	3,267	2,782	3,267
Total expenses	162,028	168,884	66,103	67,716	228,131	236,600
Excess (deficiency) of revenues over expenditures	30,145	27,381	9,431	7,288	39,576	34,669
Transfers	682	(6,712)	(682)	6,712	-	-
Increase in net assets	30,827	20,669	8,749	14,000	39,576	34,669
Net assets, July 1	416,343	395,674	158,806	144,805	575,149	540,479
Net assets, June 30	\$ 447,170	416,343	167,555	158,805	614,725	575,148

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2010

decreased resulted from planned expenditure cuts across all City governmental and business-type activities.

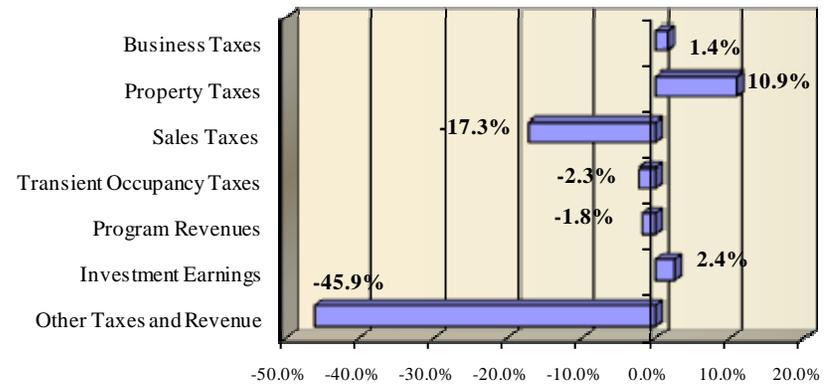
Governmental Activities

Governmental activities net assets increased by \$30,826,600 thereby accounting for 77.9% of the total growth in the net assets of the City. Key elements of the increase in governmental activities net assets are as follows:

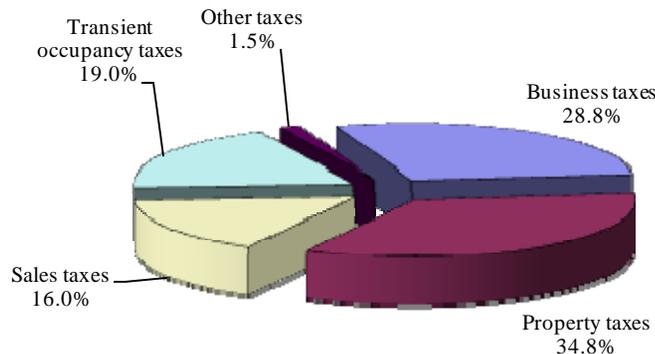
- Taxes, 64.0% of total governmental activities revenues, decreased by \$2.3 million (1.8%) from the prior year. Business taxes, which are primarily levied based on the gross receipts of the business in the prior calendar year, increased by \$504,681 (1.4%).
- Property taxes are levied based on assessed values, although increases in the assessed values of properties that do not change ownership are generally limited to 2% annually. Real estate sales in FY 2010 were brisk due to high demand and historic low mortgage rates. This resulted in a \$4.2 million (10.9%) increase.
- Sales taxes are a direct reflection of the general economy; the decrease of \$4.1 million (17.3%) reflects a downturn in the economy.
- Transient occupancy tax revenues decreased 2.3% (\$554,421) from the prior year also as a result of current economic conditions.
- Investment earnings decreased by \$63,098 (0.5%) during the year.

This was primarily a result of a reduced yield of the portfolio. The four major tax sources are relatively evenly split, reducing the City's reliance on any one source.

**Percent Change in Governmental Activities Revenues
Between Fiscal Years 2008 and 2009**



Taxes by Type



CITY OF BEVERLY HILLS, CALIFORNIA

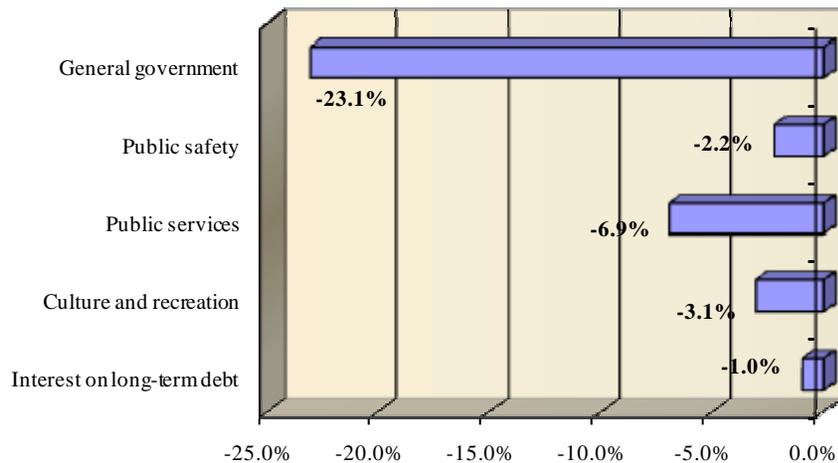
Management's Discussion and Analysis, Continued

June 30, 2010

The City continued its efforts to maintain effective cost controls, governmental activities expenses decreased 4.3% during FY 2010.

- General government expenses decreased 23.1% (\$2.1 million).
- Decreases in public safety of 2.2% (\$1.9 million).
- Public services decreased 6.9% (\$1.3 million).
- Culture and recreation decreased 3.1% (\$1.4 million).
- Interest on long-term debt decreased (1.0%) because of scheduled debt payments.

**Percent Change in Governmental Activities Functional Expenses
Between Fiscal Years 2009 and 2010**



Business-type Activities

Business-type activities increased the City's net assets by \$8,750,295 or 22.1% 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 97.5% of total business-type activities revenues, decreased by \$73 thousand (0.06%) from the prior year.
- Expenses in the business-type activities decreased by 2.4% (\$1.6 million) FY 2010.

(D) Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows and outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds report combined ending fund balances of \$151,617,621 an increase of \$5,937,737 from the prior year. This increase is the net result of a \$4.4 million (2.6%) decrease in total revenues an \$8.8 million (5.3%) decrease in total expenditures and a decrease of \$0.4 million in other financing sources.

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

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2010

- a) **Nonspendable fund balance** - \$32,320,801 (inherently nonspendable) include the portion of net resources that cannot be spent because of their form, and the portion of net resources that cannot be spent because they must be maintained intact
- b) **Restricted fund balance** - \$64,390,049 (externally enforceable limitations on use) include amounts subject to limitations imposed by creditors, grantors, contributors, or laws and regulations of other government
- c) **Committed fund balance** - \$19,912,937 (self imposed limitation set in place prior to the end of the period) Limitation imposed at the highest level of decision making that requires formal action at the same level to remove.
- d) **Assigned fund balance** - \$7,304,313 (limitation resulting from intended use) consists of amounts where the intended use is established by the highest level of decision making.
- e) **Unassigned fund balance** - \$27,689,521 (residual net resources) is the total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance and the excess of nonspendable, restricted, and committed fund balance over total fund balance.

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year the fund balance components were reported as nonspendable \$24,369,188, restricted \$32,000,000, committed \$16,109,814, assigned \$3,284,204 and unassigned \$21,801,773 for a total General Fund balance of \$97,564,979.

The fund balance of the City's General Fund increased by \$4,123,922 during the current fiscal year. Key factors in this increase are as follows:

- Tax revenues decreased \$0.7 million (0.6%). 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 2009 are: business taxes increased by \$0.5 million, (1.4%), property taxes increased by \$4.2 million (10.9%), sales taxes decreased \$4.1 million (17.3%) and transient occupancy taxes decreased \$0.6 million (2.3%).

- The City continued its efforts to maintain effective cost controls which resulted in a decrease of 6.3% (\$10.0 million) in General Fund expenditures during FY 2010. The decrease was across the board and in all categories. General Government expenses decreased \$0.7 million (9.9%), Public Safety decreased by \$6.6 million (7.5%), Public Service decreased \$2.3 million (11.3%) and Culture and recreation decreased \$0.4 million (1.1%).

Activities in the Infrastructure Capital Projects Fund continued a very aggressive program in FY 2010. 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 \$1.8 million (3.5%) during FY 2010.

Enterprise Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the enterprise funds totaled a negative \$ 1.1 million, a decrease of \$4.6 million (129.7%). This decrease was caused by a change in accounting treatment of the line item Net Assets, Invested in Capital Assets, Net of Related Debt. As described in further detail in Note 14 of the Notes to the Basic Financial Statements, the calculation of this line item has changed, thus affecting the line item for Unrestricted Net Assets. Although this line item has been affected, the total amount of net assets has not been affected by this new calculation. Total growth in net assets for these funds was an increase of \$8.7 million (5.5%). Other factors concerning the finances of these funds are as follows:

- Operating revenue for the Water Enterprise decreased \$162,646 (0.7%), operating expenses decreased \$2.0 million (7.7%), operat-

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2010

ing income increased by \$2.0 million (95.9%), income after non-operating items increased \$2.0 million providing an increase to net assets of \$1,462,979, an increase of \$2.0 million from the prior year.

- Operating revenue for the Parking Enterprise increased \$0.8 million (4.2%) operating expenses increased \$0.8 million (4.5%), operating income increased \$8,092 (0.1%), income after non-operating items decreased \$238,418 (9.6%) providing an increase in net assets of \$1.3 million, a decrease of \$8.3 million from the prior year.
- Operating revenue for the Solid Waste Enterprise decreased \$1.2 million (8.5%) operating expenses increased \$970,297 (7.5%), operating income decreased \$2.2 million (128.8%), income after non-operating items decreased \$2.2 million (108.6%) providing a decrease to net assets of \$231,945.
- Operating revenues for the Wastewater Enterprise increased \$1.3 million (11.5%), expenses decreased \$592,968 (8.6%), operating income increased \$1.8 million (34.8%), income after non-operating items increased \$2.0 million (42.3%) translating to an increase in net assets of \$6.8 million.
- Operating revenues for the Stormwater Enterprise increased \$70,932 (4.0%), expenses decreased \$485,463 (14.9%), operating income increased by \$556,463 (37.3%), income after non-operating items increased by \$526,290 (36.3%) resulted in a decrease in net assets of \$564,842.

Internal Service Funds

The City's internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its information technology assets and services, governmental capital assets and related debt (except for infrastructure and fine art collection assets and related debt), reprographics equipment and operations, cable television operations and the Policy, Administration and Legal services provided. The City also uses internal service funds to account for its self-insurance activities, including liability insurance, workers' compensation, unemployment insurance and employee benefits. Because these

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

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

(E) Budgetary Highlights

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

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

General Fund

The General Fund reflected a net total favorable budget variance of \$8.4 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 \$4.0 million and a favorable variance in total expenditures of \$4.4 million.

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2010

(F) Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities amounts to \$611,466,249 (net of accumulated depreciation of \$305,104,918) as of June 30, 2010. 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

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Land	\$ 51,602	51,602	25,945	25,945	77,547	77,547
Buildings	150,668	112,187	100,946	99,913	251,614	212,100
Utility systems	-	-	104,109	95,085	104,109	95,085
Improvements other than buildings	18,558	17,070	478	505	19,036	17,575
Infrastructure	73,114	73,557	-	-	73,114	73,557
Machinery and equipment	27,195	17,842	2,924	1,978	30,119	19,820
Fine art collection	1,746	1,746	-	-	1,746	1,746
Construction in progress	9,797	33,499	44,384	36,570	54,181	70,069
Total capital assets, net	\$ 332,680	307,503	278,786	259,996	611,466	567,499

assets for the current fiscal year was 10.1% before depreciation (an increase of 14.0% for governmental activities and 5.4% for business-type activities).

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

The City has an aggressive capital improvement program totaling over \$201.7 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 (\$9.8 million), construction of a new City office building (\$32 million), improvements to the police facilities (\$4.9 million), improvements to the Library (\$8.2 million), improvements to the City's parks and recreation facilities (\$14.4 million), improvements to streetscape, street resurfacing and replacement of street lights (\$25.2 million), upgrades to the City's information technology infrastructure (\$29.7 million) and repairs and upgrades to the City's utility systems (\$81.7 million). The City has budgeted capital projects expenditures totaling \$60.4 million for FY 2011.

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

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$267,485,381, including current portion of \$13,786,922. Of this amount, \$267,485,381 represents revenue bonds secured solely by specified revenue sources. Other long-term obligations include notes payable \$14,450,639, employee-compensated absences of \$14,116,328, including current portion of \$1,296,921, other post employment benefit obligations of \$1,783,435 and outstanding claims of \$9,382,222.

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Revenue bonds	139,921	146,313	127,565	122,988	267,486	269,301
Capital leases	-	-	-	-	-	-
Other Post Employment Benefit Obligation	1,783	5,120	-	-	1,783	5,120
Note payable	14,451	9,519	-	-	14,451	9,519
Compensated absences	14,116	14,825	-	-	14,116	14,825
Claims payable	9,328	9,219	-	-	9,328	9,219
Total debt	\$ 179,599	184,996	127,565	122,988	307,164	307,984

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2010

Additions to the City's long-term debt included a revenue bonds issue of \$55.1 million, notes payable \$4.9 million, other post employment benefit obligations totaling \$4.9 million, current year claims totaling \$4.8 million and additions to compensated absences of \$5.7 million. Deductions include a revenue bond refunding of \$62.0 million, payments against claims totaling \$4.7 million, payment of compensated absences totaling \$6.3 million and payment of other post employment benefit obligations totaling \$8.2 million.

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, 2010 is \$822.3 million and is available for future general obligation debt issues.

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

City of Beverly Hills' Debt Ratings			
Debt Issue	Moody's	Fitch's	S&P
Revenue bonds:			
2003 Refunding Lease	Aaa*	AA	—
2007 Lease Revenue	Aa2	AA+	AAA
2007 Water Revenue	Aa1	AA+	AAA
2008 Water Revenue	Aa1	AA+	AAA
2008 Wastewater Revenue	Aa3	AA+	AAA
2009 Lease Revenue Bonds	Aa2	AA+	AA+

* Underlying rating is Aa3.

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.

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

The City Council adopted a conservative budget for Fiscal Year 2010/2011.

The proposed budget contains many ambitious work plan objectives that are intended to address the highest priorities in the community and the goals of the City Council. The budget attempts to categorize these priorities into the five initiatives.

1. Community Reinvestment
2. Communication and Outreach
3. Organizational Development – Being the Best
4. Improving Services and Results
5. Sustaining Beverly Hills' Reputation for Excellence

This budget also sets the financial foundation to establish an accurate and understandable assessment and tracking of the uses and sources of all funds. The 2010/2011 budget presents a number of opportunities and challenges to improve overall service to the community while dealing with a severe economic downturn. By any standard this is a very aggressive program of work that will challenge the capacity of staff and the City Council to accomplish under the reduced revenue assumptions.

The proposed General Fund budget for Fiscal Year 2010/2011 includes the following assumptions:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Management's Discussion and Analysis, Continued

June 30, 2010

(H) Requests for Information

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





CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments (note 4)	\$ 183,458,197	59,863,482	243,321,679
Accounts receivable, net (note 5)	6,670,413	10,256,745	16,927,158
Interest receivable (note 5)	1,077,673	390,337	1,468,010
Taxes receivable (note 5)	14,126,769	—	14,126,769
Intergovernmental receivables (note 5)	4,514,840	—	4,514,840
Inventories	385,544	1,144,173	1,529,717
Prepaid expenses	1,009,230	—	1,009,230
Deposits	—	5,552	5,552
Total current assets	<u>211,242,666</u>	<u>71,660,289</u>	<u>282,902,955</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted:			
Cash and investments (notes 4C and 9)	39,957,087	19,636,143	59,593,230
Interest receivable (note 5)	1,102,238	21,281	1,123,519
Permanently restricted:			
Cash and investments (note 4C)	81,381	—	81,381
Total restricted assets	<u>41,140,706</u>	<u>19,657,424</u>	<u>60,798,130</u>
Other noncurrent assets:			
Deferred bond issuance costs, net (note 9)	1,539,295	1,457,972	2,997,267
Internal balances	60,759,678	(60,759,678)	—
Net pension assets (note 10)	11,679,220	518,501	12,197,721
Total other noncurrent assets	<u>73,978,193</u>	<u>(58,783,205)</u>	<u>15,194,988</u>
Capital assets (note 8):			
Land	51,601,692	25,944,999	77,546,691
Buildings	220,318,330	174,368,689	394,687,019
Utility systems	—	157,286,578	157,286,578
Improvements other than buildings	31,455,383	1,709,864	33,165,247
Infrastructure	120,131,782	—	120,131,782
Machinery and equipment	68,313,496	9,512,769	77,826,265
Fine art collection	1,746,411	—	1,746,411
	<u>493,567,094</u>	<u>368,822,899</u>	<u>862,389,993</u>
Less accumulated depreciation	(170,683,751)	(134,421,167)	(305,104,918)
Construction in progress	9,796,734	44,384,440	54,181,174
Total capital assets, net	<u>332,680,077</u>	<u>278,786,172</u>	<u>611,466,249</u>
Total noncurrent assets	<u>447,798,976</u>	<u>239,660,391</u>	<u>687,459,367</u>
Total assets	<u><u>659,041,642</u></u>	<u><u>311,320,680</u></u>	<u><u>970,362,322</u></u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 15,052,133	5,741,776	20,793,909
Contracts payable	2,398,004	1,794,510	4,192,514
Accrued payroll	4,682,358	335,928	5,018,286
Interest payable (note 9)	521,974	467,355	989,329
Current portion of long-term liabilities :			
Compensated absences (note 9)	1,296,921	—	1,296,921
Outstanding claims (note 9)	5,814,527	—	5,814,527
Revenue bonds (note 9)	6,576,061	5,913,939	12,490,000
Intergovernmental liabilities	1,243,432	3,153,393	4,396,825
Customer deposits	3,959,205	2,773,925	6,733,130
Unearned revenue (note 5)	4,415,633	297,729	4,713,362
Total current liabilities	<u>45,960,248</u>	<u>20,478,555</u>	<u>66,438,803</u>
Long-term liabilities, net of current portion			
Other Post Employment Benefit Obligation (note 12)	1,783,435	—	1,783,435
Compensated absences (note 9)	12,819,407	—	12,819,407
Outstanding claims (note 9)	3,513,695	—	3,513,695
Unearned revenue (note 5)	—	570,031	570,031
Revenue bonds (note 9)	139,684,818	125,075,639	264,760,457
Deferred amount on refunding, net (note 9)	(6,340,068)	(3,425,008)	(9,765,076)
Note payable (note 9)	14,450,639	—	14,450,639
Deferred credit from sale-leaseback transactions (note 11)	—	1,065,261	1,065,261
Total long-term liabilities	<u>165,911,926</u>	<u>123,285,923</u>	<u>289,197,849</u>
Total liabilities	<u>211,872,174</u>	<u>143,764,478</u>	<u>355,636,652</u>
NET ASSETS			
Invested in capital assets, net of related debt (note 14)	170,538,512	158,450,102	328,988,614
Restricted for:			
Debt service	39,770,115	10,172,350	49,942,465
Construction of capital assets	20,974,922	—	20,974,922
Streets, highways, bikeways, public transit and other related purposes	7,692,150	—	7,692,150
Endowment or trust agreement:			
Expendable	166,429	—	166,429
Nonexpendable	81,381	—	81,381
Other purposes	815,610	—	815,610
Unrestricted	<u>207,130,349</u>	<u>(1,066,250)</u>	<u>206,064,099</u>
Total net assets	<u>\$ 447,169,468</u>	<u>167,556,202</u>	<u>614,725,670</u>

See accompanying notes to basic financial statements

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Activities

For the Year Ended June 30, 2010

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	\$ (7,160,618)	2,105,290	—	665,678	(4,389,650)	—	(4,389,650)
Public safety	(85,792,885)	27,733,231	1,479,539	35,374	(56,544,741)	—	(56,544,741)
Public service	(17,366,155)	11,649,975	1,687,430	805,940	(3,222,810)	—	(3,222,810)
Culture and recreation	(44,365,466)	6,996,873	535,729	—	(36,832,864)	—	(36,832,864)
Interest on long-term debt	(7,344,177)	—	—	—	(7,344,177)	—	(7,344,177)
Total governmental activities	<u>(162,029,301)</u>	<u>48,485,369</u>	<u>3,702,698</u>	<u>1,506,992</u>	<u>(108,334,242)</u>	<u>—</u>	<u>(108,334,242)</u>
Business-type activities:							
Water	(23,693,096)	24,676,468	—	—	—	983,372	983,372
Parking facilities	(19,439,356)	20,933,475	—	—	—	1,494,119	1,494,119
Solid waste	(13,865,053)	13,369,393	2,928	—	—	(492,732)	(492,732)
Wastewater	(6,323,201)	12,805,556	—	—	—	6,482,355	6,482,355
Stormwater	(2,781,886)	1,845,504	—	—	—	(936,382)	(936,382)
Total business-type activities	<u>(66,102,592)</u>	<u>73,630,396</u>	<u>2,928</u>	<u>—</u>	<u>—</u>	<u>7,530,732</u>	<u>7,530,732</u>
Total	<u>\$ (228,131,893)</u>	<u>122,115,765</u>	<u>3,705,626</u>	<u>1,506,992</u>	<u>(108,334,242)</u>	<u>7,530,732</u>	<u>(100,803,510)</u>
General revenues:							
Taxes:							
Business					35,481,235	—	35,481,235
Property					42,859,199	—	42,859,199
Sales					19,671,342	—	19,671,342
Transient occupancy					23,447,458	—	23,447,458
Other					1,793,385	—	1,793,385
Grants and contributions not restricted to specific programs					419,910	—	419,910
Unrestricted investment earnings					11,492,231	1,361,396	12,853,627
Net change in fair value of investments					1,479,844	505,896	1,985,740
Miscellaneous					1,834,044	34,461	1,868,505
Transfers (note 7)					682,194	(682,194)	—
Total general revenues and transfers					<u>139,160,842</u>	<u>1,219,559</u>	<u>140,380,401</u>
Change in net assets					30,826,600	8,750,291	39,576,891
Net assets, July 1					<u>416,342,868</u>	<u>158,805,911</u>	<u>575,148,779</u>
Net assets, June 30					<u>\$ 447,169,468</u>	<u>167,556,202</u>	<u>614,725,670</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Balance Sheet

Governmental Funds

June 30, 2010

	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
Assets					
Cash and investments (note 4)	\$ 39,305,613	21,445,099	24,011,815	—	84,762,527
Accounts receivable, net (note 5)	6,303,876	—	7,986	—	6,311,862
Interest receivable (note 5)	176,035	128,671	150,689	—	455,395
Taxes receivable (note 5)	14,126,769	—	—	—	14,126,769
Interfund receivables (note 6)	178,448	—	—	(178,448)	—
Intergovernmental receivables (note 5)	3,418,130	437,173	659,537	—	4,514,840
Prepaid items	774,640	—	—	—	774,640
Advances to other funds (note 6)	20,207,321	—	8,110,471	—	28,317,792
Restricted assets:					
Cash and investments (note 4C)	32,000,000	—	3,009,291	—	35,009,291
Interest receivable (note 5)	—	—	1,633	—	1,633
Total assets	<u>\$ 116,490,832</u>	<u>22,010,943</u>	<u>35,951,422</u>	<u>(178,448)</u>	<u>174,274,749</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 3,193,199	771,207	956,955	—	4,921,361
Contracts payable	—	167,304	232,012	—	399,316
Accrued payroll	4,019,704	—	23,764	—	4,043,468
Interfund payables (note 6)	—	—	178,448	(178,448)	—
Intergovernmental payables	1,242,880	—	552	—	1,243,432
Customer deposits	2,749,274	—	1,209,931	—	3,959,205
Deferred revenue (note 5)	7,720,796	97,510	272,040	—	8,090,346
Total liabilities	<u>18,925,853</u>	<u>1,036,021</u>	<u>2,873,702</u>	<u>(178,448)</u>	<u>22,657,128</u>
Fund balances (note 15):					
Nonspendable	24,369,188	—	7,951,613	—	32,320,801
Restricted	32,000,000	20,974,922	11,415,127	—	64,390,049
Committed	16,109,814	—	3,803,123	—	19,912,937
Assigned	3,284,204	—	4,020,109	—	7,304,313
Unassigned	21,801,773	—	5,887,748	—	27,689,521
Total fund balances	<u>97,564,979</u>	<u>20,974,922</u>	<u>33,077,720</u>	<u>—</u>	<u>151,617,621</u>
Total liabilities and fund balances	<u>\$ 116,490,832</u>	<u>22,010,943</u>	<u>35,951,422</u>	<u>(178,448)</u>	<u>174,274,749</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, 2010

Total governmental fund balances (page 32)	\$ 151,617,621
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.	104,990,084
– The pension contribution is a use of current financial resources and an expenditure at the fund level but is deferred and recognized as a net pension asset on the statement of net assets.	10,437,681
– Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	502,955
– Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,267,673
– 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.	209,557,007
– 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>(33,203,553)</u>
Net assets of governmental activities (page 30)	<u>\$ 447,169,468</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, 2010

	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Eliminations	Total Governmental Funds
Revenues:					
Taxes	\$ 121,971,587	—	1,268,929	—	123,240,516
Licenses and permits	9,591,105	—	—	—	9,591,105
Intergovernmental	931,619	465,754	4,032,303	—	5,429,676
Charges for service	10,703,306	—	43,373	(103,711)	10,642,968
Fines, forfeitures and penalties	10,127,770	—	—	—	10,127,770
Use of money and property	5,027,482	423,142	1,028,554	—	6,479,178
Net change in fair value of investments	250,239	188,843	222,116	—	661,198
Miscellaneous	973,399	—	—	—	973,399
Total revenues	<u>159,576,507</u>	<u>1,077,739</u>	<u>6,595,275</u>	<u>(103,711)</u>	<u>167,145,810</u>
Expenditures:					
Current:					
General government	5,980,063	—	—	(103,711)	5,876,352
Public safety	81,184,415	—	925,427	—	82,109,842
Public service	18,134,453	—	1,030,478	—	19,164,931
Culture and recreation	41,036,373	—	13,633	—	41,050,006
Debt service:					
Interest	—	—	1,512,625	—	1,512,625
Principal	—	—	333,697	—	333,697
Capital outlay	—	2,516,378	5,104,588	—	7,620,966
Total expenditures	<u>146,335,304</u>	<u>2,516,378</u>	<u>8,920,448</u>	<u>(103,711)</u>	<u>157,668,419</u>
Excess (deficiency) of revenues over expenditures	<u>13,241,203</u>	<u>(1,438,639)</u>	<u>(2,325,173)</u>	<u>—</u>	<u>9,477,391</u>
Other financing sources (uses):					
Transfers in (note 7)	1,908,400	3,553,000	2,886,889	(6,279,449)	2,068,840
Insurance recoveries	10,055	—	—	—	10,055
Transfers out (note 7)	(11,035,736)	(2,973)	(859,289)	6,279,449	(5,618,549)
Total other financing sources (uses)	<u>(9,117,281)</u>	<u>3,550,027</u>	<u>2,027,600</u>	<u>—</u>	<u>(3,539,654)</u>
Net change in fund balances	4,123,922	2,111,388	(297,573)	—	5,937,737
Fund balances, July 1	<u>93,441,057</u>	<u>18,863,534</u>	<u>33,375,293</u>	<u>—</u>	<u>145,679,884</u>
Fund balances, June 30	\$ <u><u>97,564,979</u></u>	<u><u>20,974,922</u></u>	<u><u>33,077,720</u></u>	<u><u>—</u></u>	<u><u>151,617,621</u></u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2010

Net change in fund balances – total governmental funds (page 34)		\$ 5,937,737
Amounts reported for governmental activities in the statement of activities are different because (note 2):		
– Tax revenues:		
• Certain property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		3,267,673
• Property tax revenues that become available and are recognized in the current year that relate to prior years are not reported as revenues in the statement of activities.		(3,255,570)
– Interest revenues:		
• Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		502,955
• 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		(327,061)
– 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.		22,127,015
– The pension contribution, is a use of current financial resources and an expenditure at the fund level but is deferred and recognized as a net pension asset on the statement of net assets.		(1,203,087)
– 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.		3,506,074
– 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.		270,864
Change in net assets of governmental activities (page 31)		\$ <u><u>30,826,600</u></u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

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

General Fund

For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget – Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Business	\$ 29,700,000	29,700,000	35,481,235	5,781,235
Property	34,480,000	34,480,000	42,847,096	8,367,096
Sales	23,427,000	23,427,000	19,671,342	(3,755,658)
Transient occupancy	25,375,000	25,375,000	23,447,458	(1,927,542)
Other	1,300,003	1,300,003	524,456	(775,547)
Licenses and permits	12,426,282	12,426,282	9,591,105	(2,835,177)
Intergovernmental	1,700,323	1,807,104	931,619	(875,485)
Charges for services	8,916,150	9,106,489	10,703,306	1,596,817
Fines, forfeitures and penalties	9,210,774	9,210,774	10,127,770	916,996
Use of money and property	6,761,000	6,761,000	5,027,482	(1,733,518)
Net change in fair value of investments	—	—	250,239	250,239
Miscellaneous	1,971,292	1,974,327	973,399	(1,000,928)
Total revenues	<u>155,267,824</u>	<u>155,567,979</u>	<u>159,576,507</u>	<u>4,008,528</u>
Expenditures:				
Current:				
General government:				
Financial services	760,876	760,876	505,270	(255,606)
Economic development	3,050,536	3,045,536	2,999,688	(45,848)
Non-departmental	5,758,195	4,050,194	2,475,105	(1,575,089)
Total general government	<u>9,569,607</u>	<u>7,856,606</u>	<u>5,980,063</u>	<u>(1,876,543)</u>
Public safety:				
Police services	47,137,741	47,205,501	47,403,786	198,285
Fire control	28,927,373	29,012,267	28,321,066	(691,201)
Building and safety	5,697,372	5,729,807	5,459,563	(270,244)
Total public safety	<u>81,762,486</u>	<u>81,947,575</u>	<u>81,184,415</u>	<u>(763,160)</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final		
Public service:				
Engineering and administration	\$ 853,985	852,785	805,974	(46,811)
Streets and subdrains	5,201,102	5,208,511	4,723,273	(485,238)
Planning services	4,127,011	4,306,525	3,890,215	(416,310)
Community services	8,291,374	8,715,228	8,714,991	(237)
Total public service	<u>18,473,472</u>	<u>19,083,049</u>	<u>18,134,453</u>	<u>(948,596)</u>
Culture and recreation:				
Recreation and parks	17,390,706	17,558,079	16,891,655	(666,424)
Library	12,606,091	12,669,189	12,531,614	(137,575)
Education	10,512,328	10,809,623	10,812,315	2,692
Promotion and tourism	790,000	809,350	800,789	(8,561)
Total culture and recreation	<u>41,299,125</u>	<u>41,846,241</u>	<u>41,036,373</u>	<u>(809,868)</u>
Total expenditures	<u>151,104,690</u>	<u>150,733,471</u>	<u>146,335,304</u>	<u>(4,398,167)</u>
Excess of revenues over expenditures	<u>4,163,134</u>	<u>4,834,508</u>	<u>13,241,203</u>	<u>8,406,695</u>
Other financing sources (uses):				
Transfers in (note 7)	2,710,892	2,713,292	1,908,400	(804,892)
Insurance recoveries	—	—	10,055	10,055
Transfers out (note 7)	<u>(6,573,160)</u>	<u>(8,670,032)</u>	<u>(11,035,736)</u>	<u>(2,365,704)</u>
Total other financing sources (uses)	<u>(3,862,268)</u>	<u>(5,956,740)</u>	<u>(9,117,281)</u>	<u>1,570,867</u>
Net change in fund balances	300,866	(1,122,232)	4,123,922	5,246,154
Fund balance, July 1	<u>93,441,057</u>	<u>93,441,057</u>	<u>93,441,057</u>	<u>—</u>
Fund balance, June 30	<u>\$ 93,741,923</u>	<u>92,318,825</u>	<u>97,564,979</u>	<u>5,246,154</u>

See accompanying notes to basic financial statements.

