



The Beverly Hills City Council Liaison / Audit Committee will conduct a Special Meeting, at the following time and place, and will address the agenda listed below:

CITY HALL  
455 North Rexford Drive  
4th Floor Conference Room A  
Beverly Hills, CA 90210

Wednesday, January 16, 2019  
5:00 p.m.

#### AGENDA

- 1) Public Comment
  - a. Members of the public will be given the opportunity to directly address the Committee on any item listed on the agenda.
- 2) June 30, 2018 Annual Financial Audit and Comprehensive Annual Financial Report  
[www.beverlyhills.org/cbhfiles/storage/files/356201190651110083/FY18CAFR12-27-18FINAL.pdf](http://www.beverlyhills.org/cbhfiles/storage/files/356201190651110083/FY18CAFR12-27-18FINAL.pdf)
- 3) FY17/18 Independent Auditor's Report
- 4) Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Governmental Accounting Standards
- 5) Independent Auditor's Report Applying Agreed-Upon Procedures
- 6) Adjournment

A handwritten signature in black ink, appearing to read "Lourdes Sy-Rodriguez".

Lourdes Sy-Rodriguez, Assistant City Clerk

Posted: January 14, 2019

**A DETAILED LIAISON AGENDA PACKET IS AVAILABLE FOR REVIEW IN THE LIBRARY AND CITY CLERK'S OFFICE.**



In accordance with the Americans with Disabilities Act, Conference Room A is wheelchair accessible. If you need special assistance to attend this meeting, please call the City Manager's Office at (310) 285-1014 or TTY (310) 285-6881. Please notify the City Manager's Office at least twenty-four (24) hours prior to the meeting if you require captioning service so that reasonable arrangements can be made.



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1d to the financial statements, during the year ended June 30, 2018, the City adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, which resulted in a restatement of the July 1, 2017 governmental activities and business-type activities net position in the amount of \$91,263,899 and \$12,098,781, respectively, in addition to restatements to various City proprietary funds. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of contributions - CalPERS plan, and the schedule of changes in total other post-employment benefit liability and related ratios, identified as required supplementary information (RSI) in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

The combining and individual fund statements and schedules, except for the schedule of capital assets used in the operation of governmental funds for the year ended June 30, 2017, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2018 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, except for the schedule of capital assets used in the operation of governmental funds for the year ended June 30, 2017, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Beverly Hills as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated December 28, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The schedule of capital assets used in the operation of governmental funds, for the year ended June 30, 2017 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 financial statements. The schedule of capital assets used in the operation of governmental funds for the year ended June 30, 2017, has been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of capital assets used in the operation of governmental funds for the year ended June 30, 2017, is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018, on our consideration of the City of Beverly Hills, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Crowe LLP

Costa Mesa, California  
December 27, 2018

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the City of Beverly Hills, California, (the City) as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 27, 2018. Our report included an emphasis of matter noting that the City adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, which resulted in a restatement of the July 1, 2017 governmental activities and business-type activities net position in the amount of [\$91,263,899] and [\$12,098,781], respectively, in addition to restatements to various City proprietary funds. Our opinions are not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2018-001 and 2018-002 to be material weaknesses.

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(Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as 2018-003 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The City's Response to Findings**

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe LLP

Costa Mesa, California  
December 27, 2018



## SCHEDULE OF FINDINGS AND RESPONSES

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### 2018-001 Information System Controls (Material Weakness)

#### **Criteria:**

Internal controls over information systems are a key component of an organization's control environment. Entities should have internal controls including policies and procedures regarding segregation of duties, user access, monitoring changes to user security profiles, and appropriate design of password controls. Where adequate segregation of duties cannot be employed to adequately separate those with super user access from operational access to process transactions, detective and monitoring review controls should be established that adequately mitigate such risks. Such controls enable entities to increase efficiency by reducing manual processes and improving the accuracy and quality of the data used across those information systems. Such controls are also important to prevent erroneous and fraudulent transactions or entry to systems. Access to information systems should be removed when there is no longer a business need.

#### **Condition:**

We evaluated system access to the City of Beverly Hills (the City) Active Directory as well as the financial reporting system, MUNIS. The Active Directory authenticates and authorizes all users and computers in a Windows domain type network-assigning and enforcing security policies for all computers and installing or updating software. For example, when a user logs into a computer that is part of a Windows domain, Active Directory checks the submitted password and determines whether the user is an authorized user.