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets

Proprietary Funds

June 30, 2010

	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)	\$ 16,189,028	16,884,262	11,010,931	14,968,583	810,678	59,863,482	98,695,670
Accounts receivable, net (note 5)	4,938,493	129,786	2,631,817	2,204,292	352,357	10,256,745	358,551
Interest receivable (note 5)	97,640	149,174	59,371	79,802	4,350	390,337	622,278
Interfund receivable (note 6)	—	—	2,531	—	—	2,531	—
Intergovernmental receivables (note 5)	—	—	—	—	—	—	—
Inventory	1,144,173	—	—	—	—	1,144,173	385,544
Prepaid expenses	—	—	—	—	—	—	234,590
Deposits	3,470	2,082	—	—	—	5,552	—
Total current assets	<u>22,372,804</u>	<u>17,165,304</u>	<u>13,704,650</u>	<u>17,252,677</u>	<u>1,167,385</u>	<u>71,662,820</u>	<u>100,296,633</u>
Noncurrent assets:							
Restricted assets:							
Cash and investments (notes 4C and 9)	16,318,205	1,694,188	—	1,623,750	—	19,636,143	5,029,177
Interest and other receivables (note 5)	1	21,280	—	—	—	21,281	1,100,605
Total restricted assets	<u>16,318,206</u>	<u>1,715,468</u>	<u>—</u>	<u>1,623,750</u>	<u>—</u>	<u>19,657,424</u>	<u>6,129,782</u>
Deferred bond issuance costs, net	794,068	428,829	—	235,075	—	1,457,972	1,195,566
Advances to other funds (note 6)	—	—	600,000	—	—	600,000	32,441,886
Net pension assets	184,857	78,846	140,600	46,408	67,790	518,501	1,241,539
Total other noncurrent assets	<u>978,925</u>	<u>507,675</u>	<u>740,600</u>	<u>281,483</u>	<u>67,790</u>	<u>2,576,473</u>	<u>34,878,991</u>
Capital assets (note 8):							
Land	5,260,911	11,975,088	—	8,709,000	—	25,944,999	32,041,706
Buildings	16,621,543	157,747,146	—	—	—	174,368,689	219,116,317
Utility systems	94,464,915	—	—	52,967,713	9,853,950	157,286,578	—
Improvements other than buildings	—	1,709,864	—	—	—	1,709,864	29,102,172
Machinery and equipment	5,502,455	2,697,573	1,009,623	295,442	7,676	9,512,769	67,778,140
	<u>121,849,824</u>	<u>174,129,671</u>	<u>1,009,623</u>	<u>61,972,155</u>	<u>9,861,626</u>	<u>368,822,899</u>	<u>348,038,335</u>
Less accumulated depreciation	(43,696,195)	(70,298,483)	(513,003)	(13,987,001)	(5,926,485)	(134,421,167)	(123,405,443)
Construction in progress	30,170,000	12,929,567	—	979,816	305,057	44,384,440	3,057,101
Total capital assets, net	<u>108,323,629</u>	<u>116,760,755</u>	<u>496,620</u>	<u>48,964,970</u>	<u>4,240,198</u>	<u>278,786,172</u>	<u>227,689,993</u>
Total noncurrent assets	<u>125,620,760</u>	<u>118,983,898</u>	<u>1,237,220</u>	<u>50,870,203</u>	<u>4,307,988</u>	<u>301,020,069</u>	<u>268,698,766</u>
Total assets	<u>147,993,564</u>	<u>136,149,202</u>	<u>14,941,870</u>	<u>68,122,880</u>	<u>5,475,373</u>	<u>372,682,889</u>	<u>368,995,399</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Net Assets, Continued

Proprietary Funds

June 30, 2010

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 2,443,908	2,069,105	932,579	47,676	248,508	5,741,776	10,130,772
Contracts payable	1,018,238	751,632	—	—	24,640	1,794,510	1,998,688
Accrued payroll	93,270	99,234	77,413	19,682	46,329	335,928	638,890
Interest payable	267,892	151,402	—	48,061	—	467,355	396,987
Current portion of:							
Compensated absences (note 9)	—	—	—	—	—	—	1,296,921
Outstanding claims (note 9)	—	—	—	—	—	—	5,814,527
Advances from other funds (note 6)	—	2,331,380	—	—	—	2,331,380	—
Revenue bonds (note 9)	2,031,030	2,837,909	—	1,045,000	—	5,913,939	6,231,600
Interfund payable	2,531	—	—	—	—	2,531	—
Intergovernmental payable	1,194	—	—	3,152,199	—	3,153,393	—
Customer deposits	2,079,270	691,343	237	3,075	—	2,773,925	—
Unearned revenue (note 5)	—	297,729	—	—	—	297,729	95,915
Total current liabilities	<u>7,937,333</u>	<u>9,229,734</u>	<u>1,010,229</u>	<u>4,315,693</u>	<u>319,477</u>	<u>22,812,466</u>	<u>26,604,300</u>
Long-term liabilities (net of current portion):							
Other post employment benefit obligations	—	—	—	—	—	—	1,783,435
Compensated absences (note 9)	—	—	—	—	—	—	12,819,407
Outstanding claims (note 9)	—	—	—	—	—	—	3,513,695
Unearned revenue (note 5)	—	570,031	—	—	—	570,031	—
Advances from other funds (note 6)	—	58,428,298	—	—	600,000	59,028,298	—
Revenue bonds (note 9)	71,799,866	36,962,980	—	14,080,000	—	122,842,846	99,525,267
Original issue premium, net (note 9)	1,062,096	1,521,703	—	404,845	—	2,988,644	6,450,463
Original issue discount, net (note 9)	(551,360)	(204,491)	—	—	—	(755,851)	(363,127)
Deferred amount on refunding, net (note 9)	(832,794)	(1,410,019)	—	(1,182,195)	—	(3,425,008)	(5,345,687)
Note payable (note 9)	—	—	—	—	—	—	14,450,639
Deferred credit from sale-leaseback transactions (note 11)	—	1,065,261	—	—	—	1,065,261	—
Total long-term liabilities	<u>71,477,808</u>	<u>96,933,763</u>	<u>—</u>	<u>13,302,650</u>	<u>600,000</u>	<u>182,314,221</u>	<u>132,834,092</u>
Total liabilities	<u>79,415,141</u>	<u>106,163,497</u>	<u>1,010,229</u>	<u>17,618,343</u>	<u>919,477</u>	<u>205,126,687</u>	<u>159,438,392</u>
NET ASSETS							
Invested in capital assets, net of related debt (note 14)	44,278,583	75,417,381	496,620	34,617,320	3,640,198	158,450,102	101,711,662
Restricted for:							
Debt service	6,854,412	1,694,188	—	1,623,750	—	10,172,350	2,339,168
Unrestricted (note 14)	<u>17,445,428</u>	<u>(47,125,864)</u>	<u>13,435,021</u>	<u>14,263,467</u>	<u>915,698</u>	<u>(1,066,250)</u>	<u>105,506,177</u>
Total net assets	<u>\$ 68,578,423</u>	<u>29,985,705</u>	<u>13,931,641</u>	<u>50,504,537</u>	<u>4,555,896</u>	<u>167,556,202</u>	<u>209,557,007</u>

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, 2010

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
Operating revenues –							
Sales, service charges and fees	\$ 24,676,468	20,933,475	13,369,393	12,805,556	1,845,504	73,630,396	66,289,613
Operating expenses:							
Salaries and employee benefits	2,782,333	2,963,457	1,867,035	711,415	1,315,482	9,639,722	23,566,029
Maintenance and operation	14,940,792	5,263,320	11,856,127	3,615,066	1,227,758	36,903,063	12,070,811
Insurance premiums, settlements and provisions	—	—	—	—	—	—	2,516,152
Depreciation (note 8)	2,816,446	5,454,001	141,891	1,298,364	238,646	9,949,348	10,757,685
Amortization of issuance costs	58,758	139,832	—	84,959	—	283,549	421,424
Total operating expenses	<u>20,598,329</u>	<u>13,820,610</u>	<u>13,865,053</u>	<u>5,709,804</u>	<u>2,781,886</u>	<u>56,775,682</u>	<u>49,332,101</u>
Operating income (loss)	<u>4,078,139</u>	<u>7,112,865</u>	<u>(495,660)</u>	<u>7,095,752</u>	<u>(936,382)</u>	<u>16,854,714</u>	<u>16,957,512</u>
Nonoperating revenues (expenses):							
Investment revenue	347,311	529,356	240,283	235,095	9,351	1,361,396	4,837,159
Net change in fair value of investments	135,269	188,372	80,408	96,658	5,189	505,896	818,646
Interest expense	(3,088,332)	(5,618,746)	—	(613,397)	—	(9,320,475)	(5,768,719)
Intergovernmental revenue	—	—	2,928	—	—	2,928	199,924
Gain (loss) on sale of capital assets	—	—	—	—	—	—	52,650
Other revenue (expense)	(6,435)	34,365	96	—	—	28,026	797,940
Total nonoperating revenues (expenses)	<u>(2,612,187)</u>	<u>(4,866,653)</u>	<u>323,715</u>	<u>(281,644)</u>	<u>14,540</u>	<u>(7,422,229)</u>	<u>937,600</u>
Income (loss) before contributions and operating transfers	<u>1,465,952</u>	<u>2,246,212</u>	<u>(171,945)</u>	<u>6,814,108</u>	<u>(921,842)</u>	<u>9,432,485</u>	<u>17,895,112</u>
Transfers in (note 7)	—	706,000	—	—	357,000	1,063,000	4,621,496
Transfers out (note 7)	(2,973)	(1,679,247)	(60,000)	(2,974)	—	(1,745,194)	(389,593)
Change in net assets	<u>1,462,979</u>	<u>1,272,965</u>	<u>(231,945)</u>	<u>6,811,134</u>	<u>(564,842)</u>	<u>8,750,291</u>	<u>22,127,015</u>
Net assets, July 1	<u>67,115,444</u>	<u>28,712,740</u>	<u>14,163,586</u>	<u>43,693,403</u>	<u>5,120,738</u>	<u>158,805,911</u>	<u>187,429,992</u>
Net assets, June 30	<u>\$ 68,578,423</u>	<u>29,985,705</u>	<u>13,931,641</u>	<u>50,504,537</u>	<u>4,555,896</u>	<u>167,556,202</u>	<u>209,557,007</u>

See accompanying notes to basic financial statements.





CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2010

	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	\$ 29,412,299	10,747,535	15,547,720	15,278,419	2,261,470	73,247,443	81,723,484
Rents received under property leases	8,140	10,260,793	—	—	—	10,268,933	—
Cash payments to employees for services	(2,770,089)	(2,940,686)	(1,825,342)	(706,950)	(1,295,078)	(9,538,145)	(23,220,412)
Cash payments for goods and services	(15,292,712)	(5,312,403)	(11,801,440)	(3,472,105)	(1,233,002)	(37,111,662)	(25,686,280)
Cash payments for insurance premiums, settle- ments and claims	—	—	—	—	—	—	(4,345,952)
Net cash provided by operating activities	<u>11,357,638</u>	<u>12,755,239</u>	<u>1,920,938</u>	<u>11,099,364</u>	<u>(266,610)</u>	<u>36,866,569</u>	<u>28,470,840</u>
Cash flows from noncapital financing activities –							
Grant receipts and other revenue	—	—	2,928	—	—	2,928	997,864
Cash received (paid) from unfunded liabilities	12,689	5,412	9,651	3,185	4,653	35,590	78,257
Cash received from other funds	—	(973,247)	—	—	357,000	(616,247)	7,922,681
Cash paid to other funds	—	—	(60,000)	(2,974)	—	(62,974)	(3,690,777)
Net cash provided by (used in) noncapital financing activities	<u>12,689</u>	<u>(967,835)</u>	<u>(47,421)</u>	<u>211</u>	<u>361,653</u>	<u>(640,703)</u>	<u>5,308,025</u>
Cash flows from capital financing activities:							
Proceeds from sale of property	—	—	—	—	—	—	164,051
Acquisition and construction of capital assets	(10,807,825)	(15,202,922)	—	(2,905,518)	(183,144)	(29,099,409)	(31,837,924)
Proceeds from issuance of bonds	9,577,410	511,752	—	—	—	10,089,162	3,293,830
Proceeds from construction loan	—	—	—	—	—	—	4,931,270
Refunding of debt	—	(792,300)	—	—	—	(792,300)	—
Principal payments on interfund advance	—	(2,202,371)	—	—	—	(2,202,371)	906,563
Interest paid on interfund advance	—	(3,700,490)	—	—	—	(3,700,490)	2,000,943
Principal payments on debt	(1,873,564)	(1,815,223)	—	(1,000,000)	—	(4,688,787)	(6,847,517)
Interest payments on debt	(3,057,953)	(1,929,126)	—	(616,730)	—	(5,603,809)	(5,199,762)
Net cash provided by (used in) capital financing activities	<u>(6,161,932)</u>	<u>(25,130,680)</u>	<u>—</u>	<u>(4,522,248)</u>	<u>(183,144)</u>	<u>(35,998,004)</u>	<u>(32,588,546)</u>
Cash flows from investing activities:							
Earnings on investments	<u>439,582</u>	<u>645,050</u>	<u>318,519</u>	<u>305,205</u>	<u>18,652</u>	<u>1,727,008</u>	<u>2,746,004</u>
Net increase (decrease) in cash and cash equivalents	<u>5,647,977</u>	<u>(12,698,226)</u>	<u>2,192,036</u>	<u>6,882,532</u>	<u>(69,449)</u>	<u>1,954,870</u>	<u>3,936,323</u>
Cash and cash equivalents, July 1	<u>26,859,256</u>	<u>31,276,676</u>	<u>8,818,895</u>	<u>9,709,801</u>	<u>880,127</u>	<u>77,544,755</u>	<u>99,788,524</u>
Cash and cash equivalents, June 30	<u>\$ 32,507,233</u>	<u>18,578,450</u>	<u>11,010,931</u>	<u>16,592,333</u>	<u>810,678</u>	<u>79,499,625</u>	<u>103,724,847</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Cash Flows, Continued

Proprietary Funds

For the Year Ended June 30, 2010

	Business-type Activities – Enterprise Funds					Total	Governmental Activities – Internal Service Funds
	Water	Parking Facilities	Solid Waste	Wastewater	Stormwater		
Reconciliation of operating income to net cash provided by operating activities:							
Operating income (loss)	\$ 4,078,138	7,112,865	(495,660)	7,095,752	(936,382)	16,854,713	16,957,512
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation	2,816,446	5,454,001	141,891	1,298,364	238,646	9,949,348	10,757,685
Amortization of issuance costs	58,758	139,832	—	84,959	—	283,549	421,424
Changes in assets and liabilities:							
Increase (decrease) in other post-employment benefit obligations	—	—	—	—	—	—	(3,336,755)
(Increase) decrease in accounts receivable	4,632,228	177,701	2,170,486	2,469,788	415,966	9,866,169	15,394
(Increase) decrease in inventory	(713,501)	—	—	—	—	(713,501)	(44,742)
(Increase) decrease in prepaid expenses	—	—	—	—	—	—	(17,409)
Increase (decrease) in accounts payable	366,530	(48,820)	54,686	1,833	(5,188)	369,041	4,094,959
Increase (decrease) in intergovernmental payable	(1,125)	—	—	—	(56)	(1,181)	—
Increase (decrease) in interfund payable	—	(263)	—	—	—	(263)	(1,283)
(Increase) decrease in interfund receivable	—	—	7,745	—	—	7,745	—
Increase (decrease) in accrued payroll	12,243	22,770	41,694	4,465	20,404	101,576	223,386
Increase in other liabilities	(3,823)	—	—	141,128	—	137,305	—
Increase (decrease) in accrued compensated absences	—	—	—	—	—	—	(708,312)
Increase in outstanding claims	—	—	—	—	—	—	108,981
Increase in deferred revenue	—	(102,386)	—	—	—	(102,386)	—
Increase (decrease) in customer deposits	111,744	(461)	—	—	—	111,283	—
Decrease in deferred credit from sale-leaseback transaction	—	—	—	—	—	—	—
Other nonoperating revenue (expense)	—	—	96	3,075	—	3,171	—
Total adjustments	7,279,500	5,642,374	2,416,598	4,003,612	669,772	20,011,856	11,513,328
Net cash provided by operating activities	\$ 11,357,638	12,755,239	1,920,938	11,099,364	(266,610)	36,866,569	28,470,840
Cash and investments	\$ 16,189,028	16,884,262	11,010,931	14,968,583	810,678	59,863,482	98,695,670
Restricted cash and investments	16,318,205	1,694,188	—	1,623,750	—	19,636,143	5,029,177
Total cash and cash equivalents	\$ 32,507,233	18,578,450	11,010,931	16,592,333	810,678	79,499,625	103,724,847
Significant noncash investing and financing activities:							
– Amortization of bond issuance costs, premiums, discounts and deferred amounts on refunding (note 9)	\$ 58,758	139,832	—	84,959	—	283,549	421,424
– Change in fair value of investments	135,269	188,372	80,408	96,658	5,189	505,896	—
See accompanying notes to basic financial statements.							

CITY OF BEVERLY HILLS, CALIFORNIA

Statement of Fiduciary Net Assets

Westside Cities Council of Governments Fiduciary Fund

June 30, 2010

	Westside Cities Council of Governments
Assets	
Current assets:	
Cash and investments (note 4)	\$ 442
Interest receivable (note 5)	825
	1,267
Total assets	1,267
 Liabilities and net assets	
Net assets:	
Restricted	1,267
Total net assets	1,267
 Total liabilities and net assets	\$ 1,267

See accompanying notes to basic financial statements





CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(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.

Westside Cities Council of Governments

The City maintains a fiduciary fund and acts as the treasurer for the Westside Cities Council of Governments (WSCCOG) (a Joint Powers Authority). WSCCOG was established to enable members to voluntarily engage in regional and cooperative planning and the coordination of government services and responsibilities so as to assist the members in the conduct of

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

their affairs. The goal and intent of the WSCCOG is one of voluntary co-operation among cities for the collective benefit of cities in the Westside area of Los Angeles County.

A fiduciary fund is used to report the assets held by the City in trust for the WSCCOG because these assets cannot be used for the City for its own programs. Because the resources of fiduciary funds, by definition, cannot be used to support the City's own programs, such funds are excluded from the government-wide financial statements. They are reported, however, as part of the basic financial statements to endure fiscal accountability.

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 one fiduciary fund, the Westside Cities Council of Governments). 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 reve-

nues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

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

The City reports the following major proprietary funds:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

revenue bonds supported by parking fees charged to the public and lease payments from retail facilities located in the parking structures.

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

Additionally, the City reports the following fund type:

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are internal service fund charges and charges for 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 non-operating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges for sales and services. Operating expenses for enterprise and internal service funds include salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, Net Assets or Equity

Cash and Investments

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

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

The City's investments are carried at fair value, except for certain short-term money market investments, which are carried at amortized cost. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NASDAQ dealers. LAIF determines the fair value of its portfolio quarterly and reports a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund on a quarterly basis. Based on management decision, investment income of certain funds has been assigned to the General Fund. Such transfers are included in transfers to the

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

Receivables and Payables

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

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

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

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

Inventories and Prepaid Items

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

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

Restricted Assets

Certain proceeds of the City's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The proceeds of certain endowments, together with cumulative unspent earnings thereon, are also classified as restricted assets on the balance sheet because their use is limited by the terms of the endowments.

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

Capital Assets

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

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2010.

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

Compensated Absences

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

Long-Term Obligations

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

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

Net Assets and Fund Equity

In the government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments). The nonexpendable portion of permanent fund trusts and endowments is reported as permanently restricted. The City’s other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted. Please also refer to Note 14 for more information on net assets invested in capital assets, net of related debt.

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

Estimates

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

Self-Insurance Programs

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

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

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

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

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

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

The following represents changes in the liabilities for claims for each of the City's self-insurance funds (general liability, workers' compensation and unemployment), for the years ended June 30, 2010 and 2009:

FY	Liability Balance – Beginning of FY	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance – End of FY
<i>General Liability:</i>				
2009	4,264,756	5,531,719	(6,227,263)	3,569,212
2010	3,569,212	4,952,349	(4,338,163)	4,183,398
<i>Workers' Compensation:</i>				
2009	5,498,483	395,085	(257,996)	5,635,572
2010	5,635,572	(283,105)	(222,101)	5,130,366
<i>Unemployment Insurance:</i>				
2009	14,458	33,172	(33,172)	14,458
2010	14,458	135,809	(135,809)	14,458

Pronouncements Implemented

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

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

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

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

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

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

	Total Governmental Funds	Net Pension Asset	Capital Assets	Long-Term Liabilities	Internal Service Funds	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS							
Cash and investments	\$ 84,762,527	—	—	—	98,695,670	—	183,458,197
Accounts receivable, net	6,311,862	—	—	—	358,551	—	6,670,413
Interest receivable	455,395	—	—	—	622,278	—	1,077,673
Taxes receivable	14,126,769	—	—	—	—	—	14,126,769
Intergovernmental receivable	4,514,840	—	—	—	—	—	4,514,840
Inventory	—	—	—	—	385,544	—	385,544
Prepaid expenses	774,640	—	—	—	234,590	—	1,009,230
Restricted assets:							
Cash and investments	35,009,291	—	—	—	5,029,177	—	40,038,468
Interest receivable	1,633	—	—	—	1,100,605	—	1,102,238
Deferred bond issuance costs, net	—	—	—	343,729	1,195,566	—	1,539,295
Advances to other funds	28,317,792	—	—	—	32,441,886	—	60,759,678
Net pension assets	—	10,437,681	—	—	1,241,539	—	11,679,220
Capital assets, net	—	—	104,990,084	—	227,689,993	—	332,680,077
Total assets	174,274,749	10,437,681	104,990,084	343,729	368,995,399	—	659,041,642
LIABILITIES							
Accounts payable	4,921,361	—	—	—	10,130,772	—	15,052,133
Contracts payable	399,316	—	—	—	1,998,688	—	2,398,004
Accrued payroll	4,043,468	—	—	—	638,890	—	4,682,358
Interest payable	—	—	—	124,987	396,987	—	521,974
Current portion of long-term liabilities	—	—	—	344,461	13,343,048	—	13,687,509
Intergovernmental payables	1,243,432	—	—	—	—	—	1,243,432
Customer deposits	3,959,205	—	—	—	—	—	3,959,205
Deferred revenue	8,090,346	—	—	—	95,915	(3,770,628)	4,415,633
Long-term liabilities, net of current portion:							
Other Post Employment Benefit Obligation	—	—	—	—	1,783,435	—	1,783,435
Compensated absences	—	—	—	—	12,819,407	—	12,819,407
Outstanding claims	—	—	—	—	3,513,695	—	3,513,695
Revenue bonds	—	—	—	34,456,887	99,525,267	—	133,982,154
Original issue discount, net	—	—	—	(384,672)	(363,127)	—	(747,799)
Original issue premium, net	—	—	—	—	6,450,463	—	6,450,463
Deferred amount on refunding, net	—	—	—	(994,381)	(5,345,687)	—	(6,340,068)
Note Payable	—	—	—	—	14,450,639	—	14,450,639
Total liabilities	22,657,128	—	—	33,547,282	159,438,392	(3,770,628)	211,872,174
FUND BALANCES/NET ASSETS							
Fund balances:							
Nonspendable	32,320,801	—	—	—	—	(32,320,801)	—
Restricted	64,390,049	—	—	—	—	(64,390,049)	—
Committed	7,304,313	—	—	—	—	(7,304,313)	—
Assigned	19,912,937	—	—	—	—	(19,912,937)	—
Unassigned	27,689,521	—	—	—	—	(27,689,521)	—
Net assets:							
Invested in capital assets, net of related debt	—	—	104,990,084	(33,422,295)	101,711,662	(2,740,939)	170,538,512
Restricted	—	—	—	—	2,339,168	67,161,439	69,500,607
Unrestricted	—	10,437,681	—	218,742	105,506,177	90,967,749	207,130,349
Total fund balances/net assets	\$ 151,617,621	10,437,681	104,990,084	(33,203,553)	209,557,007	3,770,628	447,169,468

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

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

1) Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet:	
Cost of Construction in Progress, Fine Art, Improvements, Machinery and Equipment, and Infrastructure capital assets	\$ 152,268,392
Accumulated depreciation	<u>(47,278,308)</u>
Infrastructure capital assets, net	\$ <u>104,990,084</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	\$ 34,801,348
Less: original issue discount (amortized over the life of the bonds to interest expense)	(384,672)
Less: deferred bond issuance costs (amortized over the life of the bonds to interest expense)	(343,729)
Less: deferred amount on refunding (amortized over the life of the bonds to interest expense)	(994,381)
Plus: interest payable	<u>124,987</u>
Infrastructure long-term liabilities, net	\$ <u>33,203,553</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	\$ 101,711,662
Restricted	2,339,168
Unrestricted	<u>105,506,177</u>
Internal service funds net assets	\$ <u>209,557,007</u>

4) Certain reclassifications and eliminations are required to properly state governmental activities in the statement of net assets:	
– Pension contribution, is a use of current financial resources and an expenditure at the fund level, is deferred and recognized as a net pension asset on the Statement of Net assets	\$ <u>10,437,681</u>
– Certain interest receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	502,955
Certain property tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	<u>3,267,673</u>
Net reduction in deferred revenue	<u>3,770,628</u>
– Fund balances are reclassified and restated into three categories of net assets: invested in capital assets net of related debt, restricted and unrestricted.	
Fund balances,	
Nonspendable	(32,320,801)
Restricted	(64,390,049)
Committed	(7,304,313)
Assigned	(19,912,937)
Unassigned	(27,689,521)
Invested in capital assets, net of related debt	(2,740,939)
Net assets, restricted	67,161,439
Net assets, unrestricted	<u>90,967,749</u>
Net fund balance reclassifications	<u>3,770,628</u>
Net reclasses and eliminations	\$ <u><u>-</u></u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

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

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

	Total Governmental Funds	Net Pension Asset	Infrastructure		Internal Service Funds	Reclassifications and Eliminations	Statement of Net Assets Totals
			Capital Assets	Long-Term Liabilities			
Revenues:							
Program revenues:							
Charges for services	\$ 10,642,968	—	—	—	66,289,613	(28,447,212)	48,485,369
Operating grants and contributions	—	—	—	—	—	4,122,608	4,122,608
Capital grants and contributions	—	—	—	—	—	1,506,992	1,506,992
Licenses and permits	9,591,105	—	—	—	—	(9,591,105)	—
Fines, forfeitures and penalties	10,127,770	—	—	—	—	(10,127,770)	—
General revenues:							
Taxes	123,240,516	—	—	—	—	12,103	123,252,619
Intergovernmental	5,429,676	—	—	—	199,924	(5,629,600)	—
Investment earnings	6,479,178	—	—	—	4,837,159	175,894	11,492,231
Net change in fair value of investments	661,198	—	—	—	818,646	—	1,479,844
Gain (loss) on sale of capital assets	—	—	—	—	52,650	(52,650)	—
Miscellaneous	973,399	—	—	—	797,940	62,705	1,834,044
Transfers in	2,068,840	—	—	—	4,621,496	(5,005,142)	1,685,194
Total revenues and transfers in	169,214,650	—	—	—	77,617,428	(52,973,177)	193,858,901
Expenditures/expenses:							
General government	5,876,352	—	—	—	—	1,284,266	7,160,618
Public safety	82,109,842	—	—	—	—	3,683,043	85,792,885
Public service	19,164,931	—	—	—	—	(1,798,776)	17,366,155
Culture and recreation	41,050,006	—	—	—	—	3,315,460	44,365,466
Debt service:							
Principal retirement	—	—	—	(333,697)	—	333,697	—
Interest	1,512,625	—	—	62,833	5,768,719	—	7,344,177
Payment to bond escrow agent	333,697	—	—	—	—	(333,697)	—
Capital outlay	7,620,966	—	—	—	—	(7,620,966)	—
Internal service fund operating expenses:							
Salaries and employee benefits	—	—	—	—	23,566,029	(23,566,029)	—
Maintenance and operation	—	—	—	—	12,070,811	(12,070,811)	—
Insurance premiums, settlements and provisions	—	—	—	—	2,516,152	(2,516,152)	—
Depreciation and amortization	—	—	1,959,679	—	10,757,685	(12,717,364)	—
Amortization of debt issue costs	—	—	—	—	421,424	(421,424)	—
Transfers out	5,618,549	—	—	—	389,593	(5,005,142)	1,003,000
Insurance Recoveries	(10,055)	—	—	—	—	10,055	—
Infrastructure, fine art assets, and net pension assets completed and transferred	—	1,203,087	(5,465,753)	—	—	4,262,666	—
Total expenditures/expenses and transfers out	163,276,913	1,203,087	(3,506,074)	(270,864)	55,490,413	(53,161,174)	163,032,301
Change in fund balances/net assets	5,937,737	(1,203,087)	3,506,074	270,864	22,127,015	187,997	30,826,600
Fund balances/net assets, July 1	145,679,884	11,640,768	101,484,010	(33,474,417)	187,429,992	3,582,631	416,342,868
Fund balances/net assets, June 30	\$ 151,617,621	10,437,681	104,990,084	(33,203,553)	209,557,007	3,770,628	447,169,468

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(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	\$ 7,620,966
Items not capitalized and reclassified	(2,155,213)
Depreciation expense	<u>(1,959,679)</u>
Excess of capital outlay expenditures over depreciation expense in the current period	\$ <u><u>3,506,074</u></u>
6) Bond issuance costs and original issue discount are expended when incurred in governmental funds, but are deferred and amortized over the life of the bonds in the statement of activities	\$ <u><u>62,833</u></u>
7) Internal service funds are used by management to charge to individual user funds the costs of acquisition, construction, financing, maintenance and capital accumulation for the replacement of governmental capital assets (except for infrastructure and fine art assets – see #1 above); operations of the City’s computer, reprographics and cable TV operations, the City’s self-insurance programs and its employee benefits. The net revenue of the activities of the internal service funds is reported as governmental activities in the statement of activities	\$ <u><u>22,127,015</u></u>

8) Certain reclassifications and eliminations are required to properly state governmental activities in the statement of activities:	
– Certain receivables that do not provide current financial resources are not reported as revenues in the governmental funds:	
Property taxes	\$ 3,267,673
Interest	<u>502,955</u>
Net reduction in deferred revenue	<u>3,770,628</u>
– Revenues that become available and are recognized in the fund financial statements that relate to prior years are not reported as revenues in the statement of activities:	
Property taxes	(3,255,570)
Interest revenue	(327,061)
Net assets, beginning	<u>3,582,631</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	(46,373,049)
General government expenditures	1,114,158
Public safety expenditures	24,847,808
Public services expenditures	7,422,705
Culture and recreation expenditures	<u>12,988,378</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	19,718,875
Licenses and permits	(9,591,105)
Fines, forfeitures and penalties	<u>(10,127,770)</u>
Net effect of reclassification of certain revenues	<u>—</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(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	\$ 3,702,698
Capital grants and contributions	1,307,068
Grants and contributions not restricted to specific programs	419,910
Intergovernmental revenues	<u>(5,429,676)</u>
Net effect of reclassification of certain program-specific revenues	<u>—</u>
- Internal service fund operating expenses and other governmental expenses are reclassified in the major governmental activities classifications:	
General government	2,398,763
Public safety	28,843,435
Public service	5,914,672
Culture and recreation	14,134,911
Salaries and employee benefits	(23,566,029)
Maintenance and operation	(12,070,811)
Insurance premiums and settlements	(2,516,152)
Depreciation and amortization	<u>(13,138,788)</u>
Net effect of reclassification of internal service funds operating expenses	<u>—</u>
- Operating transfers within governmental activities are eliminated:	
Reduction in transfers in	(5,005,142)
Reduction in transfers out	<u>5,005,142</u>
Net effect of elimination of transfers within governmental funds	<u>—</u>
- Certain capital outlay expenditures were not capitalized and are reclassified as functional expenses in the statement of activities:	
General Government	—
Public safety expense	—
Public service expense	72,497
Culture and recreation expense	2,082,716
Capital outlay expense	<u>(2,155,213)</u>
Net effect of reclassification of capital outlay not capitalized	<u>—</u>

- Other reclassifications:

Pension contribution that is deferred and amortized in the Statement of Activities	<u>—</u>
Net effect of other reclassifications	<u>—</u>
Net reclassifications and eliminations	<u>\$ 3,770,628</u>

(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

Supplemental Budget Appropriations and Adjustments

The budget at June 30, 2010 includes appropriations based on encumbrances outstanding and approved reappropriations at June 30, 2009 and excludes amounts reserved for encumbrances outstanding and approved reappropriations at June 30, 2010.