#### **Context:**

During our assessment of information system controls, we noted the following:

- During the first six months of the fiscal year, there was one user in the Administrative Services Department (ASD), Accounting Division who maintains super user access to the financial reporting system, in addition to operational roles in the normal course of business. Super user access includes the ability to add, modify and delete user accounts as well as assign security privileges to user accounts. The Information and Technology (IT) and Administrative Services Departments do not have a process to evaluate and document the propriety of super user changes to user access profiles within the financial reporting system.
- The IT and Administrative Services Departments did not have a process in place during the period under audit to review application/system logs to validate that access to the financial reporting system is limited to current employees and that access levels assigned to users is appropriately limited to the functions of their job responsibilities.
- Management did not have a process in place during the year ended June 30, 2018 to ensure access to information systems was removed in a timely matter.

#### **Cause:**

- Super user access - Management did not identify an appropriate resource to designate a system administrator outside of the operations environment.
- Review of change in user access roles - Management did not have a process in place to review changes in user access roles within the financial reporting system.
- Terminated users - While policies require that access is removed upon employee separation, internal controls are not adequately designed to ensure that access is removed on a timely basis. Timely communication between the Administrative Service Department Human Resources and Accounting Divisions and the IT Department to initiate the removal of access for separated employees was not consistently operating.

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(Continued)

## SCHEDULE OF FINDINGS AND RESPONSES

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### **Effect:**

Inadequate segregation of duties among City personnel responsible for changes to user account security settings and performing in an operational capacity during the regular course of business could lead to management override of internal controls. The absence of appropriate monitoring of super user access could result in unauthorized transactions recorded in the financial reporting system, where management would not be able to detect such activity. Further, the lack of timely removal of system access for terminated employees may lead to unauthorized access to City information.

### **Recommendation:**

We recommend that management establish written system access policies and procedures which provide for the appropriate levels of user access based on the relative roles and responsibilities within the financial reporting system. A best practice is to provide the lowest level of access based on operational need. Further, we recommend the City perform a systematic review and maintain documentation of user's access rights within the financial reporting system, to ensure that a) there are not users with super user access who also have the ability to perform operational functions within the financial reporting system and b) user access roles are only for those functions which are necessary to perform in the normal course of business. Additionally, we recommend that the City consider removing user access accounts for users, which no longer have a business purpose to retain such access, in a timely manner.

### **Management's response and planned corrective action:**

The City agrees that internal controls are critical to our control environment and will work to implement changes necessary to mitigate the risks identified.

The Accounting Manager played a critical role in the implementation of the City's new Enterprise Resource Planning (ERP) system and as such, did have super user rights to the software. As she developed the City's user roles for the software, she had maintained this access subsequent to implementation and has processed necessary user updates, as needed, based on the request of the department and work function/responsibilities. Finance Department staff have operational roles, which require the use of Munis in the course and scope of their duties; therefore, we are working to identify/obtain staff resources who could oversee the administration of the ERP system and provide additional technical support and report writing capabilities on a permanent basis. For the short-term, we worked with Information Technology (IT) Department to transition user access, permissions, and workflow implementation and changes to the Information Technology Department and have provided internal and Munis-led trainings.

**Review of changes to user accounts:** We are continuing to work with IT and Munis to develop user-friendly understandable reporting to be able to perform periodic reviews of Munis access changes, which can be reviewed and approved, in addition to preparing written policies regarding such access. We are also working with IT to develop a more formal process for requesting and tracking the changes made to user accounts, roles, and workflow, utilizing their ServiceDesk request platform to potentially build in Finance approvals as well as routing the request to IT for updates.

**Terminated users:** Regarding terminations, the City does have a basic process in place for managing terminated employees' access in Munis and for Active Directory changes; however, the City agrees that this process can be strengthened. Finance has been working with the Information Technology Department and the Human Resources Department to establish a new Administrative Regulation (AR), which includes policy and procedures, checklists, flowchart and overall process workflow for a new separation process. The goal is to begin utilizing electronic personnel actions, which will originate at the department level and then flow through to the necessary approves via workflow. Trainings were held during the month of December for personnel actions entry procedures and for Munis approval and checklist procedures. This new AR will be implemented in January 2019 and the departments have been advised of this change and will be required to enter and follow the new procedures at that time, recognizing that with any new process, challenges may arise and changes may need to be made to streamline the new process.