During the year, several supplemental budget appropriations were adopted by the City Council as amendments to the annual budget. These changes to appropriations are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Original budget	\$ 157,677,850	6,361,556
Reappropriation of prior year approved projects and expenditures	1,342,789	6,852,451
Additional appropriations for:		
Community support, tourism and promotions	19,350	-
Purchase of equipment	4,810	-
Various programs and capital projects	356,304	1,489,816
Adjustments and net transfers between fund types	<u>2,400</u>	<u>453,291</u>
Amended budget	<u>159,403,503</u>	<u>15,157,114</u>
Encumbrances outstanding at year-end	(203,909)	(3,122,467)
Other reappropriations:		
Reappropriations by Fund to 2011	<u>(194,204)</u>	<u>(2,772,757)</u>
Final budget	\$ <u>159,005,390</u>	<u>9,261,890</u>

B. Excess of Expenditures and Other Uses Over Appropriations

For the fiscal year ended June 30, 2010, the following funds reflected expenditures in excess of budgeted amounts:

	<u>Amount of Excess</u>
Special Revenue Fund	
Fine Art Fund	\$ 17,050

C. Deficit Fund Equity

For the fiscal year ended June 30, 2010 there were no Governmental funds in a fund equity deficit position

(4) CASH AND INVESTMENTS

A. Cash and Investments

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

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

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

The City's cash and investments at June 30, 2010 are summarized as follows.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(4) CASH AND INVESTMENTS, CONTINUED

	Unrestricted Cash and Investments					Restricted Cash and Investments			
	Governmental Activities	Business- type Activities	Government-wide Subtotal	Fiduciary Funds	Total	Governmental Activities	Business- type Activities	Total	Total
Major funds:									
General	\$ 39,305,613	—	39,305,613	—	39,305,613	32,000,000	—	32,000,000	71,305,613
Infrastructure Capital Projects	21,445,099	—	21,445,099	—	21,445,099	—	—	—	21,445,099
Water Enterprise	—	16,189,028	16,189,028	—	16,189,028	—	16,318,205	16,318,205	32,507,233
Parking Facilities Enterprise	—	16,884,262	16,884,262	—	16,884,262	—	1,694,188	1,694,188	18,578,450
Solid Waste Enterprise	—	11,010,931	11,010,931	—	11,010,931	—	—	—	11,010,931
Wastewater Enterprise	—	14,968,583	14,968,583	—	14,968,583	—	1,623,750	1,623,750	16,592,333
Stormwater Enterprise	—	810,678	810,678	—	810,678	—	—	—	810,678
Fiduciary funds:									
Westside Cities Council of Governments	—	—	—	442	442	—	—	—	442
	60,750,712	59,863,482	120,614,194	442	120,614,636	32,000,000	19,636,143	51,636,143	172,250,779
Nonmajor funds	24,011,815	—	24,011,815	—	24,011,815	3,009,291	—	3,009,291	27,021,106
Total fund type	84,762,527	59,863,482	144,626,009	442	144,626,451	35,009,291	19,636,143	54,645,434	199,271,885
Internal service funds	98,695,670	—	98,695,670	—	98,695,670	5,029,177	—	5,029,177	103,724,847
Total	\$ 183,458,197	59,863,482	243,321,679	442	243,322,121	40,038,468	19,636,143	59,674,611	302,996,732
Components of cash and investments:									
Cash in demand deposits			\$ 1,445,590	—	1,445,590			—	1,445,590
Change and petty cash funds			26,301	—	26,301			—	26,301
Pooled investments			241,849,788	442	241,850,230			268,354	242,118,584
Deposits with fiscal agents			—	—	—			32,000,000	32,000,000
Investments with fiscal agents			—	—	—			27,406,257	27,406,257
Total cash and investments			\$ 243,321,679	442	243,322,121			59,674,611	302,996,732

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 – 5 years, corporate bonds – 5 years). Maturities are also limited for repurchase agreements (7 days), time certificates of deposit (1 year), negotiable certificates of deposit (36 months) and bankers' acceptances (180 days).

Credit Risk

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

For the year ended June 30, 2010

(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, 2010, the carrying amount of the City's various demand deposit accounts totaled \$1,445,590. Bank balances totaled \$2,765,833, of which \$2,515,833 was covered by Federal depository insurance, as this is a non-interest bearing account and such accounts are fully insured. However, after June 30, 2010 FDIC insurance will cover only \$250,000 and the rest will be fully collateralized by investments held by the banks' trust department. The California Government Code requires California banks and savings and loan associations to secure a local governmental agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a government agency's deposits. California law also allows financial institutions to secure a government agency's deposits by pledging seasoned first trust deed mortgage notes having a value of 150% of a governmental agency's total deposits. Change and petty cash funds totaled \$26,301 at June 30, 2010.

On January 26th, 2009 the City of Beverly Hills Public Financing Authority entered into an agreement with City National Bank to borrow against a line of credit up to an amount of \$32,000,000 for the construction of a 72,460 sq. ft. four story office building at 331 N. Foothill Road, Beverly Hills, CA 90210. This line of credit required the City to set up a certificate of deposit with City National Bank in the amount of \$32,000,000 in order to have sufficient funds available for all payments and other charges as and when they are due on the line of credit. For further detail about the line of credit please see Note 9. As of June 30, 2010, the bank balance as well as the carrying amount of the certificate of deposit was \$32,000,000. \$250,000 of the \$32,000,000 was covered by Federal depository insurance and \$31,750,000 was fully collateralized by investments held by the bank's trust department. The certificate of deposit is in the City's name, and the custodian is City National Bank.

Concentration of Credit Risk

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

<u>Issuer</u>			<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Mortgage Corporation	Federal Agency Securities			\$25,026,700
Federal Home Loan Bank	Federal Agency Securities			\$30,198,525
Federal National Mortgage Association	Financial Institution			\$ 35,040,652

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(4) CASH AND INVESTMENTS, CONTINUED

	Fair Value	Investment Maturities				
		<1 Year	<2 Years	<3 Years	<4 Years	<5 Years
Pooled investments:						
U.S. Federal Agency securities	\$ 100,418,975	—	10,013,800	65,072,275	—	25,332,900
Money market mutual funds	57,621,800	57,621,800	—	—	—	—
State Treasurer's Local Agency Investment Fund	25,711,847	25,711,847	—	—	—	—
Corporate Bonds	58,365,962	—	5,380,600	21,395,676	25,452,586	6,137,100
Total pooled investments	242,118,584	83,333,647	15,394,400	86,467,951	25,452,586	31,470,000
Investments held by fiscal agents:						
Certificate of deposit	32,000,000	32,000,000	—	—	—	—
Money market mutual funds	27,406,257	27,406,257	—	—	—	—
Total investments held by fiscal agents	59,406,257	59,406,257	—	—	—	—
Total investments	\$ 301,524,841	142,739,904	15,394,400	86,467,951	25,452,586	31,470,000

	Minimum Legal Rating	Total	Rating as of Year End				
			Aaa	Aa2	Aa3	A1	AA
Pooled investments:							
U.S. Federal Agency securities	N/A	\$ 100,418,975	100,418,975	—	—	—	—
Money market mutual funds	AAAam	57,621,800	57,621,800	—	—	—	—
State Treasurer's Local Agency Investment Fund	N/A	25,711,847	—	—	—	25,711,847	—
Corporate Bonds	A	58,365,962	—	15,830,750	21,441,112	21,094,100	—
Total pooled investments		242,118,584	158,040,775	15,830,750	21,441,112	46,805,947	—
Investments held by fiscal agents:							
Certificate of deposit	N/A	32,000,000	—	—	—	—	32,000,000
Money market mutual funds	AAAam	27,406,257	27,406,257	—	—	—	—
Total investments held by fiscal agents		59,406,257	27,406,257	—	—	—	32,000,000
Total investments		\$ 301,524,841	185,447,032	15,830,750	21,441,112	46,805,947	32,000,000

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(4) CASH AND INVESTMENTS, CONTINUED

State Treasurer’s Local Agency Investment Fund

At June 30, 2010, the City had \$25,711,847 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, 2010, such investments represent 4.512% of the total PMIA portfolio of \$69.4 billion (cost basis). The PMIA does not invest in derivative products.

C. Restricted Cash and Investments

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

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

Restricted cash and investments comprised of:

Temporarily restricted	\$ 59,593,230
Permanently restricted	<u>81,381</u>
	<u>\$ 59,674,611</u>

**Restricted Cash and Investments
June 30, 2010**

<u>Debt Issues/Capital Projects/Endowments</u>	<u>Amount</u>
Governmental activities:	
Major fund – General Fund - Deposit with fiscal agent	\$ 32,000,000
Nonmajor funds:	
Infrastructure Debt Service Fund – reserve funds	2,740,938
Permanent Funds:	
Temporarily restricted:	
Buck Fund endowment	165,213
Burton Green Fund endowment	21,759
	<u>186,972</u>
Permanently restricted:	
Buck Fund endowment	34,641
Burton Green Fund endowment	46,740
	<u>81,381</u>
Total permanent funds	<u>268,353</u>
Total governmental funds	<u>35,009,291</u>
Capital Assets Internal Service Fund –	
2009 Refunding Bonds reserve funds	2,690,009
2007 Lease Revenue Bonds reserve funds	2,339,168
	<u>5,029,177</u>
Total internal service funds	<u>40,038,468</u>
Business-type activities:	
Water Enterprise Fund:	
2008 Refunding Water Bonds reserve funds	2,737,338
2008 Refunding Water Bonds construction funds	385,497
2009 Refunding Bonds construction funds	9,078,293
2009 Refunding Bonds reserve funds	1,202,025
2007 Water Revenue Bonds reserve funds	2,915,052
	<u>16,318,205</u>
Parking Facilities Enterprise Fund –	
2009 Refunding Bonds reserve funds	408,555
2007 Lease Revenue Bonds reserve funds	1,285,633
	<u>1,694,188</u>
Wastewater Enterprise Fund:	
2008 Ref. Wastewater Bonds reserve funds	1,623,750
	<u>19,636,143</u>
Total business-type activities	<u>19,636,143</u>
Total restricted cash and investments	<u>\$ 59,674,611</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(4) CASH AND INVESTMENTS, CONTINUED

D. Cash and Investments – Deferred Compensation Plan

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

(5) RECEIVABLES AND UNEARNED REVENUE

A. Receivables

Receivables at June 30, 2010 for the City’s individual major funds, and nonmajor and internal service funds in the aggregate, including applicable allowances for uncollectible accounts, are detailed below.

All receivables are expected to be collected within one year, except for delinquent property taxes, and the notes receivable from the Chief Financial Officer, Scott G. Miller, from the Chief Information Officer, David Schirmer, Jonathan Lait, Assistant Director of Community Development, Steven Zoet, Assistant Director of Community Services- Recreation and Parks, Nancy Hunt Coffey, Assistant Director of Community Services – Library, Chad Lynn, Director of Parking Operations. (See note 11 for a more comprehensive description of this receivable.)

<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	\$ 6,849,870	—	7,986	358,551	7,216,407	
Taxes	14,126,769	—	—	—	14,126,769	
Interest – unrestricted	176,035	128,671	150,689	622,278	1,077,673	
Intergovernmental	3,418,130	437,173	659,537	—	4,514,840	
Interest and other – restricted	—	—	1,633	1,100,605	1,102,238	
Gross receivables	24,570,804	565,844	819,845	2,081,434	28,037,927	
Less: allowance for uncollectibles	(545,994)	—	—	—	(545,994)	
Net receivables	\$ 24,024,810	565,844	819,845	2,081,434	27,491,933	
<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	\$ 5,258,192	133,132	2,847,960	2,349,955	402,372	10,991,611
Interest – unrestricted	97,640	149,174	59,371	79,802	4,350	390,337
Interest and other – restricted	1	21,280	—	—	—	21,281
Gross receivables	5,355,833	303,586	2,907,331	2,429,757	406,722	11,403,229
Less: allowance for uncollectibles	(319,699)	(3,346)	(216,143)	(145,663)	(50,015)	(734,866)
Net receivables	\$ 5,036,134	300,240	2,691,188	2,284,094	356,707	10,668,363

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(5) RECEIVABLES AND DEFERRED REVENUE, CONTINUED

B. Deferred / Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. All funds defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2010, the various components of deferred revenue and unearned revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>		<u>Unearned</u>
Governmental funds:				Business-type activities:	
General fund:				Prepaid monthly parking fee \$	297,729
Delinquent property taxes	\$ 3,267,673	—	3,267,673	Prepaid Post Office lease	<u>570,031</u>
Business tax	—	544,811	544,811		\$ <u><u>867,760</u></u>
Interest receivable	133,404	—	133,404		
Prepaid Community Development services	—	2,070,755	2,070,755		
Prepaid recreation services	<u>—</u>	<u>1,704,152</u>	<u>1,704,152</u>		
General fund total	3,401,077	4,319,719	7,720,796		
Infrastructure capital projects fund	97,510	—	97,510		
Other governmental funds	<u>272,041</u>	<u>—</u>	<u>272,041</u>		
Governmental funds total	\$ <u><u>3,770,628</u></u>	<u><u>4,319,719</u></u>	<u><u>8,090,347</u></u>		

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(6) INTERFUND RECEIVABLES/PAYABLES

Interfund receivable/payable balances at June 30, 2010 consist of the following:

- The Community Development Block Grant, and Law Enforcement Grants Special Revenue Funds borrowed \$21,624, and \$156,824, respectively, from the General Fund to cover overdrafts of the cash and investment pool. These overdrafts resulted from timing differences on collection of grants receivable.
- The General Fund advanced a total of \$17,137,709 to the Parking Enterprise Fund to cover Beverly Canon parking lot project expenditures. Total advances from the General Fund represent 51.7% of the \$34.1 million project cost. These advances will be repaid at 5.5% interest over a twenty-year period commencing 2004-05. As of June 30, 2010, the balance of these advances is \$14,819,631.
- During Fiscal Year 2008-2009 the General Fund advanced a total of \$5,830,000 to the Parking Enterprise Fund to cover tenant improvements. These advances from the General Fund represent 89.3% of the \$6.5 million budgeted project cost. The advances will be repaid at 6.00% interest over a ten year period commencing 2009-2010. As of June 30, 2010 the balance of these advances is \$5,387,690. As of June 30, 2010 the balance of all General fund advances to the Parking Enterprise fund which includes this advance plus the advance with repayment period which commenced in 2004-2005 is \$20,207,321.
- The Parks and Recreation Facilities and Capital Assets Internal Service Funds advanced the Parking Enterprise Fund a combined total of

\$37,100,000 to cover Public Gardens Parking lot project expenditures during Fiscal Year 2006-07. These advances will be repaid at 6.0% interest over a 20 year period commencing Fiscal Year 2008-2009. As of June 30, 2010 the balance of these advances is \$40,552,357, consisting of \$8,110,471 owed to the Parks and Recreation Facilities fund and \$19,739,726 owed to the Capital Assets Fund. Since the Capital Assets Fund segmented off its vehicle maintenance and replacement programs into a new internal service fund, "Vehicles", then as of June 30, 2010 the portion of the balance owed to the Vehicles Internal Service Fund is \$12,702,159. The terms of the borrowing require unpaid interest to add to the principle.

- The Capital Assets Fund advanced a total of \$8,300,000 to the Information Technology Fund to cover the radio infrastructure project expenditures. Total advances from the Capital Assts Fund represent 100% of the \$8,300,000 million project cost. The advance will be repaid at 5.0% interest over a 7 year period commencing Fiscal Year 2006-2007. As of June 30, 2010 the balance of these advances that is owed to the Capital Assets Fund is \$3,906,239.
- As of June 30, 2010, the balance of total interfund advances to the Parking Enterprise Fund is \$60,759,675.
- The Solid Waste Enterprise Fund had unbilled services to the Water fund. The balance of this interfund receivable is \$2,531, as of June 30, 2010. The Stormwater fund advanced a total of \$600,000 to the Solid Waste fund for operational purposes.

<u>Interfund Payable</u>	<u>Interfund Receivable</u>					Total
	General Fund	Parks and Recreation Facilities Fund	Capital Assets Fund*	Vehicles Fund*	Solid Waste Enterprise Fund	
Governmental Activities:						
Community Development Block Grant	21,624	-	-	-	-	21,624
Law Enforcement Grants Fund	156,824	-	-	-	-	156,824
Information Technology Fund *	-	-	3,906,239	-	-	3,906,239
Governmental Activities Total:	178,448	-	3,906,239	-	-	4,084,687
Business-type Activities:						
Water Enterprise Fund	-	-	-	-	2,531	2,531
Parking Enterprise Fund	20,207,321	8,110,471	19,739,727	12,702,159	-	60,759,678
Stormwater Enterprise Fund	-	-	-	-	600,000	600,000
Business-type Activities Total:	20,207,321	8,110,471	19,739,727	12,702,159	602,531	61,362,209
Total: \$	20,385,769	8,110,471	23,645,966	12,702,159	602,531	65,446,896

* Internal service fund

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(7) TRANSFERS

Significant interfund transfers during the year ended June 30, 2010 consist of the following:

- The General Fund transferred \$3,553,000 to the Infrastructure fund and \$1,867,160 to the Debt Service fund to pay for capital improvement projects and debt service, respectively. It transferred \$1,500,000 to designate funds for Other Post Employment Benefits (OPEB). It also transferred \$721,078 to the IT fund as a capital contribution. It transferred \$2,350,000 to the Office and Operational Equipment fund as a capital contribution. It transferred \$706,000 to the Parking fund to pay for support. The General Fund also transferred \$297,000 to the Storm Water Enterprise Fund pay for support.
- The Parks and Recreation Facilities fund transferred \$400,000 to the General fund to support the cost of tree maintenance.
- The Proposition C fund transferred \$453,289 to the Proposition A fund to combine funds for a capital reserve, per the request of Los Angeles County Metro.
- During FY 2010, the Parking and Capital Assets funds transferred a total of \$373,687 to the Debt Service fund to reimburse that fund for the bond pay-

ments it made in regards to capitalized interest. The Capital Assets fund also made a capital contribution of \$192,753 to the State Park Bond Special Revenue fund to reverse a duplicate internal service charge which caused the State Park Bond fund to have a cash deficit during FY 2003. The Capital Assets fund also made a transfer to the Information Technology fund of \$364,000 to pay for equipment for the City’s Emergency Operations Center. Further, the Capital Assets fund segmented off its vehicle maintenance and replacement programs into a new internal service fund, “Vehicles”. This required a transfer of \$23,774,797.

- The Parking fund transferred \$1,500,000 to the General fund for parking meter revenue transition to the Parking fund
- The Solid Waste fund transferred \$60,000 to the Stormwater fund for its share of street sweeping expenditures.

Following is a summary of transfers between funds during the year ended June 30, 2010:

Fund Transferred From	Fund Transferred To											
	Governmental Activities								Business-type Activities		Total	
	General	Infra-structure Capital Projects	Other Govern-mental Funds	Infor-mation Tech-nology	Capital Assets	Employee Health Benefits	Administra-tion Policy and Legal	Office and Opera-tional Equipment	Vehicle	Parking		Storm Water
Governmental funds:												
General Fund:	\$ —	3,553,000	1,867,160	721,078	15,705	1,500,000	11,793	2,350,000	14,000	706,000	297,000	11,035,736
Infrastructure Capital Projects Fund	—	—	—	2,973	—	—	—	—	—	—	—	2,973
Nonmajor governmental funds:												
Streets & Highways State Gas Tax SRF	6,000	—	—	—	—	—	—	—	—	—	—	6,000
Parks and Recreation Facilities	400,000	—	—	—	—	—	—	—	—	—	—	400,000
Proposition C	—	—	453,289	—	—	—	—	—	—	—	—	453,289
Total Nonmajor governmental funds	406,000	—	453,289	—	—	—	—	—	—	—	—	859,289
Internal service funds:												
Capital Assets	—	—	387,193	369,000	—	—	—	—	23,883,185	—	—	24,639,378
Information Technology	—	—	—	—	37,000	—	5,000	—	—	—	—	42,000
Administration, Policy and Legal	2,400	—	—	—	—	—	—	—	—	—	—	2,400
Total internal service funds	2,400	—	387,193	369,000	37,000	—	5,000	—	23,883,185	—	—	24,683,778
Enterprise funds:												
Water	—	—	—	2,973	—	—	—	—	—	—	—	2,973
Parking	1,500,000	—	179,247	—	—	—	—	—	—	—	—	1,679,247
Solid Waste	—	—	—	—	—	—	—	—	—	—	60,000	60,000
Wastewater	—	—	—	2,974	—	—	—	—	—	—	—	2,974
Total Enterprise funds	1,500,000	—	179,247	5,947	—	—	—	—	—	—	60,000	1,745,194
Total	\$ 1,908,400	3,553,000	2,886,889	1,098,998	52,705	1,500,000	16,793	2,350,000	23,897,185	706,000	357,000	38,326,970

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(8) CAPITAL ASSETS

A. Capital Assets – Governmental Activities

Infrastructure assets and the City’s fine art collection are reported only in the government-wide statement of net assets; all other governmental capital assets are reported in internal service funds. The Changes in capital assets for governmental activities for the year ended June 30, 2010 were as follows:

Governmental Activities	Beginning Balance	Acquisition and Construction/ Depreciation	Sales and Other Dispositions	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 51,601,692	—	—	—	51,601,692
Fine Art Collection	1,746,411	—	—	—	1,746,411
Construction in progress	33,498,756	35,889,211	—	(59,591,233)	9,796,734
Total capital assets not being depreciated	<u>86,846,859</u>	<u>35,889,211</u>	<u>—</u>	<u>(59,591,233)</u>	<u>63,144,837</u>
Capital assets being depreciated:					
Buildings	177,194,281	1,688,153	—	41,435,896	220,318,330
Improvements other than buildings	29,077,323	—	—	2,378,060	31,455,383
Infrastructure	118,750,020	771,192	(1,377,544)	1,988,114	120,131,782
Machinery and equipment	54,700,651	1,028,407	(1,204,725)	13,789,163	68,313,496
Total capital assets being depreciated	<u>379,722,275</u>	<u>3,487,752</u>	<u>(2,582,269)</u>	<u>59,591,233</u>	<u>440,218,991</u>
Less accumulated depreciation for:					
Buildings	(65,007,463)	(4,643,339)	—	—	(69,650,802)
Improvements other than buildings	(12,007,318)	(890,388)	—	—	(12,897,706)
Infrastructure	(45,192,890)	(3,199,288)	1,375,076	—	(47,017,102)
Machinery and equipment	(36,859,002)	(5,359,425)	1,100,286	—	(41,118,141)
Total accumulated depreciation	<u>(159,066,673)</u>	<u>(14,092,440)</u>	<u>2,475,362</u>	<u>—</u>	<u>(170,683,751)</u>
Net capital assets being depreciated	<u>220,655,602</u>	<u>(10,604,688)</u>	<u>(106,907)</u>	<u>59,591,233</u>	<u>269,535,240</u>
Total net capital assets – governmental activities	<u>\$ 307,502,461</u>	<u>25,284,523</u>	<u>(106,907)</u>	<u>—</u>	<u>332,680,077</u>
		<u>Depreciation</u>			
General government	\$ (659,061)				
Public safety	(7,924,747)				
Public service	(1,625,059)				
Culture and recreation	(3,883,573)				
Total depreciation expense – governmental activities	<u>\$ (14,092,440)</u>				

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(8) CAPITAL ASSETS, CONTINUED

B. Capital Assets – Business-type Activities

Changes in capital assets for business-type activities for the year ended June 30, 2010 were as follows:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Acquisition and Construction/ Depreciation</u>	<u>Sales and Other Dispositions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 25,944,999	—	—	—	25,944,999
Construction in progress	36,569,868	28,460,511	—	(20,645,939)	44,384,440
Total capital assets not being depreciated	<u>62,514,867</u>	<u>28,460,511</u>	<u>—</u>	<u>(20,645,939)</u>	<u>70,329,439</u>
Capital assets being depreciated:					
Buildings	167,482,977	—	—	6,885,712	174,368,689
Utility systems	145,156,045	285,842	(570,153)	12,414,844	157,286,578
Improvements other than buildings	1,675,695	—	—	34,169	1,709,864
Machinery and equipment	9,646,469	—	(1,444,914)	1,311,214	9,512,769
Total capital assets being depreciated	<u>323,961,186</u>	<u>285,842</u>	<u>(2,015,067)</u>	<u>20,645,939</u>	<u>342,877,900</u>
Less accumulated depreciation for:					
Buildings	(67,569,930)	(5,852,826)	—	—	(73,422,756)
Utility systems	(50,071,287)	(3,670,153)	563,718	—	(53,177,722)
Improvements other than buildings	(1,170,403)	(61,462)	—	—	(1,231,865)
Machinery and equipment	(7,668,831)	(364,907)	1,444,914	—	(6,588,824)
Total accumulated depreciation	<u>(126,480,451)</u>	<u>(9,949,348)</u>	<u>2,008,632</u>	<u>—</u>	<u>(134,421,167)</u>
Net capital assets being depreciated	<u>197,480,735</u>	<u>(9,663,506)</u>	<u>(6,435)</u>	<u>20,645,939</u>	<u>208,456,733</u>
Total net capital assets – business-type activities	\$ <u>259,995,602</u>	<u>18,797,005</u>	<u>(6,435)</u>	<u>—</u>	<u>278,786,172</u>
		<u>Depreciation</u>			
Water	\$ (2,816,446)				
Parking facilities	(5,454,001)				
Solid waste	(141,891)				
Wastewater	(1,298,364)				
Stormwater	(238,646)				
Total depreciation expense – business-type activities	\$ <u>(9,949,348)</u>				

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(8) CAPITAL ASSETS, CONTINUED

C. Capital Assets – Major Proprietary Funds:

Changes in capital assets for major proprietary funds for the year ended June 30, 2010 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	\$ 5,260,911	—	—	—	5,260,911
Construction in progress	30,814,985	9,876,916	—	(10,521,901)	30,170,000
Total capital assets not being depreciated	<u>36,075,896</u>	<u>9,876,916</u>	<u>—</u>	<u>(10,521,901)</u>	<u>35,430,911</u>
Capital assets being depreciated:					
Buildings	16,442,513	—	—	179,030	16,621,543
Utility systems	84,519,856	285,842	(570,153)	10,229,370	94,464,915
Machinery and equipment	5,388,954	—	—	113,501	5,502,455
Total capital assets being depreciated	<u>106,351,323</u>	<u>285,842</u>	<u>(570,153)</u>	<u>10,521,901</u>	<u>116,588,913</u>
Less accumulated depreciation for:					
Buildings	(5,394,461)	(521,172)	—	—	(5,915,633)
Utility systems	(31,997,930)	(2,133,143)	563,718	—	(33,567,355)
Machinery and equipment	(4,051,076)	(162,131)	—	—	(4,213,207)
Total accumulated depreciation	<u>(41,443,467)</u>	<u>(2,816,446)</u>	<u>563,718</u>	<u>—</u>	<u>(43,696,195)</u>
Net capital assets being depreciated	<u>64,907,856</u>	<u>(2,530,604)</u>	<u>(6,435)</u>	<u>10,521,901</u>	<u>72,892,718</u>
Total net capital assets – Water Enterprise Fund	\$ <u>100,983,752</u>	<u>7,346,312</u>	<u>(6,435)</u>	<u>—</u>	<u>108,323,629</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(8) CAPITAL ASSETS, CONTINUED

Major Proprietary Funds	Beginning Balance	Acquisition and Construction/ Depreciation	Sales and Other Dispositions	Transfers	Ending Balance
Parking Facilities Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 11,975,088	—	—	—	11,975,088
Construction in progress	5,489,749	15,378,382	—	(7,938,564)	12,929,567
Total capital assets not being depreciated	<u>17,464,837</u>	<u>15,378,382</u>	<u>—</u>	<u>(7,938,564)</u>	<u>24,904,655</u>
Capital assets being depreciated:					
Buildings	151,040,464	—	—	6,706,682	157,747,146
Improvements other than buildings	1,675,695	—	—	34,169	1,709,864
Machinery and equipment	2,944,774	—	(1,444,914)	1,197,713	2,697,573
Total capital assets being depreciated	<u>155,660,933</u>	<u>—</u>	<u>(1,444,914)</u>	<u>7,938,564</u>	<u>162,154,583</u>
Less accumulated depreciation for:					
Buildings	(62,175,469)	(5,331,654)	—	—	(67,507,123)
Improvements other than buildings	(1,170,403)	(61,462)	—	—	(1,231,865)
Machinery and equipment	(2,943,524)	(60,885)	1,444,914	—	(1,559,495)
Total accumulated depreciation	<u>(66,289,396)</u>	<u>(5,454,001)</u>	<u>1,444,914</u>	<u>—</u>	<u>(70,298,483)</u>
Net capital assets being depreciated	<u>89,371,537</u>	<u>(5,454,001)</u>	<u>—</u>	<u>7,938,564</u>	<u>91,856,100</u>
Total net capital assets – Parking Fac. Enterprise Fund	\$ <u>106,836,374</u>	<u>9,924,381</u>	<u>—</u>	<u>—</u>	<u>116,760,755</u>
Solid Waste 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:					
Machinery and equipment	\$ 1,009,623	—	—	—	1,009,623
Total capital assets being depreciated	<u>1,009,623</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,009,623</u>
Less accumulated depreciation for:					
Machinery and equipment	(371,112)	(141,891)	—	—	(513,003)
Total accumulated depreciation	<u>(371,112)</u>	<u>(141,891)</u>	<u>—</u>	<u>—</u>	<u>(513,003)</u>
Net capital assets being depreciated	<u>638,511</u>	<u>(141,891)</u>	<u>—</u>	<u>—</u>	<u>496,620</u>
Total net capital assets – Solid Waste Enterprise Fund	\$ <u>638,511</u>	<u>(141,891)</u>	<u>—</u>	<u>—</u>	<u>496,620</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(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	141,194	2,905,178	—	(2,066,556)	979,816
Total capital assets not being depreciated	<u>8,850,194</u>	<u>2,905,178</u>	<u>—</u>	<u>(2,066,556)</u>	<u>9,688,816</u>
Capital assets being depreciated:					
Utility systems	50,901,157	—	—	2,066,556	52,967,713
Improvements other than buildings	—	—	—	—	—
Machinery and equipment	295,442	—	—	—	295,442
Total capital assets being depreciated	<u>51,196,599</u>	<u>—</u>	<u>—</u>	<u>2,066,556</u>	<u>53,263,155</u>
Less accumulated depreciation for:					
Utility systems	(12,393,194)	(1,298,364)	—	—	(13,691,558)
Improvements other than buildings	—	—	—	—	—
Machinery and equipment	(295,443)	—	—	—	(295,443)
Total accumulated depreciation	<u>(12,688,637)</u>	<u>(1,298,364)</u>	<u>—</u>	<u>—</u>	<u>(13,987,001)</u>
Net capital assets being depreciated	38,507,962	(1,298,364)	—	2,066,556	39,276,154
Total net capital assets – Wastewater Enterprise Fund	<u>\$ 47,358,156</u>	<u>1,606,814</u>	<u>—</u>	<u>—</u>	<u>48,964,970</u>
Stormwater Enterprise Fund:					
Capital assets not being depreciated:					
Construction in progress	\$ 123,940	300,035	—	(118,918)	305,057
Total capital assets not being depreciated	<u>123,940</u>	<u>300,035</u>	<u>—</u>	<u>(118,918)</u>	<u>305,057</u>
Capital assets being depreciated:					
Utility systems	9,735,032	—	—	118,918	9,853,950
Machinery and equipment	7,676	—	—	—	7,676
Total capital assets being depreciated	<u>9,742,708</u>	<u>—</u>	<u>—</u>	<u>118,918</u>	<u>9,861,626</u>
Less accumulated depreciation for:					
Utility systems	(5,680,163)	(238,646)	—	—	(5,918,809)
Machinery and equipment	(7,676)	—	—	—	(7,676)
Total accumulated depreciation	<u>(5,687,839)</u>	<u>(238,646)</u>	<u>—</u>	<u>—</u>	<u>(5,926,485)</u>
Net capital assets being depreciated	4,054,869	(238,646)	—	118,918	3,935,141
Total net capital assets – Stormwater Enterprise Fund	<u>\$ 4,178,809</u>	<u>61,389</u>	<u>—</u>	<u>—</u>	<u>4,240,198</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(9) LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

Long-term liabilities related to infrastructure capital projects are reported only in the government-wide statement of net assets. The governmental activities long-term liabilities are reported in internal service funds. The following is a summary of changes in the City's long-term debt and other long-term liabilities during the year ended June 30, 2010.

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$ 148,287,429	54,233,142	(61,962,356)	140,558,215	6,576,061
Plus (less) deferred amounts for:					
Original issue premiums	2,545,859	5,318,018	(1,413,414)	6,450,463	—
Original issue discounts	(775,495)	—	27,696	(747,799)	—
Deferred amount on refundings	(3,744,509)	(4,419,073)	1,823,514	(6,340,068)	—
Total bonds payable	<u>146,313,284</u>	<u>55,132,087</u>	<u>(61,524,560)</u>	<u>139,920,811</u>	<u>6,576,061</u>
Other Post Employment Benefit Obligation	5,120,190	4,900,000	(8,236,755)	1,783,435	—
Note payable	9,519,369	4,931,270	—	14,450,639	—
Compensated absences	14,824,641	5,567,298	(6,275,611)	14,116,328	1,296,921
Claims payable	9,219,242	4,805,052	(4,696,072)	9,328,222	5,814,527
Long-term liabilities of governmental activities	<u>184,996,726</u>	<u>75,335,707</u>	<u>(80,732,998)</u>	<u>179,599,435</u>	<u>13,687,509</u>
Business-type activities:					
Revenue bonds payable	124,812,571	17,781,858	(13,837,644)	128,756,785	5,913,939
Plus (less) deferred amounts for:					
Original issue premiums	2,425,691	954,096	(391,143)	2,988,644	—
Original issue discounts	(783,908)	—	28,057	(755,851)	—
Deferred amount on refundings	(3,466,451)	(661,794)	703,237	(3,425,008)	—
Total bonds payable	<u>122,987,903</u>	<u>18,074,160</u>	<u>(13,497,493)</u>	<u>127,564,570</u>	<u>5,913,939</u>
Long-term liabilities of business-type activities	<u>122,987,903</u>	<u>18,074,160</u>	<u>(13,497,493)</u>	<u>127,564,570</u>	<u>5,913,939</u>
Total long-term liabilities	<u>\$ 307,984,629</u>	<u>93,409,867</u>	<u>(94,230,491)</u>	<u>307,164,005</u>	<u>19,601,448</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(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, 2010 are composed of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Infrastructure capital assets-related:</i>					
Revenue bonds payable	\$ 35,135,045	—	(333,697)	34,801,348	344,460
Less deferred amounts for:					
Original issue discounts	(398,919)	—	14,247	(384,672)	—
Deferred amount on refundings	(1,031,210)	—	36,829	(994,381)	—
Total bonds payable	<u>33,704,916</u>	<u>—</u>	<u>(282,621)</u>	<u>33,422,295</u>	<u>344,460</u>
<i>Internal service funds:</i>					
Revenue bonds payable	113,152,384	54,233,142	(61,628,659)	105,756,867	6,231,601
Plus (less) deferred amounts for:					
Original issue premiums	2,545,859	5,318,018	(1,413,414)	6,450,463	—
Original issue discounts	(376,576)	—	13,449	(363,127)	—
Deferred amount on refundings	(2,713,299)	(4,419,073)	1,786,685	(5,345,687)	—
Total bonds payable	<u>112,608,368</u>	<u>55,132,087</u>	<u>(61,241,939)</u>	<u>106,498,516</u>	<u>6,231,601</u>
Other Post Employment Benefit Obligation	5,120,190	4,900,000	(8,236,755)	1,783,435	—
Note payable	9,519,369	4,931,270	—	14,450,639	—
Compensated absences	14,824,641	5,567,298	(6,275,611)	14,116,328	1,296,921
Claims payable	9,219,242	4,805,052	(4,696,072)	9,328,222	5,814,527
Total internal service funds	<u>151,291,810</u>	<u>75,335,707</u>	<u>(80,450,377)</u>	<u>146,177,140</u>	<u>13,343,049</u>
Long-term liabilities of governmental activities	<u>\$ 184,996,726</u>	<u>75,335,707</u>	<u>(80,732,998)</u>	<u>179,599,435</u>	<u>13,687,509</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(9) LONG-TERM LIABILITIES, CONTINUED

Changes in the long-term liabilities of business-type activities for the year ended June 30, 2010 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	\$ 66,159,460	9,545,000	(1,873,564)	73,830,896	2,031,030
Plus (less) deferred amounts for:					
Original issue premiums	995,846	146,402	(80,152)	1,062,096	—
Original issue discounts	(571,844)	—	20,484	(551,360)	—
Deferred amount on refundings	(909,641)	—	76,847	(832,794)	—
Total bonds payable	<u>65,673,821</u>	<u>9,691,402</u>	<u>(1,856,385)</u>	<u>73,508,838</u>	<u>2,031,030</u>
Total Water Enterprise Fund	<u>65,673,821</u>	<u>9,691,402</u>	<u>(1,856,385)</u>	<u>73,508,838</u>	<u>2,031,030</u>
<i>Parking Facilities Enterprise Fund:</i>					
Revenue bonds payable	42,528,111	8,236,858	(10,964,080)	39,800,889	2,837,909
Plus (less) deferred amounts for:					
Original issue premiums	991,027	807,694	(277,018)	1,521,703	—
Original issue discounts	(212,064)	—	7,573	(204,491)	—
Deferred amount on refundings	(1,275,409)	(661,794)	527,184	(1,410,019)	—
Total bonds payable	<u>42,031,665</u>	<u>8,382,758</u>	<u>(10,706,341)</u>	<u>39,708,082</u>	<u>2,837,909</u>
Total Parking Facilities Enterprise Fund	<u>42,031,665</u>	<u>8,382,758</u>	<u>(10,706,341)</u>	<u>39,708,082</u>	<u>2,837,909</u>
<i>Wastewater Enterprise Fund:</i>					
Revenue bonds payable	16,125,000	—	(1,000,000)	15,125,000	1,045,000
Less deferred amounts for:					
Original issue premiums	438,818	—	(33,973)	404,845	—
Original issue discounts	—	—	—	—	—
Deferred amount on refundings	(1,281,401)	—	99,206	(1,182,195)	—
Total bonds payable	<u>15,282,417</u>	<u>—</u>	<u>(934,767)</u>	<u>14,347,650</u>	<u>1,045,000</u>
Total Wastewater Enterprise Fund	<u>15,282,417</u>	<u>—</u>	<u>(934,767)</u>	<u>14,347,650</u>	<u>1,045,000</u>
Long-term liabilities of business-type activities	\$ <u>122,987,903</u>	<u>18,074,160</u>	<u>(13,497,493)</u>	<u>127,564,570</u>	<u>5,913,939</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(9) LONG-TERM LIABILITIES, CONTINUED

C. Bonds and Note Payable

The City's bonds were issued primarily to finance or refinance capital facilities. The 2007 Lease Revenue Bonds are reported only in the government-wide statements of net assets and activities; the balance of governmental activities debt issues are reported in the Capital Assets Internal Service Fund. Business-type activities debt issues are reported in the City's enterprise funds. Several debt securities were issued for multiple purposes so the principal and related interest costs of the debt are allocated between the respective funds.

A summary of bonds outstanding at June 30, 2010 is as follows:

Debt Issue	Govern- mental Activities	Business- type Activities	Total
Revenue bonds:			
2009 Refunding Lease	\$ 49,163,164	16,936,836	66,100,000
2003 Refunding Lease	26,893,570	17,966,430	44,860,000
2007 Lease Revenue	64,501,481	16,323,519	80,825,000
2007 Water Revenue	—	35,320,000	35,320,000
2008 Water Revenue	—	27,085,000	27,085,000
2008 Wastewater Revenue	—	15,125,000	15,125,000
Original issue premium	6,450,463	2,988,644	9,439,107
Original issue discount	(747,799)	(755,851)	(1,503,650)
Deferred amount on refunding	(6,340,068)	(3,425,008)	(9,765,076)
Total revenue bonds	139,920,811	127,564,570	267,485,381
Total bonds	\$ 139,920,811	127,564,570	267,485,381

A description of individual bond issues follow:

Revenue Bonds

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

Public Financing Authority, Lease Revenue Bonds, 1999 Refunding Series A, issued March 1999, are due in annual installments ranging from \$355,000 to \$12,785,000 through June 1, 2020, with interest rates ranging from 4.00% to 5.125% payable semiannually June 1 and December 1. As of December 1st, 2009, the City issued the 2009 Lease Revenue Bonds (see details on page 77), which in part is an advance refunding of the full 1999 Lease Revenue Bonds borrowing. Thus as of December 1st, 2009, there are no net bonds outstanding for this issue. A description of terms of the 1999 Lease Revenue Bonds follows: 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). As of February 15th, 2007, the City issued the 2007 Lease Revenue Bonds (see details on page 76), which in part was an advance refunding of a portion of the 1999 Lease Revenue Bonds. The bonds refunded amounted to \$6,645,000.

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. As of December 1st, 2009, the City issued the 2009 Lease Revenue Bonds (see details on page 77), which in part is an advance refunding of the full 2001 Lease Revenue Bonds borrowing. Thus as of December 1st, 2009, there are no net bonds outstanding for this issue. A description of terms of the 2001 Lease Revenue Bonds follows: 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.

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

Public Financing Authority, Lease Revenue Bonds, 2003 Refunding Series A, issued March 2003, are due in annual installments ranging from \$2,285,000 to \$9,870,000 through June 1, 2015, with interest rates ranging from 3.00% to 5.25% payable semiannually June 1 and December 1. Bonds maturing on or after June 1, 2014 are subject to optional redemption in part, without premium, from prepayments of base rental payments on or after June 1, 2014. The Bonds are special limited obligations of

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(9) LONG-TERM LIABILITIES, CONTINUED

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, 2010:

Capital Assets Fund	\$26,893,570	
Parking Facilities Fund	16,010,534	
Water Enterprise Fund	<u>1,955,896</u>	
		\$ 44,860,000
Plus original issue premium		2,038,878
Less deferred amount on refunding		<u>(1,634,848)</u>
Net bonds outstanding		<u>45,264,030</u>

2007 Water Revenue Bonds – 35,495,000

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

	\$ 35,320,000
Less original issue discount	<u>(551,360)</u>
Net bonds outstanding	<u>34,768,640</u>

2007 Lease Revenue Bonds – \$81,600,000 Public Financing Authority, 2007 Lease Revenue Bonds, issued February 2007, are due in annual installments ranging from \$775,000 to \$6,640,000 through June 1, 2037, with interest rates ranging from 3.50% to 4.50% payable semiannually June 1 and December 1. The Bonds are special limited obligations of the Public Financing Authority and are pay-

able solely from rent payments from the City pursuant to a lease agreement. The advance refunding resulted in an economic gain (difference between the present value of the debt services payments on the old and new debt) of \$ 2,172,227 and a reduction of total debt service payments of \$1,927,932. The 2007 LRBs were issued in part to advance refunding of the 1998 and 1999 LRBs, which were in turn issued for multiple purposes. The non-refunding portion was issued for multiple purposes as well. Thus the principal has been allocated and is accounted for in the appropriate City funds (enterprise, internal service funds, and general government). The following is a schedule of the allocation of the 2007 Refunding LRBs, net of discount, by fund at June 30, 2010:

Capital Assets Fund	\$29,700,133	
Parking Facilities Fund	16,323,518	
General Long-Term Debt	<u>34,801,349</u>	
		\$ 80,825,000
		Less original issue discount (952,291)
		Less deferred amount on refunding <u>(1,493,586)</u>
		Net bonds outstanding <u>78,379,123</u>

2008 Refunding Water Revenue Bonds - \$30,735,000

Public Financing Authority, Water Revenue Bonds, issued March 2008, are due in annual installments ranging from \$670,000 to \$2,360,000 through June 1, 2024, with interest rates ranging from 3.00% to 5.00% payable semiannually June 1 and December 1. The Bonds are special limited obligations of the Public Financing Authority and are primarily payable from installment payments from the City pursuant to an installment sale agreement dated April 1, 2008. The City's obligation to make installment payments is solely payable from and secured by a pledge of net revenues of the Water Enterprise Fund. The advance refunding resulted in an economic gain (difference between the present value of the debt services payments on the old and new debt) of \$ 389,918 and a reduction of total debt service payments of \$601,184. The 2008 WRBs were issued in part to advance refunding of the 1998

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(9) LONG-TERM LIABILITIES, CONTINUED

WRBs, which were in turn issued for multiple purposes. The non-refunding portion was issued for acquiring an existing water treatment plant.

\$ 27,085,000
Plus original issue premium
Less deferred amount on refunding
Net bonds outstanding
<u>27,173,761</u>

2008 Refunding Wastewater Revenue Bonds

- \$17,035,000.

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

\$ 15,125,000
Plus original issue premium
Less deferred amount on refunding
Net bonds outstanding
<u>14,347,649</u>

2009 Lease Revenue Bonds – \$72,015,000 Public Financing Authority, 2009 Lease Revenue Bonds, issued December 2009, are due in annual installments ranging from \$210,000 to \$8,445,000 through June 1, 2039, with interest rates ranging from 0.65% to 5.00% payable semiannually June 1 and December 1. The Bonds are special limited obligations of the Public Financing Authority and are payable solely from rent payments from the City pursuant to a lease agreement.

The advance refunding resulted in an economic gain (difference between the present value of the debt services payments on the old and new debt) of \$ 6,690,454 and a reduction of total debt service payments of \$8,885,308. The 2009 LRBs were issued in part to advance refunding of the 1999 and 2001 LRBs, which were in turn issued for multiple purposes. The non-refunding portion was issued for multiple purposes as well. Thus the principal has been allocated and is accounted for in the appropriate City funds (enterprise, internal service funds, and general government). The following is a schedule of the allocation of the 2009 Refunding LRBs, net of discount, by fund at June 30, 2010:

Capital Assets Fund	\$49,163,164
Parking Facilities Fund	7,466,836
Water Enterprise Fund	<u>9,470,000</u>

\$ 66,100,000
Plus original issue premium
Less deferred amount on refunding
Net bonds outstanding
<u>67,552,178</u>

Total bonds outstanding

\$267,485,381

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

Note Payable

On January 26th, 2009 the City of Beverly Hills Public Financing Authority entered into an agreement with City National Bank to borrow against a line of credit up to an amount of \$32,000,000 for the construction of a 72,460 sq. ft. four story office building at 331 N. Foothill Road, Beverly Hills, CA 90210. The line of credit is estimated to be drawn down and the construction completed on or before December of 2010, at which time, the City plans to convert the line of credit into a long term obligation. The obligation will have a term of 15 years and an interest rate of 5.72%. Interest and principal will be payable in the amount of \$265,217 per month on the first day of the month after the loan closing. As of June 30, 2010, the amount borrowed against the line of credit is \$14,450,639.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(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			
2011	\$ 6,576,061	6,274,227	5,913,939	5,615,704	12,490,000	11,889,931	24,379,931
2012	7,129,425	6,072,223	6,860,575	5,405,428	13,990,000	11,477,651	25,467,651
2013	7,388,614	5,742,591	7,106,386	5,117,391	14,495,000	10,859,982	25,354,982
2014	6,644,682	5,368,187	7,210,318	4,804,494	13,855,000	10,172,681	24,027,681
2015	6,527,391	5,030,394	7,247,609	4,467,733	13,775,000	9,498,127	23,273,127
2016-2020	52,356,422	19,134,562	29,423,578	18,190,396	81,780,000	37,324,958	119,104,958
2021-2025	24,567,795	9,612,479	24,417,205	11,849,296	48,985,000	21,461,775	70,446,775
2026-2030	17,903,999	4,513,208	15,926,001	7,532,210	33,830,000	12,045,418	45,875,418
2031-2035	7,816,789	1,906,914	16,058,211	4,185,674	23,875,000	6,092,588	29,967,588
2036-2040	3,647,037	247,971	8,592,963	706,536	12,240,000	954,507	13,194,507
Total minimum debt service payments	\$ 140,558,215	<u>63,902,756</u>	128,756,785	<u>67,874,862</u>	269,315,000	<u>131,777,618</u>	401,092,618
Unamortized portion of:							
Original issue premium	6,450,463		2,988,644		9,439,107		9,439,107
Original issue discount	(747,799)		(755,851)		(1,503,650)		(1,503,650)
Deferred amount on refunding	<u>(6,340,068)</u>		<u>(3,425,008)</u>		<u>(9,765,076)</u>		<u>(9,765,076)</u>
Net total bonded debt outstanding	\$ <u>139,920,811</u>		<u>127,564,570</u>		<u>267,485,381</u>		<u>399,262,999</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, 2010, consisting of cash and investments, include the following:

	Requirement	Balance
2008 Refunding Water	\$ 2,234,375	2,737,338
2008 Refunding Wastewater	1,550,481	1,623,750
2007 Lease Revenue	3,642,857	3,624,801
2007 Refunding Water	1,576,786	2,915,052
2009 Lease Revenue	4,300,591	4,300,586

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. As of June 30, 2008, the City purchased the PWF and WTP through the early buy-out option. The purchase price was \$18,126,211.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(9) LONG-TERM LIABILITIES, CONTINUED

E. Claims Payable

The City has initiated self-insurance programs to provide for general liability, workers' compensation claims and unemployment insurance claims. These activities are accounted for in self-insurance internal service funds. Details of self-insurance liabilities at June 30, 2010 are as follows:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Total</u>
Current	\$ 3,805,492	1,994,577	14,458	5,814,527
Long-term	377,906	3,135,789	—	3,513,695
	<u>\$ 4,183,398</u>	<u>5,130,366</u>	<u>14,458</u>	<u>9,328,222</u>

For changes in the liabilities for claims for each of the City's self-insurance funds (general liability, workers' compensation and unemployment), for the years ended June 30, 2010 and 2009, please refer to page 52.

F. Compensated Absences

Compensated absences consists of accrued vacation leave and accrued vested sick leave (e.g., that portion of unused sick leave benefit that vests and is payable upon retirement). Compensated absences of all funds are reported in the Employee Benefits Internal Service Fund. Compensated absences consist of the following at June 30, 2010:

	<u>Total</u>
Vacation leave:	
Current:	
Internal service	\$ 948,984
Long-term	7,513,709
Total vacation leave	<u>8,462,693</u>
Vested sick leave:	
Current:	
Internal service	347,937
Long-term	5,305,698
Total vested sick leave	<u>5,653,635</u>
Total compensated absences	<u>\$ 14,116,328</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, 2010, the outstanding principal amount of the bonds were \$14,750,000.

H. Non-issued Bonds

On November 2nd, 1955 and on June 7th, 1966, the voters of the City authorized \$5,000,000 and \$9,500,000 of bonds, respectively, to be issued for the purpose of acquisition and construction of public off-street parking lots and garages. However, following the authorization, the City has thus far not taken action to issue a portion of these bonds. Of the 1955 authorization, \$1,450,000 remains un-issued and of the 1966 authorization, \$9,500,000 remains un-issued. As of June 30, 2010, 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, 2010, the entire authorization of \$3,750,000 remains un-issued, and the City does not plan to issue these bonds.

(10) EMPLOYEE RETIREMENT SYSTEMS AND DEFERRED COMPENSATION PLANS

A. Defined Benefit Pension Plan

Retirement Plan Description

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

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

The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through City ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

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

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

Funding Policy

Active full-time plan members in the Plan are required to contribute 8%, for miscellaneous employees, and 9%, for safety employees, of their annual covered salary. The City makes such employee contributions for all safety employees and for members of the executive, executive management and confidential bargaining units on their behalf and for their account. For the remaining full-time bargaining groups the City contributes 7% of their annual covered salary on their behalf and for their account. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2010 was 25.389% for safety members and 10.067% 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, 2010, the City's actual contributions were \$6,286,290 for the safety employees and \$3,604,513 for miscellaneous employees. The City also contributed \$2,424,068 on behalf of the safety employees and \$3,013,443 on behalf of miscellaneous employees. Miscel-

laneous part-time employees directly contributed \$300,892. Total contributions were \$15,629,205. The required contribution for the year ended June 30, 2010 was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members (from 3.25% to 13.15% for safety members), and (c) 3.25% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.00%.

The actuarial value of the Plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. Initial unfunded liabilities are amortized over a closed period that depends on the Plan's date of entry into CalPERS. Subsequent Plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the Plan are amortized over an open 13-year period, which results in an amortization of 6% of unamortized gains and losses each year. If the Plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period. As of the actuarial valuation date of June 30, 2007 (for 2009-10 employer rates), the average remaining amortization periods were 13 and 32 years for miscellaneous and safety members, respectively. Please see a schedule of funding progress on page 91. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Three-Year Trend Information for the Plan

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Required Contribution (ARC)	10,759,326	9,971,684	8,864,457
Miscellaneous Pension Plan Portion	3,921,030	3,829,290	3,323,220
Safety Pension Plan Portion	6,838,296	6,142,394	5,541,237
Interest on Net Pension Asset	1,047,925	1,077,854	1,168,654
Adjustment to the ARC	1,503,300	1,499,372	1,581,204
Annual Pension Cost (APC)	11,214,701	10,393,201	9,277,007
Percentage of APC contributed for:			
Miscellaneous Pension Plan	88%	96%	87%
Safety Pension Plan	88%	96%	87%
Change in Net Pension Asset	1,323,899	386,179	1,171,607
Net Pension Asset Balance	12,197,721	13,521,617	13,907,796
Miscellaneous Pension Plan Portion	4,445,227	5,192,523	5,213,931
Safety Pension Plan Portion	7,752,494	8,329,094	8,693,865

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

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

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

B. Employee Deferred Compensation Plan

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

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

The City's deferred compensation administrator, the International City Managers' Association (ICMA) qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered the property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

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

(11) RELATED PARTY TRANSACTIONS

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

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

\$792,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2010 the outstanding principal balance of the loan was \$750,821, contained within the General Fund receivables (note 5). On October 9th, 2008 the Chief Information Officer, David Schirmer entered into the Housing Assistance Loan Program and was provided an interest only (with future graduated terms) home loan for \$953,826. The loan period is 40 years with an interest rate of 3% per annum. At June 30, 2010 the outstanding principal balance of the loan was \$953,826.

On July 10th, 2008, the City provided a housing assistance loan to Nancy Hunt Coffey, Assistant Director of Community Services – Library for \$1,100,814. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2010 the outstanding principal balance of the loan was \$1,071,852. On May 14th, 2009, the City provided an interest only (with future graduated terms) housing assistance loan to Steven Zoet, Assistant Director of Community Services- Recreation and Parks, for \$1,100,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2010 the outstanding principal balance of the loan was \$1,100,000. Further, on May 14th, 2009, the City provided a housing assistance loan to Jonathan Lait, Assistant Director of Community Development for \$750,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2010 the outstanding principal balance of the loan was \$738,963. On August 20th, 2009, the City provided a housing assistance loan to Chad Lynn, Director of Parking Operations, for \$735,000. The loan period is 40 years with an interest rate of 3.0% per annum. At June 30, 2010 the outstanding principal balance of the loan was \$726,801. The balances of the notes receivable are contained within the General Fund receivables. (note 5).

On October 5th, 2010, the City amended the employment contract of the City Manager, Jeff Kolin, to enter him into the Housing Assistance Loan Program. Per the agreement, the maximum amount of the loan would be the lesser of (i) \$1,600,000, or (ii) the appraised value of the home. The loan would mature upon the earliest of (i) twelve months after the City Manager's employment by the City ends for any reason; (ii) 30 years from the date of purchase and loan; (iii) the sale of the home. The interest rate for the first ten year is 3.0%. The interest rate for the subsequent twenty years is 3.25%

(12) POST EMPLOYMENT HEALTH CARE BENEFITS

A. Defined Benefit Plan

In addition to the pension benefits described in note 10, the City provides post-retirement health care benefits in accordance with employees' respective compensation plans.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

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

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

After July 1, 1985	Single-party rate
After July 1, 1986	\$200/month
After December 1, 1987	\$245/month
After December 1, 1988	\$270/month
 - For service retirees after February 1, 1990 through age 70, or the date the retiree becomes eligible for Medicare, \$300 per month in health benefits is provided.
 - For service retirees after July 1, 2000 through age 70, or the date the retiree becomes eligible for Medicare, the City provides up to \$300 per month in health benefits. The benefit is extended up to \$150 per month after age 70 if the employee retired with 20 or more years of service and up to \$75 with 15 to 20 years of service.
- Police Association employees:
 - For employees retiring (service retirement only) after July 1, 1989 through age 70, the City pays up to the two-party rate of the Peace Officers Research Association of California (PORAC) Plan under PERS.
 - For retirees who retired between July 1, 1978 and July 1, 1989, the City pays \$211/month, through age 65.
 - Retired sworn police personnel who received a disability retirement on or after July 1, 1987 are eligible for the PERS health plan if the employee had 20 years of service with the Beverly Hills Police Department or is over 45 years of age at the time of his or her retirement.
- Police Management Association employees:
 - For employees who retired after July 1, 1989, the City pays up to the two-party rate of the PORAC Plan under PERS (with spouse continuance).
 - For employees who retired before July 1, 1979, the City pays \$80/month.

- Firemen's Association employees:
 - For management employees retired after July 1, 1980 with 15 years active City service, the City pays up to the two-party rate of the PERSCare Plan, through age 65.
 - For non-management employees (service retirement only) retired after July 1, 1980, the City pays up to the two-party rate of the PERSCare Plan, up to age 65.
 - Retired sworn fire employees who received a disability retirement on or after July 1, 1981 are eligible for PERS health care coverage if the employee would have received a service retirement of 50% or greater.
 - For non-management employees (service retirement only) retired after October 4, 2008, the City pays up to the two party rate of the PORAC plan, up to age 65.
- Safety Support Association employees:
 - For employees service-retired on or after July 1, 1984, the City pays up to the single-party coverage.
 - For service retirees after July 1, 2001, the City provides health benefits up to \$150 per month if the employee retired after age 60 with 20 or more years of service and up to \$75 per month with 15 to 20 years of service.
- Executive employees and Management and Professional employees:
 - For employees service-retired after July 1, 1981, with the exception of those employees hired after December 2, 1997, the City pays up to the two-party rate of the PERSCare Plan (with spouse continuance).
 - For employees hired or promoted into the management and professional service group on or after December 2, 1997 and who complete a minimum of 5 years of full-time employment with the City, receive a service retirement and do not perform any paid work for a PERS contracting agency following retirement, the City pays up to the single-party coverage of the PERSCare Plan at 25% for employees who have completed at least 5 years of service with the City, incremented by 5% for each year of service completed up to 20 years. For Executive employees, the same is true, but at the two party rate as opposed to the one party rate. After December 2, 1997, there is no spousal continuance.
- Confidential employees:
 - For employees service-retired after July 1, 1981, the City pays up to the one-party rate of the PERSCare Plan.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

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

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

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

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

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

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

Option 1: Receive as cash (the cash payment is referred to as the "ARMP Tenure Benefit") in the following year.

Option 2: Distribute among deferred compensation plans (the 457(b), 401(k), and 415(m) plans).

Option 3: Receive a portion as a cash ARMP Tenure Benefit in the following year and the balance deposited in deferred compensation plans.

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

During Fiscal Year 2009-2010, the employees' contractual agreements to participate in the ARMP program resulted in reducing the City's OPEB liability by a total of \$6,420,416. In accordance with the program, the employees who have elected Option 1 or 3 will receive a cash payout in February of 2011. Employees who have elected Option 2 or 3 will receive a distribution to their deferred compensation plan account. The total of Transition amounts to be paid in the following fiscal year under these options computes to \$4,795,522 as of June 30, 2010. The portion of the Transition amounts that were already distributed to the RHS and deferred compensation accounts as of June 30, 2010 was \$1,624,894. Ongoing payments to beneficiaries during FY2009-2010 was \$1,816,338. Thus the total OPEB contributions and therefore decrease in OPEB liability for FY2009-2010 was \$8,236,755

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

Fiscal Year Ended June 30:	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Required Contribution (ARC)	\$ 4,873,000	4,205,000	3,799,000
Interest on the Net OPEB Obligation	264,000	129,000	-
ARC Adjustment	(237,000)	(114,000)	-
Annual OPEB Cost	4,900,000	4,220,000	3,799,000
OPEB contributions made	(8,236,755)	(1,526,328)	(1,372,482)
Increase of Net OPEB Obligation	(3,336,755)	2,693,672	2,426,518
Net OPEB Obligation at beginning of year	5,120,190	2,426,518	-
Net OPEB Obligation at end of year	1,783,435	5,120,190	2,426,518
Percentage of annual OPEB cost contributed	168.10%	36.17%	36.13%

* There is no information since 2008 was the first year of implementation of GASB Statement No. 45.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(12) POST EMPLOYMENT HEALTH CARE BENEFITS, CONTINUED

The City has set aside a total amount of \$8,847,225. Since the money set aside has not been placed into an irrevocable trust, then based on the standards of GASB 45, the funding status of the actuarial liability is 0%. However, including the money that has been set aside in the Employee Benefits Fund, the funding status is 17%.