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## SCHEDULE OF FINDINGS AND RESPONSES

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### **2018-002 Payroll Segregation of Duties Internal Control (Material Weakness)**

#### **Criteria:**

Entities should have strong internal controls that segregate the ability of an individual to initiate and approve changes to employee records from processing payroll. If such functions are not segregated, detective and monitoring review controls should be established that adequately mitigate such risks.

#### **Condition:**

One employee in the Payroll department has the ability to initiate and approve changes to underlying employee payroll records on a personnel action form without a separate review or approval to verify that the change made was appropriate. The same individual has the ability to process payroll.

#### **Context:**

We note that while such individual employee had the ability to both initiate and approve changes to underlying employee payroll records, no changes to employee payroll records were initiated by this individual during the current fiscal year.

#### **Cause:**

Internal controls over the separation of key functions in the payroll process are not properly designed.

#### **Effect:**

Inadequate segregation of duties among personnel with the ability to modify pay levels and process payroll could result in unauthorized payroll transactions.

#### **Recommendation:**

We recommend that management separate the function of processing changes to underlying payroll records from the payroll processing function.

#### **Management's response and planned corrective action:**

Management understands and agrees that segregation of duties in the payroll process is important. Management will perform a comprehensive review of the internal controls in the payroll process with the goal of full segregation between HR and payroll. If it is determined system or other limitations prevent full segregation, monitoring review controls will be implemented.

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## SCHEDULE OF FINDINGS AND RESPONSES

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### 2018-003 Financial Reporting Deficiency in Internal Control (Significant Deficiency)

**Criteria:**

Internal controls over the closing and financial reporting process should be in place to ensure the City has the ability to initiate, record, process and report accurate financial data consistent with generally accepted accounting principles.

**Condition/Context:**

During the year-end testing procedures, we identified several adjustments or errors in financial statement disclosures relating to accounts payable, lease revenue, charges for services, capital assets, cash and investments and other post-employment benefits. These adjustments were reflected in the Comprehensive Annual Financial Report (CAFR) to ensure balances were properly accounted and disclosed in accordance with Generally Accepted Accounting Principles. The following is a summary of each adjustment:

- Accounts Payable – Management recorded an accrual in the General Fund in the amount of \$4,769,501 during the year-end close that originally was not recorded in the following funds:

AP Liability Claims Reserve fund	\$ 2,868,633
AP Information Technology Fund	1,306,944
AP Vehicle Fund	195,139
AP Infrastructure Capital Project	92,221
AP Water Enterprise Fund	66,415
AP Parking Enterprise Fund	61,079
AP Policy, Admin, Legal	46,864
AP Solid Water Enterprise Fund	41,259
AP Reprographics/Graphics Fund	38,922
AP Capital Assets Fund	28,478
AP Measure R Fund	9,125
AP Storm Water Enterprise Fund	5,948
AP Prop A Fund	4,340
AP Equipment Replacement Fund	4,132

- Lease Revenue – Water equipment lease revenue is recorded in the water enterprise fund and should be allocated to several funds for lease charges. The journal entry to allocate \$ 1,401,363 in lease charges were not originally recorded in maintenance and operations expense for several funds.
- Charges for Services – Management incorrectly recorded \$24,823,320 as a reduction in charges for services in the governmental activities, which should have been recorded as an increase in functional expenses.
- Capital Assets – In the Capital Assets roll forward disclosed in the footnotes to the financial statements, management incorrectly recorded a \$13,503,929 land addition as a construction-in-progress transfer. This adjustment impacted only the disclosures and not the financial statements.
- Cash and Investments – In the cash and investments footnote to the financial statements, management incorrectly classified the components of cash and demand deposits with the pool investments by \$34,187,349. This adjustment impacted only the disclosures and not the financial statements.