The actuarial accrued OPEB liability as of June 30, 2010 is \$57,787,000. The total unfunded actuarial liability is \$57,787,000. There are no assets under an actuarial valuation since the City is on a pay-as-you-go basis. The actuarial valuation date is July 1, 2009. The City's annual covered payroll is estimated to be \$70,901,993 for Fiscal Year 2010-2011. The ratio of the unfunded actuarial liability to annual covered payroll is 82%. Please see a schedule of funding progress on page 92.

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

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

The inflation rate assumed for health care costs in 2010 is 10%. The average inflation rate for the next 5 years is 7.3%. There were no assumptions with respect to post retirement benefit increases as current and future retirees are assumed to continue in their current plans. Salary costs or increases are not relevant to the determination of the level of benefits.

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

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

The City currently provides these benefits to an average of 287 participants for the year ended June 30, 2010. Additionally, for those retirees and their covered family members who no longer qualify for the benefits detailed above, but who choose to maintain coverage, the City contributed \$101 per month from July 1, 2009 through December 31, 2009. From January 1, 2010 through June 30, 2010 the City contributed \$105. The City currently provides this benefit to 88 participants at a cost of \$108,768 for the year ended June 30, 2010. Since the City administers the OPEB plan by paying a portion of the benefits, a stand-alone financial report of the OPEB plan is not produced and all relevant disclosures are included in this section.

B. Defined Contribution Plan

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

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

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

- Technical Service employees: \$150 per month
- Safety Support Association employees: \$250 per month
- Executive employees: \$1,375 per month
- Management and Professional employees: \$300 per month
- Confidential employees: \$150 per month
- Supervisors: \$200 per month

For employees hired after January 1, 2010, the City has contributed a total of \$2,146 as of June 30, 2010.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(13) COMMITMENTS AND CONTINGENCIES

A. Litigation and Claims

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

B. Grants

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

C. Construction Commitments

The City has a number of construction programs currently underway. The more significant of these programs and the commitment under related construction contracts at June 30, 2010 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, 2010	Future Budgeted
Street Resurfacing	\$ 5,041,853	18,100,386
Traffic Signal Installation	377,000	4,645,571
Library Facilities Improvement	240,792	8,181,276
Public Works Facilities Improvement	1,950,766	4,508,207
Water Main and Hydrant Replacement	4,537,264	19,208,661
Land Acquisition	—	8,512,025
Sewer System Repair	1,400,000	20,643,358
Hyperion Plan	1,977,170	17,500,000
Storm Drain and Compliance with TMDL	400,000	15,500,571
	<u>\$ 15,924,845</u>	<u>116,800,055</u>

D. Future Minimum Operating Lease Revenues/Expenses

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

increase The City provides to itself after the commencement date for each year of the term of the agreement. Payments are made at the beginning of each quarter throughout the year.

Future minimum lease payments receivable under property leases at June 30, 2010 are as follows:

Fiscal Year Ending June 30	Governmental	Business-type
2011	\$ 1,463,064	8,260,244
2012	1,375,896	7,934,042
2013	1,334,328	7,364,212
2014	1,195,951	7,327,204
2015	375,034	7,384,922
2016-2020	—	22,426,211
2021-2025	—	10,243,320
2026-2030	—	9,443,080
2031-2035	—	10,947,118
2036-2040	—	111,374
2041-2045	—	129,113
	<u>\$ 5,744,273</u>	<u>91,570,840</u>

Future minimum lease payments payable for equipment and property leases at June 30, 2010 are as follows:

Fiscal Year Ending June 30	Governmental	Business-type
2011	\$ 10,300,000	—
2012	10,300,000	—
2013	—	—
	<u>\$ 20,600,000</u>	<u>—</u>

E. Encumbrances

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(13) COMMITMENTS AND CONTINGENCIES, CONTINUED

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

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

Background

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

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

The Parking Enterprise Fund Advances From Other Funds

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

These various borrowing arrangements, as well as their respective repayment schedules were approved by the City Council via budget resolutions restricting portions of the Parking Enterprise's fund balance solely for repayment of these advances. (A listing of the balances of these advances at June 30, 2010 is shown in Note 6 on page

65). These advances to the Parking Enterprise fund are what financed the construction of the aforementioned parking lots, and since the Parking Enterprise Fund is obligated to and has arranged to repay these borrowings, these advances constitute debt within this fund. In total, as of June 30, 2010, the Parking Enterprise Fund has \$62,759,678 outstanding in Advances from other funds.

Adherence to Authoritative Accounting Guidelines

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

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

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

Impact

Unfortunately, by adhering to this interpretation of GASB, which denies that internal advances constitute debt, the calculation of the line item "Invested in Capital Assets, Net of Related Debt" then excludes the internal advances used to finance the Parking Enterprise fund's capital assets which amount to \$116,760,755 as of June 30, 2010. Although the assets constructed are required to be included in this line item, the related debt is required to be excluded per this GASB interpretation.

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

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

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

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

Substance Over Form

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

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

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

Remedy

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

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

<u>Net Assets Invested in Capital Assets, Net of Related Debt Calculation</u>		
<u>Parking Enterprise Fund</u>	<u>As reported GASB Required Calculation</u>	<u>City Preferred Method Recognizing Advances from Other Funds is Related Debt</u>
As of June 30, 2010:		
Total Capital Assets, Net	\$ 116,760,755	116,760,755
Less:		
Current portion of bond payable:	(2,837,909)	(2,837,909)
Long term liabilities:	(96,933,763)	(96,933,763)
Advances From Other Funds:	58,428,298	
Subtotal:	<u>(41,343,374)</u>	<u>(99,771,672)</u>
Add:		
Cash Held by Fiscal Agent	1,694,188	1,694,188
Amounts held in reserve accounts	<u>(1,694,188)</u>	<u>(1,694,188)</u>
Subtotal:	<u>-</u>	<u>-</u>
Net Assets:		
Total invested in capital assets, net of related debt	<u>75,417,381</u>	<u>16,989,083</u>
Restricted for:		
Debt service	1,694,188	1,694,188
Unrestricted	<u>(47,125,864)</u>	<u>11,302,434</u>
Total Net Assets:	\$ <u><u>29,985,705</u></u>	<u><u>29,985,705</u></u>

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(15) FUND BALANCE

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

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

- a) **Nonspendable fund balance** (inherently nonspendable) include the :
 - Portion of net resources that cannot be spent because of their form, and
 - Portion of net resources that cannot be spent because they must be maintained intact
- b) **Restricted fund balance** (externally enforceable limitations on use) include amounts subject to:
 - Limitations imposed by creditors, grantors, contributors, or laws and regulations of other government
 - Limitations imposed by law through constitutional provision or enabling legislation
- c) **Committed fund balance** (self imposed limitation set in place prior to the end of the period):
 - Limitation imposed at the highest level of decision making that requires formal action at the same level to remove. For the City, the City Council is the highest level of decision making.
- d) **Assigned fund balance** (limitation resulting from intended use) consists of amounts where the:
 - Intended use is established by the body designated for that purpose (City Council),
 - Intended use is established by official designated for that purpose. For the City, the City Manager is the designated official
- e) **Unassigned fund balance** (residual net resources) is the:
 - Total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance

- Excess of nonspendable, restricted, and committed fund balance over total fund balance

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

Page 441 of the Council adopted City Operating Budget for Fiscal Year 2010-2011 exhibits the City's contingency reserve policy. The policy states, "It is the goal of the City to obtain and maintain a general operating reserve in the form of cash, of at least 40% of operating revenues. The first 25% shall be considered a contingency reserve to cover normal seasonal cash flow variations, as well as unforeseen emergency or catastrophic impacts upon the City. Funds in excess of 25% may be used for economic investment in the community when justified by projected financial return to the City and specifically authorized by the City Council." This policy was adopted with City Council Resolution No. 10-R-12750. Please refer to the section of the City's operating budget which presents the City Council Resolutions as well as the Council's adopted financial policies for further detail on authorization given to assign amounts to a specific purpose as well as detail on reserve policies.

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

Please see the following table for detail regarding the fund balance categories and classifications for the governmental funds which shows components of nonspendable fund balance, as well as the purposes for restricted, committed, and assigned fund balance. The unassigned fund balance is also shown.

CITY OF BEVERLY HILLS, CALIFORNIA

Notes to Basic Financial Statements

For the year ended June 30, 2010

(15) FUND BALANCE, CONTINUED

	General Fund	Infrastructure Capital Projects Fund	Other Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Long-term accounts receivables	\$ 5,292,051	-	-	5,292,051
Long-term advance to other funds	19,077,137	-	7,870,232	26,947,369
Permanent fund principal	-	-	81,381	81,381
Total Nonspendable:	<u>24,369,188</u>	<u>-</u>	<u>7,951,613</u>	<u>32,320,801</u>
Restricted for:				
Debt covenants	32,000,000	20,974,922	2,740,938	55,715,860
Streets and highways	-	-	2,875,119	2,875,119
Community development	-	-	6,740	6,740
Transit	-	-	4,587,607	4,587,607
Law enforcement grants	-	-	125,044	125,044
Other purposes	-	-	1,079,679	1,079,679
Total Restricted for:	<u>32,000,000</u>	<u>20,974,922</u>	<u>11,415,127</u>	<u>64,390,049</u>
Committed to:				
Contingency reserve	15,957,651	-	-	15,957,651
Police services	299	-	-	299
Fire control	39	-	-	39
Community Services	69,952	-	-	69,952
Engineering and Administration	34,414	-	-	34,414
Streets and subdrains	240	-	-	240
Planning services	8,110	-	-	8,110
Parking	-	-	1,615,215	1,615,215
Recreation and parks	38,600	-	1,512,674	1,551,274
Fine Art	-	-	653,058	653,058
Library	509	-	-	509
Education	-	-	22,176	22,176
Total Committed to:	<u>16,109,814</u>	<u>-</u>	<u>3,803,123</u>	<u>19,912,937</u>
Assigned to:				
Debt service	-	-	2,042,242	2,042,242
Non-departmental	3,090,000	-	-	3,090,000
Police services	3,080	-	-	3,080
Fire control	54,124	-	-	54,124
Planning services	137,000	-	-	137,000
Recreation and parks	-	-	1,977,867	1,977,867
Total Assigned to:	<u>3,284,204</u>	<u>-</u>	<u>4,020,109</u>	<u>7,304,313</u>
Unassigned:				
	<u>21,801,773</u>	<u>-</u>	<u>5,887,748</u>	<u>27,689,521</u>
Total fund balances	<u><u>97,564,979</u></u>	<u><u>20,974,922</u></u>	<u><u>33,077,720</u></u>	<u><u>151,617,621</u></u>

CITY OF BEVERLY HILLS, CALIFORNIA

Required Supplementary Information – Schedule of Funding Progress

For the year ended June 30, 2010

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
2009	\$ 313,143,122	257,105,943	56,037,179	82.105%	\$ 25,731,678	217.775%
2008	283,865,366	247,229,502	36,635,864	87.094%	24,275,683	150.916%
2007	268,616,838	233,375,264	35,241,574	86.880	23,956,680	147.105
2006	239,094,559	216,036,771	23,057,788	90.356	20,563,834	112.128
2005	226,086,680	202,219,706	23,866,974	89.443	20,459,675	116.654
2004	209,598,010	185,609,157	23,988,853	88.555	18,806,176	127.558
2003	200,439,820	177,378,413	23,061,407	88.495	18,146,974	127.081
2002	194,082,159	176,672,000	17,410,159	91.029	17,572,021	99.079
2001	183,111,282	190,157,538	(7,046,256)	103.848	16,896,486	(41.702)
2000	173,426,238	186,336,129	(12,909,891)	107.444	16,512,226	(78.184)
1999	144,228,835	163,584,943	(19,356,108)	113.420	15,665,935	(123.555)

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
2009	\$ 227,282,764	200,433,990	26,848,774	88.187%	\$ 38,435,305	69.854%
2008	201,089,428	192,007,584	9,081,844	95.484%	36,293,844	25.023%
2007	186,538,708	180,145,063	6,393,645	96.572	32,577,886	19.626
2006	173,498,788	166,786,538	6,712,250	96.131	31,065,754	21.607
2005	160,678,895	156,120,317	4,558,578	97.163	30,467,728	14.962
2004	145,826,663	135,044,808	10,781,855	92.606	30,169,690	35.737
2003	137,232,316	130,907,323	6,324,993	95.391	29,760,662	21.253
2002	116,880,116	132,048,639	(15,168,523)	112.978	28,134,395	(53.915)
2001	109,287,931	143,257,149	(33,969,218)	131.082	27,210,550	(124.838)
2000	102,414,098	141,380,981	(38,966,883)	138.048	25,832,054	(150.847)
1999	87,642,035	124,387,791	(36,745,756)	141.927	24,319,472	(151.096)

CITY OF BEVERLY HILLS, CALIFORNIA

Required Supplementary Information – Schedule of Funding Progress

For the year ended June 30, 2010

OTHER POST EMPLOYMENT BENEFITS (OPEB) PLAN

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

FUNDED STATUS OF THE OPEB PLAN

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
2009	\$ 57,787,000	—	57,787,000	—	\$ 61,551,189	93.884 %
2007	50,412,000	—	50,412,000	—	54,062,175	93.248





CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2010

	Special Revenue Funds							
	Streets and Highways State Gas Tax	California State Senate Bill 1473	Community Development Block Grant	In-Lieu Parking District	Parks and Recreation Facilities	Metropolitan Transportation Authority	Prop. A Local Transit Assistance	Prop. C Local Transit Assistance
Assets								
Cash and investments	\$ 2,780,989	552	2,746	1,612,841	9,959,448	229,267	3,088,033	1,621,039
Accounts receivable, net	—	—	7,986	—	—	—	—	—
Interest receivable	14,097	—	—	9,805	63,167	648	16,409	11,174
Intergovernmental receivables	90,716	—	261,024	—	—	—	7,125	—
Advances to other funds	—	—	—	—	8,110,471	—	—	—
Total assets	<u>\$ 2,885,802</u>	<u>552</u>	<u>271,756</u>	<u>1,622,646</u>	<u>18,133,086</u>	<u>229,915</u>	<u>3,111,567</u>	<u>1,632,213</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ —	—	79,711	—	604,683	—	94,359	33,800
Contracts payable	—	—	—	—	232,012	—	—	—
Accrued payroll	—	—	—	—	—	—	1,193	1,193
Interfund payables	—	—	21,624	—	—	—	—	—
Intergovernmental payables	—	552	—	—	—	—	—	—
Deferred revenue	10,683	—	163,681	7,431	47,870	491	17,160	8,468
Total liabilities	<u>10,683</u>	<u>552</u>	<u>265,016</u>	<u>7,431</u>	<u>884,565</u>	<u>491</u>	<u>112,712</u>	<u>43,461</u>
Fund balances (deficit):								
Nonspendable	—	—	—	—	7,870,232	—	—	—
Restricted	2,875,119	—	6,740	—	—	229,424	2,998,855	1,588,752
Committed	—	—	—	1,615,215	1,512,674	—	—	—
Assigned	—	—	—	—	1,977,867	—	—	—
Unassigned	—	—	—	—	5,887,748	—	—	—
Total fund balances	<u>2,875,119</u>	<u>—</u>	<u>6,740</u>	<u>1,615,215</u>	<u>17,248,521</u>	<u>229,424</u>	<u>2,998,855</u>	<u>1,588,752</u>
Total liabilities and fund balances	<u>\$ 2,885,802</u>	<u>552</u>	<u>271,756</u>	<u>1,622,646</u>	<u>18,133,086</u>	<u>229,915</u>	<u>3,111,567</u>	<u>1,632,213</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet, Continued

Nonmajor Governmental Funds

June 30, 2010

Special Revenue Funds

	Fine Art	Seized and Forfeited Property	Air Quality Improvement	State Park Bond	Roberti-Z'berg Urban Block Grant	Law Enforcement Grants	Inmate Welfare	Total
Assets								
Cash and investments	\$ 1,881,209	464,453	304,828	—	—	17,013	21,091	21,983,509
Accounts receivable, net	—	—	—	—	—	—	—	7,986
Interest receivable	11,312	8,063	1,836	—	—	120	122	136,753
Intergovernmental receivables	—	—	21,070	—	—	279,602	—	659,537
Advances to other funds	—	—	—	—	—	—	—	8,110,471
Total assets	\$ <u>1,892,521</u>	<u>472,516</u>	<u>327,734</u>	<u>—</u>	<u>—</u>	<u>296,735</u>	<u>21,213</u>	<u>30,898,256</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 20,960	123,442	—	—	—	—	—	956,955
Contracts payable	—	—	—	—	—	—	—	232,012
Accrued payroll	—	6,602	—	—	—	14,776	—	23,764
Interfund payables	—	—	—	—	—	156,824	—	178,448
Intergovernmental payables	—	—	—	—	—	—	—	552
Customer deposits	1,209,931	—	—	—	—	—	—	1,209,931
Deferred revenue	8,572	6,110	1,391	—	—	91	92	272,040
Total liabilities	<u>1,239,463</u>	<u>136,154</u>	<u>1,391</u>	<u>—</u>	<u>—</u>	<u>171,691</u>	<u>92</u>	<u>2,873,702</u>
Fund balances:								
Nonspendable	—	—	—	—	—	—	—	7,870,232
Restricted	—	336,362	326,343	—	—	125,044	21,121	8,507,760
Committed	653,058	—	—	—	—	—	—	3,780,947
Assigned	—	—	—	—	—	—	—	1,977,867
Unassigned	—	—	—	—	—	—	—	5,887,748
Total fund balances	<u>653,058</u>	<u>336,362</u>	<u>326,343</u>	<u>—</u>	<u>—</u>	<u>125,044</u>	<u>21,121</u>	<u>28,024,554</u>
Total liabilities and fund balances	\$ <u>1,892,521</u>	<u>472,516</u>	<u>327,734</u>	<u>—</u>	<u>—</u>	<u>296,735</u>	<u>21,213</u>	<u>30,898,256</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Balance Sheet, Continued

Nonmajor Governmental Funds

June 30, 2010

	<u>Debt Service</u>	<u>Permanent Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Infra- structure</u>	<u>Buck</u>	<u>Burton Green</u>	<u>Total</u>	
Assets					
Cash and investments	\$ 2,028,306	—	—	—	24,011,815
Accounts receivable, net	—	—	—	—	7,986
Interest receivable	13,936	—	—	—	150,689
Intergovernmental receivables	—	—	—	—	659,537
Advances to other funds	—	—	—	—	8,110,471
Restricted assets:					
Cash and investments	2,740,938	199,854	68,499	268,353	3,009,291
Interest receivable	—	1,216	417	1,633	1,633
Total assets	<u>\$ 4,783,180</u>	<u>201,070</u>	<u>68,916</u>	<u>269,986</u>	<u>35,951,422</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ —	—	—	—	956,955
Contracts payable	—	—	—	—	232,012
Accrued payroll	—	—	—	—	23,764
Interfund payables	—	—	—	—	178,448
Intergovernmental payables	—	—	—	—	552
Customer deposits	—	—	—	—	1,209,931
Deferred revenue	—	—	—	—	272,040
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,873,702</u>
Fund balances:					
Nonspendable	—	34,641	46,740	81,381	7,951,613
Restricted	2,740,938	166,429	—	166,429	11,415,127
Committed	—	—	22,176	22,176	3,803,123
Assigned	2,042,242	—	—	—	4,020,109
Unassigned	—	—	—	—	5,887,748
Total fund balances	<u>4,783,180</u>	<u>201,070</u>	<u>68,916</u>	<u>269,986</u>	<u>33,077,720</u>
Total liabilities and fund balances	<u>\$ 4,783,180</u>	<u>201,070</u>	<u>68,916</u>	<u>269,986</u>	<u>35,951,422</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, 2010

	Special Revenue Funds							
	Streets and Highways State Gas Tax	California State Senate Bill 1473	Community Development Block Grant	In-Lieu Parking District	Parks and Recreation Facilities	Metropolitan Transportation Authority	Prop. A Local Transit Assistance	Prop. C Local Transit Assistance
Revenues:								
Taxes other than property	\$ —	—	—	—	1,152,139	—	—	—
Intergovernmental	904,145	—	135,658	—	314,369	228,496	804,441	379,766
Charges for Services	—	—	—	—	—	—	34,885	8,488
Use of money and property	49,934	—	—	36,690	727,492	568	50,265	39,053
Net change in fair value of investments	21,155	—	—	16,457	94,267	360	21,421	17,064
Total revenues	975,234	—	135,658	53,147	2,288,267	229,424	911,012	444,371
Expenditures:								
Current:								
Public service	—	—	163,680	—	—	—	866,798	—
Capital outlay	1,023,627	—	—	—	3,803,963	—	—	—
Total expenditures	1,023,627	—	163,680	—	3,803,963	—	866,798	—
Excess (deficiency) of revenues over expenditures	(48,393)	—	(28,022)	53,147	(1,515,696)	229,424	44,214	444,371
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	453,289	—
Transfers out	(6,000)	—	—	—	(400,000)	—	—	(453,289)
Total other financing sources (uses)	(6,000)	—	—	—	(400,000)	—	453,289	(453,289)
Net change in fund balances	(54,393)	—	(28,022)	53,147	(1,915,696)	229,424	497,503	(8,918)
Fund balances (deficit), July 1	2,929,512	—	34,762	1,562,068	19,164,217	—	2,501,352	1,597,670
Fund balances (deficit), June 30	\$ 2,875,119	—	6,740	1,615,215	17,248,521	229,424	2,998,855	1,588,752

(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, 2010

	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	\$ 116,790	—	—	—	—	—	—	1,268,929
Intergovernmental	—	578,280	40,864	—	—	646,284	—	4,032,303
Charges for Services	—	—	—	—	—	—	—	43,373
Use of money and property	39,317	25,452	5,973	—	—	1,039	5,829	981,612
Net change in fair value of investments	16,926	11,362	2,586	—	—	(114)	166	201,650
Total revenues	173,033	615,094	49,423	—	—	647,209	5,995	6,527,867
Expenditures:								
Current:								
Public safety	—	601,517	—	—	—	323,910	—	925,427
Public service	—	—	—	—	—	—	—	1,030,478
Culture and recreation	13,633	—	—	—	—	—	—	13,633
Capital outlay	35,427	—	—	—	—	241,571	—	5,104,588
Total expenditures	49,060	601,517	—	—	—	565,481	—	7,074,126
Excess (deficiency) of revenues over expenditures	123,973	13,577	49,423	—	—	81,728	5,995	(546,259)
Other financing sources (uses):								
Transfers in	—	—	—	192,753	—	—	—	646,042
Transfers out	—	—	—	—	—	—	—	(859,289)
Total other financing sources (uses)	—	—	—	192,753	—	—	—	(213,247)
Net change in fund balances	123,973	13,577	49,423	192,753	—	81,728	5,995	(759,506)
Fund balances (deficit), July 1	529,085	322,785	276,920	(192,753)	—	43,316	15,126	28,784,060
Fund balances (deficit), June 30	\$ 653,058	336,362	326,343	—	—	125,044	21,121	28,024,554

(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, 2010

	<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	\$ —	—	—	—	1,268,929
Intergovernmental	—	—	—	—	4,032,303
Charges for Services	—	—	—	—	43,373
Use of money and property	41,426	4,134	1,382	5,516	1,028,554
Net change in fair value of investments	18,055	1,796	615	2,411	222,116
Total revenues	59,481	5,930	1,997	7,927	6,595,275
Expenditures:					
Current:					
Public safety	—	—	—	—	925,427
Public service	—	—	—	—	1,030,478
Culture and recreation	—	—	—	—	13,633
Debt service:					
Interest	1,512,625	—	—	—	1,512,625
Payment to bond escrow agent	333,697	—	—	—	333,697
Capital outlay	—	—	—	—	5,104,588
Total expenditures	1,846,322	—	—	—	8,920,448
Excess (deficiency) of rev- enues over expenditures	(1,786,841)	5,930	1,997	7,927	(2,325,173)
Other financing sources (uses):					
Transfers in	2,240,847	—	—	—	2,886,889
Transfers out	—	—	—	—	(859,289)
Total other financing sources (uses)	2,240,847	—	—	—	2,027,600
Net change in fund balances	454,006	5,930	1,997	7,927	(297,573)
Fund balances (deficit), July 1	4,329,174	195,140	66,919	262,059	33,375,293
Fund balances (deficit), June 30	\$ 4,783,180	201,070	68,916	269,986	33,077,720

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, 2010

	Special Revenue Funds							
	Streets and Highways State Gas Tax				California State Senate Bill 1473			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Intergovernmental Charges for Services	\$ 681,781	681,781	904,145	222,364	—	—	—	—
Use of money and property	31,720	31,720	49,934	18,214	—	—	—	—
Net change in fair value of investments	—	—	21,155	21,155	—	—	—	—
Total revenues	<u>713,501</u>	<u>713,501</u>	<u>975,234</u>	<u>261,733</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures:								
Capital outlay	<u>864,366</u>	<u>2,770,633</u>	<u>1,023,627</u>	<u>(1,747,006)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>864,366</u>	<u>2,770,633</u>	<u>1,023,627</u>	<u>(1,747,006)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(150,865)</u>	<u>(2,057,132)</u>	<u>(48,393)</u>	<u>2,008,739</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>(6,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Special item, pension contribution	—	—	—	—	—	—	—	—
Net change in fund balances	<u>(156,865)</u>	<u>(2,063,132)</u>	<u>(54,393)</u>	<u>2,008,739</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, July 1	<u>2,929,512</u>	<u>2,929,512</u>	<u>2,929,512</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, June 30	<u>\$ 2,772,647</u>	<u>866,380</u>	<u>2,875,119</u>	<u>2,008,739</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, 2010

	Special Revenue Funds							
	Community Development Block Grant				In-Lieu Parking District			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Taxes other than property	\$ —	—	—	—	712,598	712,598	—	(712,598)
Intergovernmental	256,743	256,743	135,658	(121,085)	—	—	—	—
Use of money and property	—	—	—	—	100,024	100,024	36,690	(63,334)
Net increase in fair value of investments	—	—	—	—	—	—	16,457	16,457
Total revenues	<u>256,743</u>	<u>256,743</u>	<u>135,658</u>	<u>(121,085)</u>	<u>812,622</u>	<u>812,622</u>	<u>53,147</u>	<u>(759,475)</u>
Expenditures:								
Current:								
Public service	<u>256,743</u>	<u>260,930</u>	<u>163,680</u>	<u>(97,250)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>256,743</u>	<u>260,930</u>	<u>163,680</u>	<u>(97,250)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>—</u>	<u>(4,187)</u>	<u>(28,022)</u>	<u>(23,835)</u>	<u>812,622</u>	<u>812,622</u>	<u>53,147</u>	<u>(759,475)</u>
Net change in fund balances	<u>—</u>	<u>(4,187)</u>	<u>(28,022)</u>	<u>(23,835)</u>	<u>812,622</u>	<u>812,622</u>	<u>53,147</u>	<u>(759,475)</u>
Fund balances (deficit), July 1	<u>34,762</u>	<u>34,762</u>	<u>34,762</u>	<u>—</u>	<u>1,562,068</u>	<u>1,562,068</u>	<u>1,562,068</u>	<u>—</u>
Fund balances (deficit), June 30	<u>\$ 34,762</u>	<u>30,575</u>	<u>6,740</u>	<u>(23,835)</u>	<u>2,374,690</u>	<u>2,374,690</u>	<u>1,615,215</u>	<u>(759,475)</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, 2010

	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	\$ 4,058,775	4,058,775	1,152,139	(2,906,636)	—	—	—	—
Intergovernmental	—	—	314,369	314,369	—	—	228,496	228,496
Charges for Services	—	—	—	—	—	—	—	—
Use of money and property	768,823	768,823	727,492	(41,331)	—	—	568	568
Net change in fair value of investments	—	—	94,267	94,267	—	—	360	360
Total revenues	<u>4,827,598</u>	<u>4,827,598</u>	<u>2,288,267</u>	<u>(2,539,331)</u>	<u>—</u>	<u>—</u>	<u>229,424</u>	<u>229,424</u>
Expenditures:								
Capital outlay	<u>2,409,388</u>	<u>6,872,409</u>	<u>3,803,963</u>	<u>(3,068,446)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>2,409,388</u>	<u>6,872,409</u>	<u>3,803,963</u>	<u>(3,068,446)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>2,418,210</u>	<u>(2,044,811)</u>	<u>(1,515,696)</u>	<u>529,115</u>	<u>—</u>	<u>—</u>	<u>229,424</u>	<u>229,424</u>
Other financing sources (uses):								
Transfers out	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>2,018,210</u>	<u>(2,444,811)</u>	<u>(1,915,696)</u>	<u>529,115</u>	<u>—</u>	<u>—</u>	<u>229,424</u>	<u>229,424</u>
Fund balances, July 1	<u>19,164,217</u>	<u>19,164,217</u>	<u>19,164,217</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balances, June 30	<u>\$ 21,182,427</u>	<u>16,719,406</u>	<u>17,248,521</u>	<u>529,115</u>	<u>—</u>	<u>—</u>	<u>229,424</u>	<u>229,424</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, 2010

	Special Revenue Funds							
	Proposition A Local Transit Assistance				Proposition C Local Transit Assistance			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Intergovernmental	\$ 676,665	676,665	804,441	127,776	454,288	454,288	379,766	(74,522)
Charges for Services	120,000	120,000	34,885	(85,115)	15,000	15,000	8,488	(6,512)
Use of money and property	50,000	50,000	50,265	265	29,000	29,000	39,053	10,053
Net change in fair value of investments	—	—	21,421	21,421	—	—	17,064	17,064
Total revenues	<u>846,665</u>	<u>846,665</u>	<u>911,012</u>	<u>64,347</u>	<u>498,288</u>	<u>498,288</u>	<u>444,371</u>	<u>(53,917)</u>
Expenditures:								
Current:								
Public service	<u>756,256</u>	<u>1,334,045</u>	<u>866,798</u>	<u>(467,247)</u>	<u>1,295,289</u>	<u>842,000</u>	<u>—</u>	<u>(842,000)</u>
Total expenditures	<u>756,256</u>	<u>1,334,045</u>	<u>866,798</u>	<u>(467,247)</u>	<u>1,295,289</u>	<u>842,000</u>	<u>—</u>	<u>(842,000)</u>
Excess (deficiency) of revenues over expenditures	<u>90,409</u>	<u>(487,380)</u>	<u>44,214</u>	<u>531,594</u>	<u>(797,001)</u>	<u>(343,712)</u>	<u>444,371</u>	<u>788,083</u>
Other financing sources (uses):								
Transfers in	—	453,289	453,289	—	—	—	—	—
Transfers out	—	—	—	—	—	(453,289)	(453,289)	—
Total other financing sources (uses)	—	453,289	453,289	—	—	(453,289)	(453,289)	—
Net change in fund balances	<u>90,409</u>	<u>(34,091)</u>	<u>497,503</u>	<u>531,594</u>	<u>(797,001)</u>	<u>(797,001)</u>	<u>(8,918)</u>	<u>788,083</u>
Fund balances, July 1	<u>2,501,352</u>	<u>2,501,352</u>	<u>2,501,352</u>	<u>—</u>	<u>1,597,670</u>	<u>1,597,670</u>	<u>1,597,670</u>	<u>—</u>
Fund balances, June 30	<u>\$ 2,591,761</u>	<u>2,467,261</u>	<u>2,998,855</u>	<u>531,594</u>	<u>800,669</u>	<u>800,669</u>	<u>1,588,752</u>	<u>788,083</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, 2010

	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	\$ 80,000	80,000	116,790	36,790	—	—	—	—
Intergovernmental	—	—	—	—	—	—	578,280	578,280
Use of money and property	5,385	5,385	39,317	33,932	—	—	25,452	25,452
Net change in fair value of investments	—	—	16,926	16,926	—	—	11,362	11,362
Total revenues	85,385	85,385	173,033	87,648	—	—	615,094	615,094
Expenditures:								
Current:								
Public safety	—	—	—	—	10,220	782,220	601,517	(180,703)
Culture and recreation	14,755	14,755	13,633	(1,122)	—	—	—	—
Capital outlay	—	17,255	35,427	18,172	190,520	190,520	—	(190,520)
Total expenditures	14,755	32,010	49,060	17,050	200,740	972,740	601,517	(371,223)
Excess (deficiency) of revenues over expenditures	70,630	53,375	123,973	70,598	(200,740)	(972,740)	13,577	986,317
Net change in fund balances	70,630	53,375	123,973	70,598	(200,740)	(972,740)	13,577	986,317
Fund balances, July 1	529,085	529,085	529,085	—	322,785	322,785	322,785	—
Fund balances, June 30	\$ 599,715	582,460	653,058	70,598	122,045	(649,955)	336,362	986,317

(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, 2010

	Special Revenue Funds							
	Air Quality Improvement				State Parks Bond			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Intergovernmental	\$ —	—	40,864	40,864	—	—	—	—
Use of money and property	—	—	5,973	5,973	—	—	—	—
Net change in fair value of investments	—	—	2,586	2,586	—	—	—	—
Total revenues	—	—	49,423	49,423	—	—	—	—
Expenditures:								
Current:								
Public service	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	—	—	—
Total expenditures	—	—	—	—	—	—	—	—
Excess (deficiency) of revenues over expenditures	—	—	49,423	49,423	—	—	—	—
Other financing sources (uses):								
Transfers in	—	—	—	—	—	—	192,753	192,753
Total other financing sources (uses)	—	—	—	—	—	—	192,753	192,753
Net change in fund balances	—	—	49,423	49,423	—	—	192,753	192,753
Fund balances (deficit), July 1	276,920	276,920	276,920	—	(192,753)	(192,753)	(192,753)	—
Fund balances (deficit), June 30	\$ 276,920	276,920	326,343	49,423	(192,753)	(192,753)	—	192,753

(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, 2010

	Special Revenue Funds							
	Roberti-Z'Berg Urban Block Grant				Law Enforcement Grants			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Intergovernmental	\$ —	—	—	—	949,631	1,131,010	646,284	(484,726)
Use of money and property	—	—	—	—	—	—	1,039	1,039
Net change in fair value of investments	—	—	—	—	—	—	(114)	(114)
Total revenues	—	—	—	—	949,631	1,131,010	647,209	(483,801)
Expenditures:								
Current:								
Public safety	—	—	—	—	126,619	415,592	323,910	(91,682)
Capital outlay	—	—	—	—	31,400	797,466	241,571	(555,895)
Total expenditures	—	—	—	—	158,019	1,213,058	565,481	(647,577)
Excess (deficiency) of revenues over expenditures	—	—	—	—	791,612	(82,048)	81,728	163,776
Net change in fund balances	—	—	—	—	791,612	(82,048)	81,728	163,776
Fund balances, July 1	—	—	—	—	43,316	43,316	43,316	—
Fund balances (deficit), June 30	\$ —	—	—	—	834,928	(38,732)	125,044	163,776

(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, 2010

	Special Revenue Funds							
	Inmate Welfare				Total			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Taxes other than property	\$ —	—	—	—	4,851,373	4,851,373	1,268,929	(3,582,444)
Intergovernmental	—	—	—	—	3,019,108	3,200,487	4,032,303	831,816
Charges for Services	—	—	—	—	135,000	135,000	43,373	(91,627)
Use of money and property	1,500	1,500	5,829	4,329	986,452	986,452	981,612	(4,840)
Net change in fair value of investments	—	—	166	166	—	—	201,650	201,650
Total revenues	1,500	1,500	5,995	4,495	8,991,933	9,173,312	6,527,867	(2,645,445)
Expenditures:								
Current:								
Public safety	—	—	—	—	136,839	1,197,812	925,427	(272,385)
Public service	—	—	—	—	2,308,288	2,436,975	1,030,478	(1,406,497)
Culture and recreation	—	—	—	—	14,755	14,755	13,633	(1,122)
Capital outlay	—	—	—	—	3,495,674	10,648,283	5,104,588	(5,543,695)
Total expenditures	—	—	—	—	5,955,556	14,297,825	7,074,126	(7,223,699)
Excess (deficiency) of revenues over expenditures	1,500	1,500	5,995	4,495	3,036,377	(5,124,513)	(546,259)	4,578,254
Other financing sources (uses):								
Transfers in	—	—	—	—	—	453,289	646,042	192,753
Transfers out	—	—	—	—	(406,000)	(859,289)	(859,289)	—
Total other financing sources (uses)	—	—	—	—	(406,000)	(406,000)	(213,247)	192,753
Net change in fund balances	1,500	1,500	5,995	4,495	2,630,377	(5,530,513)	(759,506)	4,771,007
Fund balances, July 1	15,126	15,126	15,126	—	28,784,060	28,784,060	28,784,060	—
Fund balances, June 30	\$ 16,626	16,626	21,121	4,495	31,414,437	23,253,547	28,024,554	4,771,007

(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, 2010

	Debt Service Fund				Permanent Funds			
	Infrastructure				Buck			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
Original	Final	Original			Final			
Revenues:								
Use of money and property	\$ 772,035	772,035	41,426	(730,609)	—	—	4,134	4,134
Net change in fair value of investments	—	—	18,055	18,055	—	—	1,796	1,796
Total revenues	<u>772,035</u>	<u>772,035</u>	<u>59,481</u>	<u>(712,554)</u>	<u>—</u>	<u>—</u>	<u>5,930</u>	<u>5,930</u>
Expenditures:								
Debt service:								
Interest	1,580,780	1,580,780	1,512,625	(68,155)	—	—	—	—
Payment to bond escrow agent	<u>337,664</u>	<u>337,664</u>	<u>333,697</u>	<u>(3,967)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>1,918,444</u>	<u>1,918,444</u>	<u>1,846,322</u>	<u>(72,122)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>(1,146,409)</u>	<u>(1,146,409)</u>	<u>(1,786,841)</u>	<u>(640,432)</u>	<u>—</u>	<u>—</u>	<u>5,930</u>	<u>5,930</u>
Other financing sources (uses):								
Transfers in	<u>1,867,160</u>	<u>1,867,160</u>	<u>2,240,847</u>	<u>373,687</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>1,867,160</u>	<u>1,867,160</u>	<u>2,240,847</u>	<u>373,687</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>720,751</u>	<u>720,751</u>	<u>454,006</u>	<u>(266,745)</u>	<u>—</u>	<u>—</u>	<u>5,930</u>	<u>5,930</u>
Fund balances, July 1	<u>4,329,174</u>	<u>4,329,174</u>	<u>4,329,174</u>	<u>—</u>	<u>195,140</u>	<u>195,140</u>	<u>195,140</u>	<u>—</u>
Fund balances, June 30	<u>\$ 5,049,925</u>	<u>5,049,925</u>	<u>4,783,180</u>	<u>(266,745)</u>	<u>195,140</u>	<u>195,140</u>	<u>201,070</u>	<u>5,930</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, 2010

	Permanent Funds							
	Burton Green				Total			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final			Original	Final		
Revenues:								
Use of money and property	\$ —	—	1,382	1,382	—	—	5,516	5,516
Net change in fair value of investments	—	—	615	615	—	—	2,411	2,411
Total revenues	—	—	1,997	1,997	—	—	7,927	7,927
Expenditures:								
Current:								
Public service	—	—	—	—	—	—	—	—
Total expenditures	—	—	—	—	—	—	—	—
Excess (deficiency) of revenues over expenditures	—	—	1,997	1,997	—	—	7,927	7,927
Net change in fund balances	—	—	1,997	1,997	—	—	7,927	7,927
Fund balances, July 1	66,919	66,919	66,919	—	262,059	262,059	262,059	—
Fund balances, June 30	\$ 66,919	66,919	68,916	1,997	262,059	262,059	269,986	7,927

(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, 2010

	Total Nonmajor Governmental Funds			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Over (Under)
	Original	Final		
Revenues:				
Taxes other than property	\$ 4,851,373	4,851,373	1,268,929	(3,582,444)
Intergovernmental	3,019,108	3,200,487	4,032,303	831,816
Charges for Services	135,000	135,000	43,373	(91,627)
Use of money and property	1,758,487	1,758,487	1,028,554	(729,933)
Net change in fair value of investments	—	—	222,116	222,116
Total revenues	<u>9,763,968</u>	<u>9,945,347</u>	<u>6,595,275</u>	<u>(3,350,072)</u>
Expenditures:				
Current:				
Public safety	136,839	1,197,812	925,427	(272,385)
Public service	2,308,288	2,436,975	1,030,478	(1,406,497)
Culture and recreation	14,755	14,755	13,633	(1,122)
Debt service:				
Interest	1,580,780	1,580,780	1,512,625	(68,155)
Payment to bond escrow agent	337,664	337,664	333,697	(3,967)
Capital outlay	<u>3,495,674</u>	<u>10,648,283</u>	<u>5,104,588</u>	<u>(5,543,695)</u>
Total expenditures	<u>7,874,000</u>	<u>16,216,269</u>	<u>8,920,448</u>	<u>(7,295,821)</u>
Excess (deficiency) of revenues over expenditures	<u>1,889,968</u>	<u>(6,270,922)</u>	<u>(2,325,173)</u>	<u>3,945,749</u>
Other financing sources (uses):				
Transfers in	1,867,160	2,320,449	2,886,889	566,440
Transfers out	<u>(406,000)</u>	<u>(859,289)</u>	<u>(859,289)</u>	<u>—</u>
Total other financing sources (uses)	1,461,160	1,461,160	2,027,600	566,440
Net change in fund balances	3,351,128	(4,809,762)	(297,573)	4,512,189
Fund balances, July 1	<u>33,375,293</u>	<u>33,375,293</u>	<u>33,375,293</u>	<u>—</u>
Fund balances, June 30	<u>\$ 36,726,421</u>	<u>28,565,531</u>	<u>33,077,720</u>	<u>4,512,189</u>



CITY OF BEVERLY HILLS, CALIFORNIA

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

Infrastructure Capital Projects Fund

For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget – Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ —	1,059,000	465,754	(593,246)
Use of money and property	152,292	152,292	423,142	270,850
Net increase in fair value of investments	—	—	188,843	188,843
Total revenues	<u>152,292</u>	<u>1,211,292</u>	<u>1,077,739</u>	<u>(133,553)</u>
Expenditures:				
Capital outlay	<u>6,015,701</u>	<u>20,417,424</u>	<u>2,516,378</u>	<u>(17,901,046)</u>
Total expenditures	<u>6,015,701</u>	<u>20,417,424</u>	<u>2,516,378</u>	<u>(17,901,046)</u>
Deficiency of revenues over expenditures	(5,863,409)	(19,206,132)	(1,438,639)	17,767,493
Other financing sources:				
Transfers in	3,553,000	3,553,000	3,553,000	—
Transfers out (note 7)	<u>—</u>	<u>(2,973)</u>	<u>(2,973)</u>	<u>—</u>
Total other financing sources (uses)	<u>3,553,000</u>	<u>3,550,027</u>	<u>3,550,027</u>	<u>—</u>
Deficiency of revenues and other sources over expenditures	(2,310,409)	(15,656,105)	2,111,388	17,767,493
Fund balance, July 1	<u>18,863,534</u>	<u>18,863,534</u>	<u>18,863,534</u>	<u>—</u>
Fund balance, June 30	<u>\$ 16,553,125</u>	<u>3,207,429</u>	<u>20,974,922</u>	<u>17,767,493</u>



CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Net Assets

Internal Service Funds

June 30, 2010

	<u>Information Technology</u>	<u>Capital Assets</u>	<u>Vehicles</u>	<u>Office and Opera- tional Equipment</u>	<u>Repro- graphics</u>	<u>Cable TV</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Employee Benefits</u>	<u>Administration, Policy & Legal</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS													
Current assets:													
Cash and investments	\$ 15,072,805	11,571,652	5,496,317	4,387,338	1,849,412	5,103,571	10,375,383	15,227,688	148,609	22,780,303	6,682,592	—	98,695,670
Accounts Receivable	19,313	177,033	—	—	—	162,205	—	—	—	—	—	—	358,551
Interest receivable	93,968	117,118	27,118	11,394	11,123	30,453	56,594	92,410	707	144,314	37,079	—	622,278
Inventory	—	—	358,656	—	—	—	—	—	—	—	26,888	—	385,544
Prepaid expenses	—	—	—	—	9,962	—	224,628	—	—	—	—	—	234,590
Total current assets	<u>15,186,086</u>	<u>11,865,803</u>	<u>5,882,091</u>	<u>4,398,732</u>	<u>1,870,497</u>	<u>5,296,229</u>	<u>10,656,605</u>	<u>15,320,098</u>	<u>149,316</u>	<u>22,924,617</u>	<u>6,746,559</u>	<u>—</u>	<u>100,296,633</u>
Noncurrent assets:													
Restricted assets:													
Cash and investments	—	5,029,177	—	—	—	—	—	—	—	—	—	—	5,029,177
Interest and other receivables	—	1,100,605	—	—	—	—	—	—	—	—	—	—	1,100,605
Total restricted assets	<u>—</u>	<u>6,129,782</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,129,782</u>
Deferred bond issuance costs, net	—	1,195,566	—	—	—	—	—	—	—	—	—	—	1,195,566
Advances to (from) other funds	(3,906,239)	23,645,966	12,702,159	—	—	—	—	—	—	—	—	—	32,441,886
Net pension assets	142,646	122,219	101,426	—	32,579	24,687	—	—	—	—	817,982	—	1,241,539
Total other noncurrent assets	<u>(3,763,593)</u>	<u>24,963,751</u>	<u>12,803,585</u>	<u>—</u>	<u>32,579</u>	<u>24,687</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>817,982</u>	<u>—</u>	<u>34,878,991</u>
Capital assets:													
Land	—	32,041,706	—	—	—	—	—	—	—	—	—	—	32,041,706
Buildings	3,560,756	215,555,561	—	—	—	—	—	—	—	—	—	—	219,116,317
Improvements other than buildings	—	29,102,172	—	—	—	—	—	—	—	—	—	—	29,102,172
Machinery and equipment	41,981,085	7,269,262	16,947,819	201,275	69,335	1,309,364	—	—	—	—	—	—	67,778,140
	45,541,841	283,968,701	16,947,819	201,275	69,335	1,309,364	—	—	—	—	—	—	348,038,335
Less accumulated depreciation	(26,995,195)	(86,669,496)	(8,828,718)	(49,092)	(69,335)	(793,607)	—	—	—	—	—	—	(123,405,443)
Construction in progress	759,042	1,617,097	—	—	—	667,686	13,276	—	—	—	—	—	3,057,101
Total capital assets, net	<u>19,305,688</u>	<u>198,916,302</u>	<u>8,119,101</u>	<u>152,183</u>	<u>—</u>	<u>1,183,443</u>	<u>13,276</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>227,689,993</u>
Total noncurrent assets	<u>15,542,095</u>	<u>230,009,835</u>	<u>20,922,686</u>	<u>152,183</u>	<u>32,579</u>	<u>1,208,130</u>	<u>13,276</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>817,982</u>	<u>—</u>	<u>268,698,766</u>
Total assets	<u>30,728,181</u>	<u>241,875,638</u>	<u>26,804,777</u>	<u>4,550,915</u>	<u>1,903,076</u>	<u>6,504,359</u>	<u>10,669,881</u>	<u>15,320,098</u>	<u>149,316</u>	<u>22,924,617</u>	<u>7,564,541</u>	<u>—</u>	<u>368,995,399</u>

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Net Assets, Continued

Internal Service Funds

June 30, 2010

	Information Technology	Capital Assets	Vehicles	Office and Opera- tional Equipment	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Administration, Policy & Legal	Eliminations	Total
LIABILITIES													
Current liabilities:													
Accounts payable	\$ 787,444	3,238,045	72,946	41,932	90,872	66,550	461,376	—	—	4,795,522	576,085	—	10,130,772
Contracts payable	—	1,998,688	—	—	—	—	—	—	—	—	—	—	1,998,688
Accrued payroll	69,141	50,934	48,012	—	31,425	14,309	4,340	4,340	—	—	416,389	—	638,890
Interest payable	—	396,987	—	—	—	—	—	—	—	—	—	—	396,987
Current portion of:													
Compensated absences	—	—	—	—	—	—	—	—	—	1,296,921	—	—	1,296,921
Outstanding claims	—	—	—	—	—	—	3,805,492	1,994,577	14,458	—	—	—	5,814,527
Revenue bonds	—	6,231,600	—	—	—	—	—	—	—	—	—	—	6,231,600
Deferred revenue	—	95,915	—	—	—	—	—	—	—	—	—	—	95,915
Total current liabilities	856,585	12,012,169	120,958	41,932	122,297	80,859	4,271,208	1,998,917	14,458	6,092,443	992,474	—	26,604,300
Long-term liabilities (net of current portion):													
Other post employment benefit obligations	—	—	—	—	—	—	—	—	—	1,783,435	—	—	1,783,435
Compensated absences	—	—	—	—	—	—	—	—	—	12,819,407	—	—	12,819,407
Outstanding claims	—	—	—	—	—	—	377,906	3,135,789	—	—	—	—	3,513,695
Revenue bonds	—	99,525,267	—	—	—	—	—	—	—	—	—	—	99,525,267
Original issue premium, net	—	6,450,463	—	—	—	—	—	—	—	—	—	—	6,450,463
Original issue discount, net	—	(363,127)	—	—	—	—	—	—	—	—	—	—	(363,127)
Deferred amount on refunding, net	—	(5,345,687)	—	—	—	—	—	—	—	—	—	—	(5,345,687)
Note payable	—	14,450,639	—	—	—	—	—	—	—	—	—	—	14,450,639
Total long-term liabilities	—	114,717,555	—	—	—	—	377,906	3,135,789	—	14,602,842	—	—	132,834,092
Total liabilities	856,585	126,729,724	120,958	41,932	122,297	80,859	4,649,114	5,134,706	14,458	20,695,285	992,474	—	159,438,392
NET ASSETS													
Invested in capital assets, net of related debt	19,305,688	72,937,971	8,119,101	152,183	—	1,183,443	13,276	—	—	—	—	—	101,711,662
Restricted for:													
Debt service	—	2,339,168	—	—	—	—	—	—	—	—	—	—	2,339,168
Unrestricted	10,565,908	39,868,775	18,564,718	4,356,800	1,780,779	5,240,057	6,007,491	10,185,392	134,858	2,229,332	6,572,067	—	105,506,177
Total net assets (deficit)	\$ 29,871,596	115,145,914	26,683,819	4,508,983	1,780,779	6,423,500	6,020,767	10,185,392	134,858	2,229,332	6,572,067	—	209,557,007

CITY OF BEVERLY HILLS, CALIFORNIA
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2010

	<u>Information Technology</u>	<u>Capital Assets</u>	<u>Vehicles</u>	<u>Office and Opera- tional Equipment</u>	<u>Repro- graphics</u>	<u>Cable TV</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Unemployment Insurance</u>	<u>Employee Benefits</u>	<u>Administration, Policy & Legal</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues –													
Sales, service charges and fees	\$ 12,820,824	20,229,616	6,796,539	972,100	1,974,261	1,959,618	5,909,636	2,775,686	181,061	1,601,345	26,642,158	(15,573,231)	66,289,613
Operating expenses:													
Salaries and employee benefits	2,272,712	1,575,611	1,266,931	—	803,764	478,542	155,545	139,689	—	5,604,595	11,896,865	(628,225)	23,566,029
Maintenance and operation	4,167,451	503,664	2,116,444	196,594	1,118,291	455,468	4,141,331	282,230	—	—	14,034,344	(14,945,006)	12,070,811
Insurance premiums, settlements and provisions	—	—	—	—	—	—	675,225	1,705,118	135,809	—	—	—	2,516,152
Depreciation	3,620,133	5,544,285	1,535,080	26,590	—	31,597	—	—	—	—	—	—	10,757,685
Amortization of issuance costs	—	421,424	—	—	—	—	—	—	—	—	—	—	421,424
Total operating expenses	<u>10,060,296</u>	<u>8,044,984</u>	<u>4,918,455</u>	<u>223,184</u>	<u>1,922,055</u>	<u>965,607</u>	<u>4,972,101</u>	<u>2,127,037</u>	<u>135,809</u>	<u>5,604,595</u>	<u>25,931,209</u>	<u>(15,573,231)</u>	<u>49,332,101</u>
Operating income (loss)	<u>2,760,528</u>	<u>12,184,632</u>	<u>1,878,084</u>	<u>748,916</u>	<u>52,206</u>	<u>994,011</u>	<u>937,535</u>	<u>648,649</u>	<u>45,252</u>	<u>(4,003,250)</u>	<u>710,949</u>	<u>—</u>	<u>16,957,512</u>
Nonoperating revenues (expenses):													
Investment revenue	300,681	2,638,685	833,885	22,187	37,758	102,386	174,433	318,630	2,207	502,041	158,582	(254,316)	4,837,159
Net change in fair value of investments	121,661	117,274	22,015	11,097	15,973	43,612	71,067	139,395	1,065	216,505	58,982	—	818,646
Interest expense	(254,316)	(5,768,719)	—	—	—	—	—	—	—	—	—	254,316	(5,768,719)
Intergovernmental revenue	199,924	—	—	—	—	—	—	—	—	—	—	—	199,924
Gain (loss) on sale of capital assets	—	—	52,650	—	—	—	—	—	—	—	—	—	52,650
Other revenue	46	4,514	—	—	—	—	345,000	—	—	398,955	49,425	—	797,940
Total nonoperating revenues (expenses)	<u>367,996</u>	<u>(3,008,246)</u>	<u>908,550</u>	<u>33,284</u>	<u>53,731</u>	<u>145,998</u>	<u>590,500</u>	<u>458,025</u>	<u>3,272</u>	<u>1,117,501</u>	<u>266,989</u>	<u>—</u>	<u>937,600</u>
Income (loss) before contributions and operating transfers	<u>3,128,524</u>	<u>9,176,386</u>	<u>2,786,634</u>	<u>782,200</u>	<u>105,937</u>	<u>1,140,009</u>	<u>1,528,035</u>	<u>1,106,674</u>	<u>48,524</u>	<u>(2,885,749)</u>	<u>977,938</u>	<u>—</u>	<u>17,895,112</u>
Transfers in	1,098,998	52,705	23,897,185	2,350,000	—	—	—	—	—	1,500,000	16,793	(24,294,185)	4,621,496
Transfers out	(42,000)	(24,639,378)	—	—	—	—	—	—	—	—	(2,400)	24,294,185	(389,593)
Change in net assets	<u>4,185,522</u>	<u>(15,410,287)</u>	<u>26,683,819</u>	<u>3,132,200</u>	<u>105,937</u>	<u>1,140,009</u>	<u>1,528,035</u>	<u>1,106,674</u>	<u>48,524</u>	<u>(1,385,749)</u>	<u>992,331</u>	<u>—</u>	<u>22,127,015</u>
Net assets (deficit), July 1	<u>25,686,074</u>	<u>130,556,201</u>	<u>—</u>	<u>1,376,783</u>	<u>1,674,842</u>	<u>5,283,491</u>	<u>4,492,732</u>	<u>9,078,718</u>	<u>86,334</u>	<u>3,615,081</u>	<u>5,579,736</u>	<u>—</u>	<u>187,429,992</u>
Net assets (deficit), June 30	\$ <u>29,871,596</u>	<u>115,145,914</u>	<u>26,683,819</u>	<u>4,508,983</u>	<u>1,780,779</u>	<u>6,423,500</u>	<u>6,020,767</u>	<u>10,185,392</u>	<u>134,858</u>	<u>2,229,332</u>	<u>6,572,067</u>	<u>—</u>	<u>209,557,007</u>



CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2010

	Information Technology	Capital Assets	Vehicles	Office and Opera- tional Equipment	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Policy, Adm, Legal	Total
Cash flows from operating activities												
Cash received from customers	\$ 12,801,512	20,229,616	6,796,539	972,100	1,974,261	1,797,413	5,909,636	2,775,686	181,061	1,601,345	26,684,315	81,723,484
Cash payments to employees for services	(2,252,106)	(1,595,286)	(1,218,918)	—	(789,546)	(475,284)	(157,044)	(140,160)	—	(4,854,140)	(11,737,928)	(23,220,412)
Cash payments for goods and services	(4,443,751)	(432,407)	(2,402,155)	(197,019)	(1,100,398)	(494,895)	—	(2,494,386)	(135,809)	—	(13,985,460)	(25,686,280)
Cash payments for insurance premiums, settle- ments and claims	—	—	—	—	—	—	(4,345,952)	—	—	—	—	(4,345,952)
Net cash provided by operating activities	6,105,655	18,201,923	3,175,466	775,081	84,317	827,234	1,406,640	141,140	45,252	(3,252,795)	960,927	28,470,840
Cash flows from noncapital financing activities -												
Other revenue	199,970	4,514	—	—	—	—	345,000	—	—	398,955	49,425	997,864
Payment for unfunded liabilities	9,791	8,389	—	—	2,236	1,694	—	—	—	—	56,147	78,257
Cash received from other funds	1,098,998	—	2,956,889	2,350,000	—	—	—	—	—	1,500,000	16,794	7,922,681
Cash paid to other funds	(42,000)	(3,646,377)	—	—	—	—	—	—	—	—	(2,400)	(3,690,777)
Net cash (used in) noncapital financing activities	1,266,759	(3,633,474)	2,956,889	2,350,000	2,236	1,694	345,000	—	—	1,898,955	119,966	5,308,025
Cash flows from capital financing activities												
Proceeds from sale of property	—	—	164,051	—	—	—	—	—	—	—	—	164,051
Acquisition and construction of capital assets	(3,094,051)	(26,301,199)	(1,983,823)	(60,978)	—	(384,598)	(13,275)	—	—	—	—	(31,837,924)
Proceeds from construction loan	—	4,931,270	—	—	—	—	—	—	—	—	—	4,931,270
Proceeds from issuance of bonds	—	3,293,830	—	—	—	—	—	—	—	—	—	3,293,830
Principal received (paid) on interfund advance	(1,180,088)	1,731,699	354,952	—	—	—	—	—	—	—	—	906,563
Interest received (paid) on interfund advance	(254,316)	1,471,796	783,463	—	—	—	—	—	—	—	—	2,000,943
Principal payments on debt	—	(6,847,517)	—	—	—	—	—	—	—	—	—	(6,847,517)
Interest payments on debt	—	(5,199,762)	—	—	—	—	—	—	—	—	—	(5,199,762)
Net cash (used in) capital financing activities	(4,528,455)	(26,919,883)	(681,357)	(60,978)	—	(384,598)	(13,275)	—	—	—	—	(32,588,546)
Cash flows from investing activities -												
Earnings on investments	404,147	425,930	45,319	21,890	53,433	144,040	239,472	462,648	3,277	727,148	218,700	2,746,004
Net increase (decrease) in cash and cash equivalents	3,248,106	(11,925,504)	5,496,317	3,085,993	139,986	588,370	1,977,837	603,788	48,529	(626,692)	1,299,593	3,936,323
Cash and cash equivalents, July 1	11,824,699	28,526,333	—	1,301,345	1,709,426	4,515,201	8,397,546	14,623,900	100,080	23,406,995	5,382,999	99,788,524
Cash and cash equivalents, June 30	\$ 15,072,805	16,600,829	5,496,317	4,387,338	1,849,412	5,103,571	10,375,383	15,227,688	148,609	22,780,303	6,682,592	103,724,847

(Continued)

CITY OF BEVERLY HILLS, CALIFORNIA

Combining Statement of Cash Flows, Continued

Internal Service Funds

Year Ended June 30, 2010

	Information Technology	Capital Assets	Vehicles	Office and Opera- tional Equipment	Repro- graphics	Cable TV	Liability Insurance	Workers' Compensation	Unemployment Insurance	Employee Benefits	Policy, Adm, Legal	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:												
Operating income (loss)	\$ 2,760,528	12,184,632	1,878,084	748,916	52,206	994,011	937,535	648,649	45,252	(4,003,250)	710,949	16,957,512
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:												
Depreciation	3,620,133	5,544,285	1,535,080	26,590	—	31,597	—	—	—	—	—	10,757,685
Amortization of issuance costs	—	421,424	—	—	—	—	—	—	—	—	—	421,424
Changes in assets and liabilities:												
Decrease in restricted cash	—	—	—	—	—	—	—	—	—	—	—	—
Increase in receivables	(19,312)	154,754	—	—	—	(162,205)	—	—	—	—	42,157	15,394
Increase in inventory	—	315,716	(358,656)	—	—	—	—	—	—	—	(1,802)	(44,742)
(Increase) decrease in prepaid expenses	—	—	—	—	(5,956)	—	(11,453)	—	—	—	—	(17,409)
Increase (decrease) in accounts payable	(276,300)	(398,489)	72,946	(425)	23,849	(39,427)	(132,130)	(1,832)	—	4,795,522	51,245	4,094,959
Increase (decrease) in intergovernmental payable	—	—	—	—	—	—	—	—	—	—	—	—
Increase (decrease) in other post-employment benefit obligations:												
Increase (decrease) in interfund payable	—	(724)	—	—	—	—	—	—	—	(3,336,755)	—	(3,336,755)
(Increase) decrease in interfund receivable	—	—	—	—	—	—	—	—	—	—	(559)	(1,283)
Increase (decrease) in accrued payroll	20,606	(19,675)	48,012	—	14,218	3,258	(1,499)	(471)	—	—	158,937	223,386
Increase (decrease) in accrued compensated absences	—	—	—	—	—	—	—	—	—	(708,312)	—	(708,312)
Increase (decrease) in outstanding claims	—	—	—	—	—	—	614,187	(505,206)	—	—	—	108,981
Total adjustments	3,345,127	6,017,291	1,297,382	26,165	32,111	(166,777)	469,105	(507,509)	—	750,455	249,978	11,513,328
Net cash provided by operating activities	\$ 6,105,655	18,201,923	3,175,466	775,081	84,317	827,234	1,406,640	141,140	45,252	(3,252,795)	960,927	28,470,840
Cash and investments	\$ 15,072,805	11,571,652	5,496,317	4,387,338	1,849,412	5,103,571	10,375,383	15,227,688	148,609	22,780,303	6,682,592	98,695,670
Restricted cash and investments	—	5,029,177	—	—	—	—	—	—	—	—	—	5,029,177
Total cash and equivalents	\$ 15,072,805	16,600,829	5,496,317	4,387,338	1,849,412	5,103,571	10,375,383	15,227,688	148,609	22,780,303	6,682,592	103,724,847
Significant noncash investing and financing activity												
– Amortization of bond issuance costs, premiums, discounts and deferred amounts on refunding (note 9)	\$ —	421,424	—	—	—	—	—	—	—	—	—	421,424
– Change in fair value of nonpooled investments:	—	—	—	—	—	—	—	—	—	—	—	—