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(Continued)

## SCHEDULE OF FINDINGS AND RESPONSES

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- Other post-employment benefits – Management implemented a new accounting standard for other post-employment benefits (OPEB), GASB Statement No. 75 (GASB 75). We proposed and management corrected the following errors in management’s financial statements and disclosures:
  - Management did not originally disclose all key assumptions used in calculating the actuarially determined liability, such as: changes in discount rate and expected rate of return, payroll growth, mortality, and mortality improvement scale. Upon recommendation from the auditors, management recorded the required disclosures.
  - Management originally included a Schedule of Contributions- Other Post-Employment Benefits Plan, which is not applicable to the City because the related assets are not held in a trust that meets the criteria defined in paragraph 4 of GASB 75. Upon recommendation from the auditors, management removed the additional schedule from the CAFR.
  - Statements of cash flows - Management did not originally allocate the change in the total OPEB liability among the respective enterprise and internal service funds in the statements of cash flows. Management recorded the decrease in the total OPEB liability by impacted fund as follows.

Water Fund	\$	(67,492)
Parking Facilities		(209,619)
Wastewater Fund		(44,281)
Solid Waste Fund		(30,355)
Stormwater Fund		(28,926)
Information Technology		(34,996)
Capital Assets		(33,568)
Vehicles		(25,711)
Reprographics		(16,784)
Cable Television		(22,140)
Liability insurance		(2,142)
Workers compensation		(1,071)
Policy, Administration, & Legal		(312,462)

### **Cause:**

The adjustments identified were a result of the closing process not beginning early enough to provide management the appropriate time necessary to reconcile all transaction classes and to improve the precision of their review of the CAFR report and its supporting schedules.

### **Effect:**

A number of adjustments to the financial statements and disclosures were required during the audit to properly present the City’s financial statements in accordance with Generally Accepted Accounting Principles.

### **Recommendation:**

We recommend that the City strengthen their review of their CAFR to ensure that the accounts and disclosures recorded reconcile to the general ledger and the supporting schedules. By implementing the above internal controls, it will reduce the number of closing entries and adjustments proposed and recorded during the audit.

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(Continued)

## SCHEDULE OF FINDINGS AND RESPONSES

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### **Management's response and planned corrective action:**

Management agrees that increased level of reviews would elevate the accuracy of the financial reporting. As mentioned above, assuring timeliness of all entries that pertain to a specific fiscal year will also allow more time to be devoted to the review process. In order to avoid future misclassification occurrences, management designed additional schedules that independently calculate reporting categories, reviewed existing formulas in order to avoid prior year figures to be carried forward into future years, and also designed and configured additional correlation rules that will alert the preparer if similar errors occur.

INDEPENDENT ACCOUNTANT'S REPORT  
APPLYING AGREED-UPON PROCEDURES

Management and the Honorable Mayor and City Council  
City of Beverly Hills  
Beverly Hills, California

We have performed the procedures enumerated below, which were agreed to by Management and the Honorable Mayor and City Council related to City of Beverly Hills' compliance with Appropriations Limit under Section 1.5 of Article XIIB of the California Constitution during the year ended June 30, 2018. City of Beverly Hills' management is responsible for its compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representations regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings are as follows:

1. We obtained the Worksheet provided by the City and determined that the 2017-2018 Limit and annual adjustment factors were adopted by Resolution of the Honorable Mayor and City Council by observing resolution to City Council meeting minutes. We also determined whether the population and inflation options were selected by a recorded vote of the Honorable Mayor and City Council by observing resolution to City Council meeting minutes.

**Finding:** No exceptions were noted as a result of our procedures.

2. We recomputed the 2017-2018 Appropriations Limit by multiplying the 2016-2017 Appropriations Limit by the adjustment factors.

**Finding:** No exceptions were noted as a result of our procedures.

3. For the Worksheet, we agreed the Per Capita Income, County and City Population Factors to California State Department of Finance Worksheets.

**Finding:** No exceptions were noted as a result of our procedures.



This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with Section 1.5 of Article XIIB of the California Constitution. Accordingly, we do not express such an opinion or conclusion. Had we performed additional audit procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Management and the Honorable Mayor and City Council and is not intended to be, and should not be, used by anyone other than the specified parties.



Crowe LLP

Costa Mesa, California  
December 27, 2018

CITY OF BEVERLY HILLS  
APPROPRIATIONS LIMIT CALCULATION  
Year Ended June 30, 2018

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	Amount	Source
A. Last year's limit	\$216,653,319	
B. Adjustment factors:		
1. Population change	1.0369	State Finance
2. Per capital change	1.0057	State Finance
Total adjustments [(B.1 x B.2) – 1.0]	0.04281	
C. Annual adjustment	<u>9,275,000</u>	A x B
D. This year's limit	<u>\$225,928,319</u>	A + C

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