CITY OF BEVERLY HILLS, CALIFORNIA

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

June 30, 2010 with comparative amounts for June 30, 2009

	<u>2010</u>	<u>2009</u>
Governmental funds capital assets by type, function and activity:		
Land	\$ 19,559,986	19,559,986
Construction in progress	<u>6,739,633</u>	<u>4,660,968</u>
Infrastructure	120,131,782	118,750,020
Building	1,202,013	1,202,013
Improvements other than buildings	2,353,211	347,885
Machinery and Equipment	535,356	535,356
Less accumulated depreciation	<u>(47,278,308)</u>	<u>(45,318,629)</u>
Net infrastructure assets – public works – streets and subdrains	76,944,054	75,516,645
Fine Art Collection – general government – art and culture	<u>1,746,411</u>	<u>1,746,411</u>
Total governmental funds capital assets	\$ <u>104,990,084</u>	<u>101,484,010</u>
Investments in governmental capital assets by source:		
2007 Lease Revenue Bonds	\$ 32,213,342	33,179,293
Capital projects general revenues	32,649,740	33,575,347
General Fund revenues	24,350,203	22,939,585
Special revenue funds revenues	<u>15,776,799</u>	<u>11,789,785</u>
Total investment in governmental capital assets by source	\$ <u>104,990,084</u>	<u>101,484,010</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, 2010

<u>Function and Activity</u>	<u>Construction in Progress</u>	<u>Infrastructure</u>	<u>Fine Art Collection</u>	<u>Land</u>	<u>Building</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
General government - land	\$ —	—	—	19,559,986	—	—	—	19,559,986
Construction in progress	6,739,633	—	—	—	—	—	—	6,739,633
General government – art and culture	—	—	1,746,411	—	—	—	—	1,746,411
General government – Improvements other than buildings	—	—	—	—	—	2,353,211	—	2,353,211
Public works – streets and subdrains	—	72,853,474	—	—	1,202,013	—	535,356	74,590,843
Total	\$ 6,739,633	72,853,474	1,746,411	19,559,986	1,202,013	2,353,211	535,356	104,990,084

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, 2010

<u>Function and Activity</u>	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance June 30, 2010</u>
Land	\$ 19,559,986	—	—	—	19,559,986
Construction in progress	4,660,968	6,072,105	—	(3,993,440)	6,739,633
General government –					
Art and culture – fine art collection	1,746,411	—	—	—	1,746,411
Total general government	1,746,411	—	—	—	1,746,411
Public works:					
Street and subdrain:					
Buildings	1,202,013	—	—	—	1,202,013
Infrastructure	118,750,020	771,192	(1,377,544)	1,988,114	120,131,782
Improvements other than buildings	347,885	—	—	2,005,326	2,353,211
Machinery and equipment	535,356	—	—	—	535,356
Less accumulated depreciation	(45,318,629)	(3,334,755)	1,375,076	—	(47,278,308)
Total public works	75,516,645	(2,563,563)	(2,468)	3,993,440	76,944,054
Total	\$ 101,484,010	3,508,542	(2,468)	—	104,990,084



CITY OF BEVERLY HILLS CALIFORNIA

Statistical Section

June 30, 2010

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

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

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



CITY OF BEVERLY HILLS, CALIFORNIA

Net Assets by Component

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities										
Invested in capital assets, net of related debt	\$ 74,236,952	\$ 87,124,580	\$90,099,003	\$99,347,030	\$134,615,771	\$170,857,755	\$144,226,802	\$152,497,188	\$171,765,870	\$170,538,512
Restricted	73,324,963	60,288,794	39,327,127	48,645,518	47,305,578	57,024,038	43,920,555	51,705,842	77,375,444	69,500,607
Unrestricted	77,981,395	86,636,302	105,473,162	106,416,210	90,742,468	100,385,884	171,148,855	191,470,975	167,201,554	207,130,349
Total governmental activities net assets	<u>225,543,310</u>	<u>234,049,676</u>	<u>234,899,292</u>	<u>254,408,758</u>	<u>272,663,817</u>	<u>328,267,677</u>	<u>359,296,212</u>	<u>395,674,005</u>	<u>416,342,868</u>	<u>447,169,468</u>
Business-type Activities										
Invested in capital assets, net of related debt	43,805,961	52,451,937	72,030,679	81,381,640	99,448,107	84,137,521	84,451,122	98,198,238	145,755,878	158,450,102
Restricted	13,404,438	13,267,746	3,553,994	3,497,160	3,341,717	3,446,471	9,126,915	3,199,748	9,463,187	10,172,350
Unrestricted	46,056,434	45,712,937	45,504,872	37,260,239	25,584,985	43,025,422	43,590,057	43,407,339	3,586,842	-1,066,250
Total business-type activities net assets	<u>103,266,833</u>	<u>111,432,620</u>	<u>121,089,545</u>	<u>122,139,039</u>	<u>128,374,809</u>	<u>130,609,414</u>	<u>137,168,094</u>	<u>144,805,325</u>	<u>158,805,907</u>	<u>167,556,202</u>
Primary Government										
Invested in capital assets, net of related debt	118,042,913	139,576,517	162,129,682	180,728,670	234,063,878	254,995,276	228,677,924	250,695,426	317,521,748	328,988,614
Restricted	86,729,401	73,556,540	42,881,121	52,142,678	50,647,295	60,470,509	47,367,026	54,905,590	86,838,631	79,672,957
Unrestricted	124,037,829	132,349,239	150,978,034	143,676,449	116,327,453	143,411,306	214,738,912	234,878,314	170,788,396	206,064,099
Total primary government net assets	<u>328,810,143</u>	<u>345,482,296</u>	<u>355,988,837</u>	<u>376,547,797</u>	<u>401,038,626</u>	<u>458,877,091</u>	<u>496,464,306</u>	<u>540,479,330</u>	<u>575,148,775</u>	<u>614,725,670</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Assets

Last Ten Fiscal Years

(Accrual basis of accounting)

(Unaudited)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Program Expenses										
Governmental Activities:										
General Government	\$ 14,677,744	\$ 15,233,544	\$ 16,612,650	\$ 17,060,296	\$ 16,860,217	\$ 3,746,165	\$ 15,314,194	\$ 9,502,490	\$ 9,307,931	\$ 7,160,618
Public Safety	42,736,731	46,927,534	50,467,538	53,964,163	60,706,720	75,061,162	84,401,851	85,943,252	87,728,743	85,792,885
Public Service	10,484,736	12,235,436	14,098,820	14,145,177	13,973,670	14,993,054	17,709,545	19,102,837	18,658,621	17,366,155
Culture and Recreation	28,955,431	34,499,747	34,093,337	34,503,604	34,855,959	39,675,546	40,121,139	41,779,877	45,771,755	44,365,466
Interest on long-term debt	8,486,029	8,338,292	8,112,750	7,874,136	7,380,629	7,200,250	7,191,097	7,569,292	7,416,895	7,344,177
Total governmental activities expenses	<u>105,340,671</u>	<u>117,234,553</u>	<u>123,385,095</u>	<u>127,547,376</u>	<u>133,777,195</u>	<u>140,676,177</u>	<u>164,737,826</u>	<u>163,897,748</u>	<u>168,883,945</u>	<u>162,029,301</u>
Business-type Activities:										
Water	13,709,473	14,059,928	15,139,918	20,047,179	17,522,958	19,724,346	21,529,204	22,832,227	26,030,993	23,693,096
Parking	10,315,601	11,151,044	11,899,951	10,657,245	12,852,588	13,438,609	15,495,363	16,978,426	18,606,662	19,439,356
Solid-waste	4,277,840	8,384,540	9,096,548	9,705,225	10,686,276	10,312,744	11,477,489	12,864,011	12,894,756	13,865,053
Wastewater	5,906,691	5,318,642	4,435,872	4,929,043	3,957,544	5,436,889	6,858,330	7,177,057	6,916,169	6,323,201
Stormwater	1,315,677	1,463,552	1,627,994	1,923,141	1,558,291	2,165,250	1,524,634	2,195,022	3,267,417	2,781,886
Total business-type activities expenses	<u>35,525,282</u>	<u>40,377,706</u>	<u>42,200,283</u>	<u>47,261,833</u>	<u>46,577,657</u>	<u>51,077,838</u>	<u>56,885,020</u>	<u>62,046,743</u>	<u>67,715,997</u>	<u>66,102,592</u>
Total primary government expenses	<u>140,865,953</u>	<u>157,612,259</u>	<u>165,585,378</u>	<u>174,809,209</u>	<u>180,354,852</u>	<u>191,754,015</u>	<u>221,622,846</u>	<u>225,944,491</u>	<u>236,599,942</u>	<u>228,131,893</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Assets Continued

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 516,180	\$ 5,592,429	\$ 6,014,375	\$ 5,718,636	\$ 8,585,134	\$ 1,880,850	\$ 1,741,610	\$ 1,380,417	\$ 1,858,869	\$ 2,105,290
Public Safety	7,500,859	7,715,870	8,871,402	10,628,062	10,374,135	17,392,742	19,445,890	21,871,626	29,253,080	27,733,231
Public Service	5,739,310	7,335,819	7,848,207	8,053,012	8,646,841	17,058,816	18,199,550	21,655,844	11,000,598	11,649,975
Culture and Recreation	2,307,087	2,709,933	3,418,883	3,702,268	3,362,647	5,679,408	4,992,910	5,272,492	7,266,355	6,996,873
Operating grants and contributions	1,718,728	1,564,700	1,895,037	2,076,083	1,933,510	2,188,255	1,752,919	2,664,454	4,677,754	3,702,698
Capital grants and contributions	1,540,904	1,064,604	203,578	11,127,637	3,255,196	27,642,764	42,373	435,366	646,089	1,506,992
Total governmental activities program revenues	<u>19,323,068</u>	<u>25,983,355</u>	<u>28,251,482</u>	<u>41,305,698</u>	<u>36,157,463</u>	<u>71,842,835</u>	<u>46,175,252</u>	<u>53,280,199</u>	<u>54,702,745</u>	<u>53,695,059</u>
Business-type Activities:										
Charges for services:										
Water	15,102,613	15,175,703	15,429,217	17,389,245	17,066,774	17,809,880	22,814,061	23,743,626	24,839,114	24,676,468
Parking	11,520,605	11,370,208	11,363,546	10,097,567	10,893,544	12,772,987	15,240,221	15,647,848	20,096,481	20,933,475
Solid Waste	5,491,062	8,212,357	9,264,620	10,569,402	11,156,033	11,796,598	12,011,266	14,275,112	14,617,004	13,369,393
Wastewater	6,076,174	6,531,029	6,528,102	7,871,955	7,356,176	7,604,664	7,820,781	8,986,631	11,481,781	12,805,556
Stormwater	1,761,193	1,763,126	1,760,311	1,762,746	1,748,528	1,804,169	1,749,609	1,788,559	1,774,572	1,845,504
Operating grants and contributions	-	33,218	-	-	-	-	-	-	35,823	2,928
Total business-type activities program revenues	<u>39,951,647</u>	<u>43,085,641</u>	<u>44,345,796</u>	<u>47,690,915</u>	<u>48,221,055</u>	<u>51,788,298</u>	<u>59,635,938</u>	<u>64,441,776</u>	<u>72,844,775</u>	<u>73,633,324</u>
Total Primary Government Program Revenues:	<u>59,274,715</u>	<u>69,068,996</u>	<u>72,597,278</u>	<u>88,996,613</u>	<u>84,378,518</u>	<u>123,631,133</u>	<u>105,811,190</u>	<u>117,721,975</u>	<u>127,547,520</u>	<u>127,328,383</u>
Net (expense) revenue										
Governmental Activities	(86,017,603)	(91,251,198)	(95,133,613)	(86,241,678)	(97,619,732)	(68,833,342)	(118,562,574)	(110,617,549)	(114,181,200)	(108,334,242)
Business-type Activities	(426,059)	2,707,935	2,145,513	429,082	1,643,398	710,460	2,750,918	2,395,033	5,128,778	7,530,732
Total Primary government net expense	<u>(86,443,662)</u>	<u>(88,543,263)</u>	<u>(92,988,100)</u>	<u>(85,812,596)</u>	<u>(95,976,334)</u>	<u>(68,122,882)</u>	<u>(115,811,656)</u>	<u>(108,222,516)</u>	<u>(109,052,422)</u>	<u>(100,803,510)</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Net Assets Continued

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets:										
Governmental Activities:										
Taxes:										
Business	\$ 23,412,688	\$ 24,976,171	\$ 26,925,080	\$ 27,303,220	\$ 28,188,103	\$ 31,634,820	\$ 33,637,997	\$ 34,371,407	\$ 34,976,554	\$ 35,481,235
Property	19,519,465	20,910,263	21,939,489	23,766,694	25,726,587	29,053,621	33,109,566	34,572,307	38,654,691	42,859,199
Sales	19,110,044	18,070,898	18,496,094	19,945,850	22,577,220	24,817,499	26,034,685	24,797,691	23,777,904	19,671,342
Transient Occupancy	17,817,850	14,648,226	14,799,776	16,683,673	19,263,710	22,842,265	25,870,676	29,101,920	24,001,879	23,447,458
Other	4,378,018	2,559,155	3,191,878	5,010,222	4,793,930	3,909,671	7,336,430	4,329,692	4,132,321	1,793,385
Grants and Contributions not restricted to specific programs	2,255,624	2,851,607	3,150,585	2,500,228	1,345,997	1,943,643	2,727,966	3,167,742	2,927,277	419,910
Unrestricted investment earnings	13,535,699	11,108,942	9,734,466	7,912,553	8,574,015	10,251,387	16,572,050	14,637,553	12,184,239	11,492,231
Net change in fair value of investments	2,231,698	1,235,374	103,542	(2,983,022)	(1,000,699)	(1,056,975)	753,662	139,064	481,383	1,479,844
Salary abatement	3,972,905	-	-	-	-	-	-	-	-	-
Pers credit	1,863,514	1,946,640	2,165,337	2,154,131	-	-	-	-	-	-
All street meters	-	-	-	2,257,223	-	-	-	-	-	-
Gain on sale of capital assets	32,744	161,146	42,974	20,005	1,958,607	86,031	2,138,495	64,215	(115,136)	-
Miscellaneous	1,801,139	567,519	617,816	1,180,367	1,118,830	946,446	1,409,582	1,813,751	541,425	1,834,044
Restatements	-	-	-	3,328,491	-	-	-	-	-	-
Transfers	10,136,773	721,623	(5,183,808)	-	-	8,794	-	-	(6,712,474)	682,194
Total Governmental Activities:	<u>120,068,161</u>	<u>99,757,564</u>	<u>95,983,229</u>	<u>109,079,635</u>	<u>112,546,300</u>	<u>124,437,202</u>	<u>149,591,109</u>	<u>146,995,342</u>	<u>134,850,063</u>	<u>139,160,842</u>
Business-type Activities:										
Unrestricted investment earnings	3,639,523	3,059,933	2,037,601	1,597,597	1,578,276	1,900,660	3,544,531	5,044,063	1,932,029	1,361,396
Net change in fair value of investments	1,244,507	708,468	200,825	(1,245,713)	(451,046)	(411,843)	223,093	100,938	192,936	505,896
Gain on sale of capital assets	34,365	37,865	39,990	-	-	-	-	-	-	-
Miscellaneous	67,461	-	49,188	268,528	66,715	44,122	40,138	97,197	34,365	34,461
Restatements	-	-	-	3,398,427	-	-	-	-	-	-
Transfers	-	(721,623)	5,183,808	-	-	(8,794)	-	-	6,712,474	(682,194)
Total Business-type Activities:	<u>4,985,856</u>	<u>3,084,643</u>	<u>7,511,412</u>	<u>4,018,839</u>	<u>1,193,945</u>	<u>1,524,145</u>	<u>3,807,762</u>	<u>5,242,198</u>	<u>8,871,804</u>	<u>1,219,559</u>
Total Primary Government:	<u>125,054,017</u>	<u>102,842,207</u>	<u>103,494,641</u>	<u>113,098,474</u>	<u>113,740,245</u>	<u>125,961,347</u>	<u>153,398,871</u>	<u>152,237,540</u>	<u>143,721,867</u>	<u>140,380,401</u>
Change in Net Assets										
Governmental Activities	34,050,558	8,506,366	849,616	22,837,957	14,926,568	5,874,628	31,028,535	36,377,793	20,668,863	30,826,600
Business-type Activities	9,412,221	5,792,578	9,656,925	4,447,921	2,837,343	4,275,063	6,558,680	7,637,231	14,000,582	8,750,291
Total Primary Government:	<u>43,462,779</u>	<u>14,298,944</u>	<u>10,506,541</u>	<u>27,285,878</u>	<u>17,763,911</u>	<u>10,149,691</u>	<u>37,587,215</u>	<u>44,015,024</u>	<u>34,669,445</u>	<u>39,576,891</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Fund Balances of Governmental Funds

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 1,268,788	\$ 7,399,194	\$ 16,897,631	\$ 16,824,428	\$ 19,613,934	\$ 18,677,717	\$ 18,404,138	\$ 18,670,005	\$ -	\$ -
Unreserved	44,028,480	43,405,486	40,182,755	46,637,118	39,149,922	50,378,595	62,990,905	74,634,257	-	-
Nonspendable	-	-	-	-	-	-	-	-	24,920,411	24,369,188
Restricted	-	-	-	-	-	-	-	-	32,000,000	32,000,000
Committed	-	-	-	-	-	-	-	-	16,364,502	16,109,814
Assigned	-	-	-	-	-	-	-	-	957,235	3,284,204
Unassigned	-	-	-	-	-	-	-	-	19,198,909	21,801,773
Total General Fund	<u>45,297,268</u>	<u>50,804,680</u>	<u>57,080,386</u>	<u>63,461,546</u>	<u>58,763,856</u>	<u>69,056,312</u>	<u>81,395,043</u>	<u>93,304,262</u>	<u>115,242,830</u>	<u>97,564,979</u>
Capital Projects Fund										
Reserved	-	-	15,505,809	15,505,809	8,141,312	2,516,874	1,733,178	12,160,704	-	-
Unreserved	35,215,339	25,557,848	5,955,987	3,372,897	4,151,113	13,488,391	7,474,736	7,866,356	-	-
Restricted	-	-	-	-	-	-	-	-	18,863,534	20,974,922
Total Capital Projects Fund	<u>35,215,339</u>	<u>25,557,848</u>	<u>21,461,796</u>	<u>18,878,706</u>	<u>12,292,425</u>	<u>16,005,265</u>	<u>9,207,914</u>	<u>20,027,060</u>	<u>18,863,534</u>	<u>20,974,922</u>
All other governmental funds										
Reserved	5,875,304	5,120,988	6,495,625	6,181,146	4,375,776	4,908,272	14,173,244	15,687,641	-	-
Unreserved, reported in:										
Special revenue funds	21,893,748	18,924,503	11,452,115	13,269,678	16,678,355	19,168,742	15,006,948	14,547,746	-	-
Permanent funds	140,746	150,535	156,420	155,007	156,214	158,782	169,963	176,338	-	-
Nonspendable	-	-	-	-	-	-	-	-	8,191,852	7,951,613
Restricted	-	-	-	-	-	-	-	-	10,622,748	11,415,127
Committed	-	-	-	-	-	-	-	-	13,165,078	3,803,123
Assigned	-	-	-	-	-	-	-	-	1,588,368	4,020,109
Unassigned	-	-	-	-	-	-	-	-	(192,753)	5,887,748
Total all other governmental funds	<u>27,909,798</u>	<u>24,196,026</u>	<u>18,104,160</u>	<u>19,605,831</u>	<u>21,210,345</u>	<u>24,235,796</u>	<u>29,350,155</u>	<u>30,411,725</u>	<u>33,375,293</u>	<u>33,077,720</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Changes in Fund Balances of Governmental Funds

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues										
Taxes	\$ 84,560,161	\$ 81,099,662	\$ 85,468,000	\$ 92,630,838	\$ 99,689,948	\$ 111,358,106	\$ 125,141,065	\$ 129,782,974	\$ 124,775,239	\$ 123,240,516
Licenses and Permits	6,321,690	5,443,584	6,364,895	8,131,835	8,010,556	10,536,677	12,226,052	12,122,383	11,425,387	9,591,105
Intergovernmental	4,495,987	5,072,804	5,249,200	5,061,331	3,427,136	4,213,782	4,523,258	5,864,032	8,251,120	5,429,676
Charges for Services	4,242,925	8,477,614	8,739,671	9,304,335	12,006,613	8,752,581	9,661,290	10,199,910	9,131,916	10,642,968
Fines, forfeitures and penalties	5,097,418	5,012,130	4,731,482	4,508,502	4,962,465	6,177,549	6,990,860	8,155,085	9,296,387	10,127,770
Use of money and property	9,920,957	8,389,863	7,752,047	5,789,525	6,366,557	7,107,586	9,411,973	8,851,189	7,233,267	6,479,178
Net change in fair value of investments	1,003,028	525,051	(130,270)	(1,399,763)	(406,404)	(448,507)	350,958	75,545	249,796	661,198
Salary abatement	3,972,905	-	-	-	-	-	-	-	-	-
All street meters	-	-	-	2,257,223	-	-	-	-	-	-
Contribution in aid of construction	-	-	-	8,686,829	3,086,159	4,300,000	-	-	-	-
Miscellaneous	2,765,354	2,514,159	2,783,153	2,680,718	1,118,830	946,446	1,409,582	1,753,751	1,175,999	973,399
Total Revenues	<u>122,380,425</u>	<u>116,534,867</u>	<u>120,958,178</u>	<u>137,651,373</u>	<u>138,261,860</u>	<u>152,944,220</u>	<u>169,715,038</u>	<u>176,804,869</u>	<u>171,539,111</u>	<u>167,145,810</u>
Expenditures										
Current										
General government	17,016,307	17,700,643	14,697,979	16,148,980	16,682,422	6,468,832	11,209,334	6,475,903	6,598,816	5,876,352
Public Safety	45,541,266	48,174,155	49,456,957	53,441,949	59,500,871	72,360,587	80,983,337	85,916,413	88,152,321	82,109,842
Public Service	11,348,941	15,031,337	15,625,877	16,964,454	16,017,702	15,043,236	17,101,857	19,903,166	21,639,515	19,164,931
Culture and Recreation	25,805,963	33,559,704	30,550,748	30,426,938	30,695,540	35,369,733	36,321,278	35,444,083	41,940,546	41,050,006
Debt Service										
Interest	1,766,075	1,766,075	1,766,075	1,766,075	1,766,075	1,766,075	1,504,183	1,511,527	1,512,819	1,512,625
Finance Charges	4,000	3,850	4,350	3,875	4,125	4,825	433,351	-	-	333,697
Capital outlay	-	9,768,219	8,033,379	13,540,353	12,840,014	2,140,614	3,873,580	6,329,172	6,629,225	7,620,966
Total Expenditures	<u>101,482,552</u>	<u>126,003,983</u>	<u>120,135,365</u>	<u>132,292,624</u>	<u>137,506,749</u>	<u>133,153,902</u>	<u>151,426,920</u>	<u>155,580,264</u>	<u>166,473,242</u>	<u>157,668,419</u>
Excess of revenues over expenditures	<u>20,897,873</u>	<u>(9,469,116)</u>	<u>822,813</u>	<u>5,358,749</u>	<u>755,111</u>	<u>19,790,318</u>	<u>18,288,118</u>	<u>21,224,605</u>	<u>5,065,869</u>	<u>9,477,391</u>
Other financing sources (uses)										
Transfers in	20,637,480	5,211,671	448,783	99,027	429,230	230,344	2,180,509	9,436,798	4,387,555	2,068,840
Proceeds of bonds	-	-	-	-	-	-	35,135,045	-	-	-
Insurance Recoveries	-	-	-	-	-	-	-	60,000	39,281	10,055
Transfers out	(27,722,793)	(3,606,406)	(5,183,808)	(158,035)	(64,723)	(2,989,915)	(9,816,594)	(6,931,468)	(7,555,868)	(5,618,549)
Payment to bond escrow agent	-	-	-	-	-	-	(35,131,339)	-	-	-
Total other financing sources (uses)	<u>(7,085,313)</u>	<u>1,605,265</u>	<u>(4,735,025)</u>	<u>(59,008)</u>	<u>364,507</u>	<u>(2,759,571)</u>	<u>(7,632,379)</u>	<u>2,565,330</u>	<u>(3,129,032)</u>	<u>(3,539,654)</u>
Special Item, pension contribution	-	-	-	-	(13,420,437)	-	-	-	-	-
Restatement	-	-	-	2,621,362	-	-	-	-	-	-
Net change in fund balances	<u>13,812,560</u>	<u>(7,863,851)</u>	<u>(3,912,212)</u>	<u>7,921,103</u>	<u>(12,300,819)</u>	<u>17,030,747</u>	<u>10,655,739</u>	<u>23,789,935</u>	<u>1,936,837</u>	<u>5,937,737</u>
Debt service as a percentage of noncapital expenditures	1.74%	1.52%	1.58%	1.49%	1.42%	1.35%	1.31%	1.01%	0.95%	1.23%

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification A Tax Due	Total Revenue Classification A Tax Paid	Total Revenue Classification A Percentage Paid	Total Direct Classification A Base Tax Rate ¹	Total Direct Classification A Additional Tax Rate ¹
2010	\$ 1,113,626	1,573,720	141.31%	235.00	0.04907
2009	1,495,961	1,236,629	82.66%	232.00	0.48540
2008	1,113,856	1,137,522	102.12%	232.00	0.04854
2007	1,251,491	1,209,995	96.68%	215.56	0.04537
2006	1,110,923	1,088,021	97.94%	207.39	0.04345
2005	1,195,093	1,177,781	98.55%	197.07	0.04128
2004	1,185,094	1,169,135	98.65%	193.81	0.04060
2003	1,214,580	1,204,494	99.17%	187.60	0.03930
2002	1,192,573	1,180,681	99.00%	183.15	0.03836
2001	1,172,100	1,163,013	99.22%	176.40	0.03695

1. Business Tax Classifications and associated rate structures:

Classification A - Business Services:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification B Tax Due	Total Revenue Classification B Tax Paid	Total Revenue Classification B Percentage Paid	Total Revenue Classification B Minimum Tax Rate ¹	Total Revenue Classification B Additional Tax Rate ¹
2010	\$ 3,074,933	3,227,558	104.96%	75.00	0.00125
2009	3,613,053	3,572,124	98.87%	75.00	0.00125
2008	3,979,385	3,973,626	99.86%	75.00	0.00125
2007	3,706,470	3,646,756	98.39%	75.00	0.00125
2006	3,510,620	3,488,038	99.36%	75.00	0.00125
2005	3,256,101	3,247,327	99.73%	75.00	0.00125
2004	3,034,898	3,029,840	99.83%	75.00	0.00125
2003	2,890,044	2,881,423	99.70%	75.00	0.00125
2002	2,955,269	2,934,122	99.28%	75.00	0.00125
2001	2,983,354	2,975,164	99.73%	75.00	0.00125

1. Business Tax Classifications and associated rate structures:

Classification B - Retail, Wholesale % Manufacturing:

-Minimum

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

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification C Tax Due	Total Revenue Classification C Tax Paid	Total Revenue Classification C Percentage Paid	Total Revenue Classification C Base Tax Rate ¹	Total Revenue Classification C Professional Payroll Tax Rate ¹	Total Revenue Classification C Non-Professional Payroll Tax Rate ¹
2010	\$ 4,092,325	4,392,554	107.34%	1,302.00	0.62601	0.12576
2009	3,910,791	3,974,905	101.64%	1,288.00	0.61920	0.12439
2008	3,790,129	3,806,890	100.44%	1,288.00	0.61920	0.12439
2007	3,786,305	3,669,272	96.91%	1,203.76	0.57873	0.11626
2006	4,117,922	4,022,750	97.69%	1,152.81	0.55424	0.11134
2005	4,085,790	4,011,585	98.18%	1,095.41	0.52664	0.10580
2004	4,056,169	3,995,910	98.51%	1,077.31	0.51794	0.10405
2003	4,052,604	4,004,914	98.82%	1,042.79	0.50135	0.10071
2002	3,929,097	3,885,775	98.90%	1,018.05	0.48945	0.09832
2001	3,756,392	3,739,625	99.55%	980.50	0.47140	0.09470

1. Business Tax Classifications and associated rate structures:

Classification C - Professionals

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

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification D Tax Due	Total Revenue Classification D Tax Paid	Total Revenue Classification D Percentage Paid	Total Revenue Classification D Minimum Tax Rate ¹	Total Revenue Classification D Additional Tax Rate ¹
2010	\$ 409,032	409,106	100.02%	255.00	0.0030
2009	292,324	292,309	99.99%	255.00	0.0030
2008	365,873	365,941	100.02%	255.00	0.0030
2007	352,937	349,646	99.07%	255.00	0.0030
2006	316,780	316,780	100.00%	255.00	0.0030
2005	205,933	205,933	100.00%	255.00	0.0030
2004	195,540	195,540	100.00%	255.00	0.0030
2003	193,238	193,238	100.00%	255.00	0.0030
2002	208,388	208,388	100.00%	255.00	0.0030
2001	212,696	212,696	100.00%	255.00	0.0030

1. Business Tax Classifications and associated rate structures:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Classification E Tax Due	Classification E Tax Paid	Classification E Percentage Paid	Classification E Tax Rate ¹	Classification F Tax Due	Total Revenue Classification F Tax Paid	Total Revenue Classification F Percentage Paid	Total Revenue Classification F Tax Rate ¹
2010	\$ 4,060,778	4,195,169	103.31%	0.0120	14,201,325	14,525,397	102.28%	0.02350
2009	4,797,380	4,838,172	100.85%	0.0120	14,257,997	14,577,480	102.24%	0.02350
2008	4,689,574	4,604,390	98.18%	0.0120	12,674,689	12,688,193	100.11%	0.02350
2007	4,101,037	4,047,342	98.69%	0.0120	11,867,324	11,403,119	96.09%	0.02350
2006	3,612,397	3,590,766	99.40%	0.0120	10,512,617	10,414,647	99.07%	0.02350
2005	3,264,531	3,261,926	99.92%	0.0120	10,481,624	10,421,110	99.42%	0.02350
2004	3,019,859	3,019,646	99.99%	0.0120	10,073,178	10,027,327	99.54%	0.02350
2003	2,930,346	2,929,104	99.96%	0.0120	9,756,471	9,755,242	99.99%	0.02350
2002	2,989,834	2,989,360	99.98%	0.0120	9,670,243	9,643,987	99.73%	0.02350
2001	3,182,568	3,181,881	99.98%	0.0120	8,863,393	8,863,393	100.00%	0.02350

1. Business Tax Classifications and associated rate structures:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification G Tax Due	Total Revenue Classification G Tax Paid	Total Revenue Classification G Percentage Paid	Total Revenue Classification G Tax Rate ¹	Total Revenue Classification G1 Tax Due ²	Total Revenue Classification G1 Tax Paid ²	Total Revenue Classification G1 ² Percentage Paid	Total Revenue Classification G1 ² Tax Rate ¹
2010	\$ 3,726,945	4,018,195	107.81%	0.00350	116,591	175,133	150.21%	0.00100
2009	3,399,337	3,483,909	102.49%	0.00350	51,831	44,074	85.03%	0.00100
2008	4,460,328	4,363,312	97.82%	0.00350	-	-	N/A	0.00100
2007	6,342,778	5,254,920	82.85%	0.00350	-	-	N/A	0.00100
2006	5,189,759	4,773,106	91.97%	0.00350	28,923	8,881	30.71%	0.00100
2005	6,001,981	5,653,590	94.20%	0.00350	147,190	112,009	76.10%	N/A
2004	4,883,326	4,633,712	94.89%	0.00350	-	-	N/A	N/A
2003	4,628,555	4,464,970	96.47%	0.00350	-	-	N/A	N/A
2002	4,553,941	4,551,257	99.94%	0.00350	-	-	N/A	N/A
2001	4,257,879	4,232,159	99.40%	0.00350	-	-	N/A	N/A

1. Business Tax Classifications and associated rate structures:

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification O.1 Tax Due	Total Revenue Classification O.1 Tax Paid	Total Revenue Classification O.1 Percentage Paid	Total Revenue Classification O.1 Minimum Tax Rate ¹	Total Revenue Classification O.1 Additional Tax Rate ¹
2010	\$ 84,890	84,423	99.45%	1,916.00	0.14
2009	69,679	69,679	100.00%	1,895.00	0.14
2008	72,408	72,328	99.89%	1,818.55	0.13
2007	75,482	75,402	99.89%	1,771.09	0.12
2006	114,881	114,881	100.00%	1,696.12	0.12
2005	110,942	110,942	100.00%	1,611.67	0.11
2004	118,460	118,460	100.00%	1,585.04	0.11
2003	125,905	125,905	100.00%	1,534.25	0.11
2002	128,707	128,707	100.00%	1,497.85	0.11
2001	118,123	118,123	100.00%	1,442.60	0.10

1. Business Tax Classifications and associated rate structures:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Revenue Bases and Rates of Business Tax, Continued

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Revenue Classification O.2 Tax Due	Total Revenue Classification O.2 Tax Paid	Total Revenue Classification O.2 Percentage Paid	Total Revenue Classification O.2 Minimum Tax Rate ¹	Total Revenue Classification O.2 Additional Tax Rate ¹
2010	\$ 109,730	112,080	102.14%	3,846.00	0.35
2009	119,274	119,340	100.06%	3,804.00	0.35
2008	118,472	118,472	100.00%	3,650.75	0.34
2007	120,570	117,556	97.50%	3,555.46	0.34
2006	69,999	69,999	100.00%	3,406.96	0.32
2005	62,179	62,179	100.00%	3,235.43	0.31
2004	51,539	51,539	100.00%	3,181.97	0.30
2003	70,621	70,621	100.00%	3,080.02	0.29
2002	75,004	75,004	100.00%	3,006.95	0.29
2001	68,786	68,786	100.00%	2,896.04	0.28

1. Business Tax Classifications and associated rate structures:

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

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Business Tax Payers²

June 30, 2010

(Unaudited)

Rank	2010 Taxpayer ¹	1999 ³ Taxpayer ¹
1	Endeavor Entertainment LLC	B.W. Hotel LLC
2	B W Hotel LLC	Oasis West Realty LLC
3	Oasis West Realty LLC	Creative Artists Agency, LLC
4	United Talent Agency Inc.	Sajahtera,INC. DBA The B.H HOTEL
5	Two Rodeo Dr.	Wilshire Rodeo Fee LLC
6	Sajahtera, Inc	Peninsula Beverly Hills
7	DE2000, LLC-9601 Wilshire	Two Rodeo Dr.
8	Peninsula Beverly Hills	International Creative Management
9	Douglas Emmett 2008 LLC	Morris Agency, WM
10	Maple Plaza LP	Maple Plaza, LTD

1. The amounts of business tax have not been disclosed due to the City's practice of confidentiality.
2. Source - The City of Beverly Hills Administrative-Services Department
3. Taxpayer data for Fiscal Year 2001 is not available.

CITY OF BEVERLY HILLS, CALIFORNIA

Property Tax Levies and Collections

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Secured Taxes					Unsecured Taxes					Total Levy Amount	Total Collections to Date	
	Total Levy	Collections		Delinquency ¹		Total Levy	Collections		Delinquency ¹ (Delinquencies Collected)			Amount	Percent of Levy
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent			
2010	\$ 37,997,237	34,923,926	91.91%	3,073,311	8.09%	1,542,801	1,640,503	106.33%	(97,702)	-6.33%	39,540,038	36,564,429	92.47%
2009	35,712,203	32,595,949	91.27	3,116,254	8.73	1,440,492	1,512,839	105.02	(72,347)	-5.02	37,152,695	34,108,788	91.81%
2008	32,319,660	29,450,707	91.12	2,868,953	8.88	1,291,430	1,287,733	99.71	3,697	0.29	33,611,090	30,738,440	91.45%
2007	27,687,280	25,526,817	92.20	2,160,463	7.80	1,242,848	1,195,746	96.21	47,102	3.79	28,930,128	26,722,563	92.37%
2006	25,332,035	22,650,471	89.41	2,681,564	10.59	1,223,537	1,236,965	101.10	(13,428)	-1.10	26,555,572	23,887,436	89.95%
2005	23,053,582	21,930,784	95.13	1,122,798	4.87	1,210,988	1,208,802	99.82	2,186	0.18	24,264,570	23,139,586	95.36%
2004	21,401,458	20,446,150	95.54	955,308	4.46	1,257,766	1,224,093	97.32	33,673	2.68	22,659,224	21,670,243	95.64%
2003	20,079,300	19,285,914	96.05	793,386	3.95	1,296,475	1,202,994	92.79	93,481	7.21	21,375,775	20,488,908	95.85%
2002	19,006,555	18,030,992	94.87	975,563	5.13	1,296,903	1,170,601	90.26	126,302	9.74	20,303,458	19,201,593	94.57%
2001	17,678,108	16,776,158	94.90	901,950	5.10	1,197,378	1,164,422	97.25	32,956	2.75	18,875,486	17,940,580	95.05%

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	Total Direct and Overlapping Tax Rate ²
2010	\$ 21,055,787,380	578,769,365	35,515,200	21,599,041,545	21,634,556,745	99.84%	1.087422
2009	19,813,776,889	567,725,139	35,618,800	20,345,883,228	20,381,502,028	99.83	1.165423
2008	17,690,479,457	543,352,271	35,725,200	18,198,106,528	18,233,831,728	99.80	1.153668
2007	16,239,966,588	451,072,766	35,728,000	16,655,311,354	16,691,039,354	99.79	1.139866
2006	14,966,672,240	424,717,447	36,086,400	15,355,303,287	15,391,389,687	99.77	-
2005	13,678,028,419	438,688,276	36,335,600	14,080,381,095	14,116,716,695	99.74	-
2004	12,797,945,339	398,885,451	36,197,000	13,160,633,790	13,196,830,790	99.73	-
2003	12,045,395,152	409,001,238	36,428,000	12,417,968,390	12,454,396,390	99.71	-
2002	11,458,425,101	418,296,255	36,436,400	11,840,284,956	11,876,721,356	99.69	-
2001	10,562,377,726	414,388,951	36,727,600	10,940,039,077	10,976,766,677	99.67	-

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

CITY OF BEVERLY HILLS, CALIFORNIA

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

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City of Beverly Hills			School Districts			County of Los Angeles						
	General Fund (Base) ²	Retirement Benefits for Public Safety Personnel	Total	Beverly Hills Unified	Los Angeles Unified	Los Angeles Community College ³	General	Flood Control District ³	Sanitation District No. 4	School Services ³	Metropolitan Water District	West Mosquito Abatement District	Total
2010	\$ 1.0000	0.0147	1.0147	0.0453	0.1495	0.0231	—	—	—	—	0.0043	—	1.2369
2009	1.0000	0.0142	1.0142	0.0484	0.1247	0.0221	—	—	—	—	0.0043	—	1.2137
2008	1.0000	0.0170	1.0170	0.0499	0.1233	0.0088	0.0007	—	—	—	0.0045	—	1.2042
2007	1.0000	0.0062	1.0062	0.0546	0.1067	0.0215	0.0007	0.0001	—	—	0.0047	—	1.1944
2006	1.0000	0.0061	1.0061	0.0605	0.0842	0.0143	0.0008	0.0000	—	—	0.0052	—	1.1712
2005	1.0000	0.0061	1.0061	0.0619	0.0888	0.0181	0.0009	0.0002	—	—	0.0058	—	1.1818
2004	1.0000	0.0062	1.0062	0.0668	0.0771	0.0199	0.0010	0.0005	0.0000	—	0.0061	—	1.1776
2003	1.0000	0.0064	1.0064	0.0678	0.0369	0.0146	0.0010	0.0009	0.0010	—	0.0067	—	1.1353
2002	1.0000	0.0064	1.0064	0.0420	0.0481	0.0160	0.0011	0.0011	0.0010	—	0.0077	—	1.1234
2001	1.0000	0.0079	1.0079	0.0448	0.0276	—	0.0013	0.0016	0.0013	—	0.0088	—	1.0933

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		
2010	\$ 44,077,643	1,568,986,406	279,833,358	2,514,165,817	96,590,730	386,957	2,240,662,798	51,225,143	859,067
2009	42,133,834	1,447,110,531	269,915,862	2,519,542,643	96,751,661	371,525	2,254,472,192	50,706,055	828,275
2008	37,912,065	1,336,677,741	186,241,856	2,354,220,287	90,503,686	342,017	2,124,251,752	51,167,058	756,506
2007	35,457,542	1,160,435,290	229,168,057	2,181,826,195	84,265,365	312,918	1,961,481,312	44,710,877	698,041
2006	33,486,667	978,209,602	178,652,749	1,973,711,974	76,289,600	275,723	1,785,859,454	47,266,926	641,561
2005	30,871,967	913,999,954	179,854,125	1,819,799,380	72,120,621	250,145	1,638,404,110	50,158,693	613,289
2004	29,440,970	806,245,366	172,145,440	1,690,927,359	68,658,901	233,828	1,532,895,593	45,823,845	579,904
2003	27,774,098	647,868,189	143,792,343	1,575,523,696	66,870,275	220,548	1,435,656,696	50,337,656	552,379
2002	23,460,661	640,376,246	133,106,930	1,493,979,343	64,124,699	271,372	1,359,151,316	51,936,338	518,550
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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Property Taxpayers

Year Ended June 30, 2010

(Unaudited)

		<u>2010¹</u>				<u>2000²</u>	
<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Net Assessed Valuation</u>
Douglas Emmett LLC	Office buildings	\$ 542,515,584	2.51%	Sajahtera Inc	Hotel	172,000,000	1.70
Project Lotus LLC	Office/store/residential/parking	520,200,000	2.41	Arden Realty LP	Office buildings	158,868,000	1.57
Sloane Two Rodeo LLC	Shopping center	280,511,600	1.30	B W Hotel LLC	Hotel	153,484,000	1.51
Trea Wilshire Rodeo LLC	Office buildings	207,678,404	0.96	Two Rodeo Assoc	Shopping center	110,300,000	1.09
B W Hotel LLC	Hotel	179,060,246	0.83	Grifftel	Hotel	103,568,000	1.02
Oasis West Realty LLC	Office buildings	141,645,351	0.66	Wilroad Assoc. LTD	Office/store/residential/parking	85,524,000	0.84
Maple Plaza LP	Office buildings	140,661,086	0.65	State St. Bk. And Trust	Office buildings	60,800,000	0.60
Beverly Wilshire Owner LP	Shopping center	101,881,336	0.47	Maple Plaza, LTD	Office buildings	51,862,000	0.51
407 N Maple LP	Office buildings	89,474,400	0.41	Belvedere Hotel	Hotel	51,775,000	0.51
Hlt Hq Spe LLC	Office buildings	88,230,000	0.41	Gilbert, Arthur et al	Department store	45,055,000	0.44
		2,291,858,007	10.61			993,236,000	9.80
Total of principal property taxpayers		2,291,858,007	10.61	Total of principal property taxpayers		993,236,000	9.80
All other property taxpayers		19,307,183,538	89.39	All other property taxpayers		9,146,152,000	90.20
		\$ 21,599,041,545	100.00%			\$ 10,139,388,000	100.00%
Total		\$ 21,599,041,545	100.00%	Total		\$ 10,139,388,000	100.00%

1. Source – 2009-2010 County assessor Data, Muniservice, LLC 2009-2010

2. Source - Los Angeles County Assessor

CITY OF BEVERLY HILLS, CALIFORNIA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita Income factor	Per Capita
	Revenue Bonds		Revenue Bonds	Capital Leases				
2010 ¹	\$	139,920,811	127,564,570	-	267,485,381	8.8322%	84657	3,160
2009 ¹		146,313,284	122,987,903	-	269,301,187	8.8922%	84657	3,181
2008 ¹		152,323,541	127,529,455	-	279,852,996	9.5397%	81526	3,433
2007 ¹		158,012,245	110,637,929	18,536,904	287,185,316	10.0402%	79269	3,623
2006 ²		140,288,157	64,163,600	19,215,841	223,667,598	—	—	—
2005 ²		144,999,466	68,050,505	19,855,335	232,905,306	19.4670%	33362	6,981
2004 ²		149,528,882	71,794,305	20,457,678	241,780,865	21.0599%	31918	7,575
2003 ²		153,630,608	75,235,792	23,311,857	252,178,257	23.0278%	30674	8,221
2002 ²		150,509,035	81,627,111	-	232,136,146	21.7724%	30161	7,697
2001 ²		153,971,982	74,045,224	-	228,017,206	21.1307%	30951	7,367

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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Computation of Direct and Overlapping Debt

June 30, 2010

(Unaudited)

<u>Jurisdiction</u>	<u>Gross Debt²</u>	<u>Net Assessed Valuation³</u>	<u>Amount of Gross Debt Applicable to the City²</u>		<u>Gross Debt Applicable to the City</u>
			<u>Direct</u>	<u>Overlapping</u>	
City of Beverly Hills ¹	\$ 139,920,811	21,599,041,545	139,920,811	1,399,208	100.000%
Beverly Hills Unified School District	192,398,609	21,545,117,211	—	191,990,724	99.788
Los Angeles Unified School District	12,331,210,324	447,878,587,397	—	2,836,178	0.023
Los Angeles Community College District	2,365,515,000	583,350,955,434	—	96,915,150	4.097
County of Los Angeles	1,210,027,489	1,075,011,703,995	—	28,157,340	2.327
Los Angeles County Flood Control District	69,610,000	1,023,150,346,588	—	1,610,079	2.313
County Sanitation District No. 4 Authority	3,357,676	Direct Assessment	—	86,393	2.573
Mountains Recreation/Conservation Authority	12,655,000	Direct Assessment	—	101	0.001
	<u>\$ 16,324,694,909</u>		<u>139,920,811</u>	<u>322,995,173</u>	

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

CITY OF BEVERLY HILLS, CALIFORNIA

Legal Debt Margin Information

Last Ten Fiscal Years

(Unaudited)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 411,628,750	\$ 445,377,051	\$ 467,039,865	\$ 494,881,155	\$ 529,376,876	\$ 577,177,113	\$ 625,913,976	\$ 683,768,690	\$ 764,306,326	\$ 811,295,878
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	411,628,750	445,377,051	467,039,865	494,881,155	529,376,876	577,177,113	625,913,976	683,768,690	764,306,326	811,295,878
Total net debt applicable to the limit as a percentage of debt limit	-	-	-	-	-	-	-	-	-	-

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed valuations:

Net assessed value	21,599,041,545
Add back exempt real property	<u>35,515,200</u>
Total assessed value	<u>21,634,556,745</u>

Legal debt margin:

Debt limitation (3.75% of total assessed value)	811,295,878
Debt applicable to limitation:	
Total long-term liabilities	308,799,297
Amounts to be paid from:	
Water revenue	73,508,838
Parking revenue	39,708,082
Wastewater revenue	14,347,650
Unearned Revenue	570,031
Deferred Credit from sale-leaseback transactions	1,065,261
Other lease revenue bonds	139,920,811
Other Post Employment Benefit Obligation	1,783,435
Compensated absences	14,116,328
Outstanding claims	9,328,222
Notes payable	<u>14,450,639</u>
Total long-term liabilities excluded from computation	<u>308,799,297</u>
Total debt applicable to limit	<u>(0)</u>
Legal debt margin	<u>811,295,878</u>

CITY OF BEVERLY HILLS, CALIFORNIA

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

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Funds Debt Service		(A) Subtotal	Governmental Activities Debt Service in Internal Service Funds		(C) Total Debt Service	(D) Total General Government Expenditures	(E) Total Governmental Activities Expenses	Ratio of Debt Service to General Governmental Expenditures (A)/(D)	Ratio of Governmental Activities Debt Service to General Governmental Expenses Plus Principal (C)/[(B)+(E)]
	Principal	Interest		Principal (B)	Interest					
2010	\$ —	1,512,625	1,512,625	—	5,497,855	7,010,480	155,666,002	162,029,301	0.97%	4.33%
2009	—	1,512,819	1,512,819	6,037,268	5,904,076	13,454,163	167,399,885	168,883,945	0.90	7.69
2008	—	1,511,527	1,511,527	5,715,718	6,057,765	13,285,010	149,191,092	163,897,748	1.01	7.83
2007	—	1,504,183	1,504,183	4,820,830	5,253,563	11,578,576	112,418,295	164,737,826	0.01	0.07
2006	—	1,766,075	1,766,075	4,654,162	5,429,350	11,849,587	134,003,203	140,676,177	1.32	8.15
2005	—	1,766,075	1,766,075	4,472,268	5,610,429	11,848,772	124,731,458	133,777,195	1.42	8.57
2004	—	1,769,950	1,769,950	4,044,580	6,104,186	11,918,716	118,910,306	127,547,376	1.49	9.06
2003	—	1,770,425	1,770,425	1,848,571	6,342,325	9,961,321	117,285,794	123,385,095	1.51	7.95
2002	—	1,769,925	1,769,925	3,501,380	6,568,367	11,839,672	119,842,170	117,234,553	1.48	9.81
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

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

CITY OF BEVERLY HILLS, CALIFORNIA

Ratios of Debt Service Per Capita

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Per Capita ¹
	Principal	Interest	Principal	Interest		
2010	\$ 7,181,213	6,788,760	4,688,787	5,603,809	24,262,569	675
2009	6,037,268	7,295,907	4,692,732	5,657,844	23,683,751	662
2008 ²	5,715,718	7,524,535	2,999,282	4,333,646	20,573,181	572
2007	4,820,830	5,740,760	4,284,170	3,725,437	18,571,197	515
2006	6,420,238	7,091,662	2,780,837	1,882,432	18,175,169	507
2005	4,472,269	5,384,700	3,007,102	1,818,017	14,682,088	408
2004	4,044,580	7,499,719	2,425,420	1,957,097	15,926,816	539
2003	1,848,570	7,686,546	976,430	2,323,925	12,835,471	162
2002	3,501,379	7,899,223	1,628,621	2,648,184	15,677,407	482
2001	3,345,856	8,046,960	2,139,144	2,870,787	16,402,747	556

1. Source - U.S. Department of Commerce, Bureau of Economic Analysis.

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

CITY OF BEVERLY HILLS, CALIFORNIA

Water Enterprise Fund Long-Term Debt Coverage

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Water Enterprise Fund Operations			Water Enterprise Long-Term Debt Service Requirements ³			Coverage
	Gross Revenues ¹	Expenses Net of Depreciation and Interest ²	Net Revenue Available for Debt Service	Principal	Interest Expense ⁴	Total	
2010	\$ 25,159,048	17,723,125	7,435,923	1,690,000	2,748,504	4,438,504	1.68
2009	25,501,072	19,693,842	5,807,230	1,465,000	2,788,791	4,253,791	1.37
2008	26,132,391	16,556,523	9,575,868	670,000	2,190,839	2,860,839	3.35
2007	24,730,942	16,150,895	8,580,047	500,000	1,036,009	1,536,009	5.59
2006	18,491,068	14,881,353	3,609,715	475,000	542,048	1,017,048	3.55
2005	17,616,827	12,817,261	2,522,234	460,000	560,448	1,020,448	2.47
2004	17,789,695	15,267,461	4,157,948	680,000	579,581	1,259,581	3.30
2003	16,594,748	12,436,800	5,228,502	655,000	607,548	1,262,548	4.14
2002	16,879,558	11,651,056	5,885,672	910,000	647,361	1,557,361	3.78
2001	17,419,512	11,533,840	5,977,437	850,000	698,123	1,548,123	3.86

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

CITY OF BEVERLY HILLS, CALIFORNIA

Wastewater Enterprise Fund Long-Term Debt Coverage

Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Wastewater Enterprise Fund Operations			Wastewater Enterprise Long-Term Debt Service Requirements ³			Coverage
	Gross Revenues ¹	Expenses Net of Depreciation and Interest ²	Net Revenue Available for Debt Service	Principal	Interest	Total	
2010	\$ 13,137,309	4,326,481	8,810,828	1,000,000	613,397	1,613,397	5.46
2009	11,705,763	4,883,899	6,821,864	910,000	695,453	1,605,453	4.25
2008	9,347,275	5,136,271	4,211,004	870,000	758,071	1,628,071	2.59
2007	8,387,722	4,773,246	4,521,302	835,000	867,721	1,702,721	2.66
2006	7,917,174	3,395,872	4,521,302	800,000	899,721	1,699,721	2.66
2005	7,549,042	1,949,560	5,599,482	775,000	930,721	1,705,721	3.28
2004	7,928,519	2,933,966	4,994,553	745,000	958,038	1,703,038	2.93
2003	6,764,202	2,473,840	4,290,362	700,000	994,209	1,694,209	2.53
2002	6,886,113	3,367,825	3,518,288	660,000	1,039,621	1,699,621	2.07
2001	6,592,540	4,082,274	2,510,266	615,000	1,082,934	1,697,934	1.48

1. Includes operating and nonoperating revenues. Amounts exclude operating transfers in, capital contributions and residual equity transfers in.
2. Includes operating expenses less depreciation and amortization, plus nonoperating expenses less interest expense. Amounts exclude operating transfers out and residual equity transfers out.
3. Amounts exclude compensated absences.

CITY OF BEVERLY HILLS, CALIFORNIA

Demographic and Economic Statistics

Last Ten Fiscal Years
(Unaudited)

Year	Population ¹	Median Household Income ²	Personal Income ³	Per Capita Personal Income ³	Unemployment Rate ⁴
2010	35,953	\$ -	\$ 3,032,851,268	\$ 84,356	8.10%
2009	35,774	-	3,028,519,518	84,657	5.20%
2008	35,983	-	2,933,550,058	81,526	3.40%
2007	36,084	-	2,860,343,000	79,269	3.20%
2006	35,813	-	-	-	3.30%
2005	35,754	-	-	-	3.40%
2004	35,648	-	-	-	4.20%
2003	35,353	-	1,095,101,685	30,979	4.50%
2002	34,880	-	1,066,193,126	30,581	4.40%
2001	34,403	-	1,079,078,411	31,371	3.70%

1. Source - State of California Department of Finance. Years 2001-2006 reflect the year 2000 Benchmark that corrects for census omissions and geo-coding errors.
2. The median household income information is not available for years 2010-2001.
3. Source - U.S. Department of Commerce, Bureau of Economic Analysis. Personal income information is not available for years 2004-2006. The per capita personal income information is not available for years 2004-2006 and 2000. 2007, 2008, 2009 and 2010 data is from MuniServices, LLC 2007-2010.

CITY OF BEVERLY HILLS, CALIFORNIA

Demographic Statistical Data

June 30, 2010
(Unaudited)

Percent of Population in Various Age Groups ¹:

Age	1960	1970	1980	1990	2000	2010 ⁴
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	43.1

Population Distribution by Race (2000 Census) ¹:

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

Average income levels (Estimated 2008) ¹:

	Households	Families
Median	\$ 88,014	114,021

Housing Units (Estimated 2008) ¹: 16,052

Housing Units (2000 Census) ¹:

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

Household Size (2000 Census) ¹:

Household	Households	Percent
1	5,737	38.20%
2	4,515	30.00
3	1,897	12.60
4	1,678	11.20
5	846	5.60
6+	362	2.40
	<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 :	5,168
All schools (Nursery - 12) (2000 Census) ¹ :	6,141

1. Source – Census of Population and Housing, U.S. Bureau of the Census. The official population census of the United States is conducted every ten years, most recently in 2000. The next U.S. Census will take place in 2010 and will be available 12/31/2010.
2. Source – State of California Department of Finance
3. Source – Beverly Hills Unified School District
4. Source- MuniServices, LLC 2009-2010.

CITY OF BEVERLY HILLS, CALIFORNIA

Principal Employers

Current Year and Ten Years Ago³
(Unaudited)

Rank	Employer	2010 ¹		Employer	2004 ²	
		Employees	Percentage of Total City Employment		Employees	Percentage of Total City Employment
1	Beverly Hilton Hotels	1,147	2.5%	City of Beverly Hills	1,042	2.2%
2	City of Beverly Hills	1,100	2.4%	Beverly Hills Unified School District	642	1.4%
3	Circa 55	750	1.6%	Regent Beverly Wilshire Hotel	620	1.3%
4	Regent Beverly Wilshire Hotel	746	1.6%	Beverly Hilton Hotel	599	1.3%
5	Beverly Hills Unified School District	600	1.3%	Beverly Hills Hotel	500	1.1%
6	William Morris Agency, Inc	600	1.3%	William Morris Agency, Inc.	500	1.1%
7	Beverly Hills Hotel	525	1.1%	Saks Fifth Avenue	460	1.0%
8	Peninsula Beverly Hills Hotel	473	1.0%	Neiman Marcus Group, Inc.	450	1.0%
9	Saks Fifth Avenue	365	0.8%	Creative Artists Agency	425	0.9%
10	Shelton, Nelson & Associates	300	0.7%	Peninsula Beverly Hills Hotel	400	0.9%
	Total	6,606	14.3%	Total	5,638	12.2%
	All others:	39,384	85.7%	All others:	40,081	87.80%
	Total	45,990	100%	Total	45,719	100%

1. Source -MuniServices, LLC 2009-2010

2. Source - Dun & Bradstreet, Info USA, Burr Consulting. The most recent period prior to Fiscal Year 2009/2010, in which such information is available is Fiscal Year 2004.

3. The information for the top 10 employers for the City of Beverly Hills for Fiscal Year 2000 is not available.

CITY OF BEVERLY HILLS, CALIFORNIA

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years
(Unaudited)

Function	Full-time Equivalent Employees									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government	94.51	93.05	93.78	90.15	89.02	97.63	100.51	108.21	114.47	100.73
Public Safety	413.57	429.31	434.91	426.16	422.27	393.72	394.3	403.90	326.87	301.27
Public Service	262.20	277.39	269.08	254.88	246.93	263.51	235.1	283.47	319.32	304.64
Culture and Recreation	199.24	201.42	211.41	207.46	194.8	163.94	137.07	178.59	206.53	208.26
Total	<u>969.52</u>	<u>1,001.17</u>	<u>1,009.18</u>	<u>978.65</u>	<u>953.02</u>	<u>918.80</u>	<u>866.98</u>	<u>974.17</u>	<u>967.19</u>	<u>914.90</u>

CITY OF BEVERLY HILLS, CALIFORNIA

Operating Indicators

Current Year and Nine Years Ago⁸

(Unaudited)

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Business licenses issued ¹	8,498	11,751	11,884	11,488	11,620	11,620	12,300	14,000	10,500	10,250
Public Safety										
Police										
Physical arrests ²	276	221	275	221	1,272	0	1,180	1,040	1,057	1,047
Traffic violations:										
Signed Citations ²	13,541	11,912	13,376	14,598	9,737	0	14,690	14,693	14,105	16,289
Non-Moving Citations ²	—	—	—	—	7,311	0	6,700	5,905	5,115	6,616
Parking Citations ³	—	—	—	120,852	109,189	132,578	139,134	146,059	168,273	168,000
Calls For Service by Patrol ²	55,620	57,851	61,393	51,856	48,111	0	47,512	48,855	47,453	42,667
Fire ⁴										
Number of calls answered	—	—	—	—	—	5,187	5,645	6,065	6,073	5,942
Building and Safety										
Inspections	16,498	16,893	17,956	17,979	15,146	10,642	4,733	10,544	10,358	8,741
Building permits issued	2,352	2,228	2,319	2,447	2,743	0	2,298	2,396	1,922	1,130
Public Service										
Street resurfacing (miles)	—	—	—	—	—	1	3	3	12	14
Potholes repaired ⁵	—	—	—	—	—	678	832	750	596	650
New water connections	15	9	10	7	23	31	26	44	39	40
Water main breaks	25	17	29	25	20	29	32	35	18	22
Gallons of water (average daily consumption in millions)	12.44	11.75	10.30	10.30	10.30	10.30	11.20	12.01	11.40	11.20
Culture and Recreation										
Number of children participating in library programs ⁶	15,386	18,574	19,912	16,889	13,667	17,305	25,152	7,466	9,546	10,293
Total enrollment in City offered classes ⁷	—	—	—	8,787	11,094	13,041	16,990	14,270	18,272	16,067
Total participating art show artists	433	449	462	467	476	471	482	484	463	481

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

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

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

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

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

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

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

8. Source- Various City Departments

CITY OF BEVERLY HILLS, CALIFORNIA

Capital Asset Statistics by Function

Last Ten Fiscal Years¹
(Unaudited)

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	40	40	40	40	43	43	48	49	45	45
Fire										
Fire Stations	3	3	3	3	3	3	3	3	3	3
Fire Trucks ²	—	—	—	—	—	16	25	25	25	25
Public Service										
Miles of streets (all paved)	102	102	102	102	102	109	109	109	109	109
Miles of alleys (all paved)	41	41	41	41	41	41	41	41	41	41
Street lights	5,683	5,683	5,683	5,683	5,683	5,017	5,017	5,018	5,018	5,018
Alley lights	858	858	858	858	858	858	858	858	858	858
Traffic Signalized intersections	94	94	94	94	94	95	95	96	98	97
Parking meters (on street)	2,770	2,770	2,770	2,770	2,770	2,762	3,150	3,129	2,756	2,756
Water mains (miles)	171	171	171	171	171	171	171	171	171	171
Meters in service	10,656	10,728	10,728	10,728	10,728	10,728	11,114	11,158	11,158	11,158
Fire hydrants	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,305	1,305	1,345
Sanitary sewers (miles)	96	96	96	96	96	96	96	98	98	98
Storm drains (miles) ³	84	84	84	84	84	84	84	32	32	32
Culture and Recreation										
Parks acreage	97.4	97.4	97.4	97.4	97.4	97.4	97.4	97.4	97.4	97.4
Mini-parks acreage	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
School playground acreage	16	16	16	16	16	16	16	16	16	16

1. Source- Various City Departments

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

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

