CITY OF WEST HOLLYWOOD

Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2006

West Hollywood California

A Moment in Time, by Gifford Meyers, 2001

The Childrens Clock, by Lynn Goodpasture, 2003

Art projects throughout West Hollywood contribute to the City's reputation as a West Coast center for public art.

City of West Hollywood

California 1984

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2006

PREPARED BY THE CITY'S:

DEPARTMENT OF FINANCE & TECHNOLOGY SERVICES

(ELECTRONIC VERSION AVAILABLE AT: www.weho.org/financials)

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Page
Number

TABLE OF CONTENTS

INTRODUCTORY SECTION

FINANCIAL SECTION

INTRODUCTION

City Hall headquarters | West Hollywood's 20th anniversary celebration

West Hollywood's 20th anniversary, celebrated throughout the year, was the theme of the City's contingent in the Christopher Street West lesbian and gay pride parade.

CITY OF WEST HOLLYWOOD

CITY HALL
8300 SANTA MONICA BLVD
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DEPARTMENT OF FINANCE & TECHNOLOGY SERVICES

December 15, 2006

Honorable Mayor, Members of the City Council,
and Citizens of West Hollywood

Subject: Comprehensive Annual Financial Report

Dear Honorable Mayor, City Council and Citizens of West Hollywood:

It is with great pleasure that we present to you the City of West Hollywood's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The West Hollywood Comprehensive Annual Financial Report is presented in three sections:

(1) An Introductory Section, which includes this Letter of Transmittal from the City Manager and the Director of Finance, a Directory of City Officials, and a City Organizational Chart.

(2) A Financial Section, presenting the Independent Auditors' Report, Management's Discussion and Analysis, the basic financial statements, notes to the financial statements, and supplementary information on individual funds for which data is not provided separately within basic financial statements.

(3) A Statistical Section, which sets forth relevant financial and non-financial data depicting the City's historical trends and other significant facts.

INTERNAL CONTROLS & RESPONSIBILITY

This report presents management's representations concerning the finances of the City. 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, the 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 the 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. The concept of reasonable assurance recognizes that: (1) the cost of a control structure should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

INDEPENDENT AUDIT

The City requires an annual audit by independent certified public accountants. Lance Soll & Lunghard, LLP, a public accounting firm fully licensed and qualified to perform audits of the State and local governments within the State of California, has audited the City's basic financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2006, 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's basic financial statements for the fiscal year ended June 30, 2006, 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.

SINGLE AUDIT

The federally mandated "Single Audit" is also performed by Lance, Soll & Lunghard, and is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The Single Audit report is separately issued and can be obtained at City Hall.

BUDGETARY CONTROLS

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of all governmental-type funds and enterprise-type funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) adopted by City Council is established at the fund level. Formal budgetary integration is employed as a management control device. The City maintains an encumbrance accounting system for all governmental-type funds. Encumbrances and appropriations for unfinished capital projects will generally be re-appropriated (carried over) to the following fiscal year.

CASH MANAGEMENT

The City continues to maintain its Investment Policy, which is submitted annually to the City Council, along with monthly Treasurer's Reports, documenting investment activity and portfolio balances during the fiscal year. The City invests in the Local Agency Investment Fund (LAIF), the Los Angeles County Pooled Investment Fund (LACPIF), and time deposits with maturity rates ranging from 30 days to 2 years. The goals and priorities of the City's investment policy are safety, liquidity, and yield.

RISK MANAGEMENT

Effective May 1, 1994, the City joined the Southern California Joint Powers Insurance Authority (SCJPIA). The Authority, which began covering claims in 1978, is composed of 84 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage. Annual premiums are determined using a retrospective method, with the City liable for the first $30,000 of costs for its own claims, and a proportionate share of claim costs in excess of $30,000 up to $15 million for its own and other member claims. The CJPIA purchases excess insurance for claims over $15 million, and up to $50 million.

MANAGEMENT DISCUSSION & ANALYSIS

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 compliment 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 WEST HOLLYWOOD - A BRIEF HISTORY OF CREATIVITY

Spurred by a desire for greater local control, residents of West Hollywood joined together to fight the threat to end rent control under Los Angeles County government. As a result West Hollywood was incorporated as a city in 1984. Centrally located, West Hollywood is bordered by Beverly Hills on the west and Hollywood on the east. West Hollywood has an estimated population of 38,000 within a 1.9 square mile border. The City utilizes a Council/City Manager form of government. The City Manager is responsible for running the day to day operations of the City. Each of the five City Council members is elected at large to serve staggered four-year terms.

The City operates as a "contract city," using private firms and other governmental agencies to provide traditional municipal services to the community. The City provides general governmental services, community development, public works, rent stabilization and recreation services. The County continues to provide library services and fire services, independent of the City. Police services are provided by contract with the Los Angeles County Sheriff's Department, and are administered by the Public Safety division of the City.

West Hollywood is affectionately known as "The Creative City" – and for good reason. More than 40 percent of the businesses located in West Hollywood comprise such creative fields as entertainment, interior design, fashion, art, and communications. The City has a dynamic retail, nightlife, and tourist trade that entices travelers from around the world. West Hollywood has 14 luxury hotels with some 2,000 rooms offering world-class accommodations. Dining is available at more than 200 restaurants, some of the most famous in the world. Tourists can also shop at more than 100 clothing stores, peruse thirty-six art galleries, and participate in or just observe an eclectic and ever-evolving nightlife centered around the world-famous Sunset Strip and Santa Monica Boulevard. As the home of the Pacific Design Center and the surrounding "Avenues of Art and Design," West Hollywood is acknowledged as the West Coast's center of interior design.

ECONOMIC CONDITION

Although the focus of this Comprehensive Annual Financial Report is the economic condition of the City at June 30, 2006, the local economy is of such relevance that it is incumbent on us to provide some information in this report. This and other economic factors are also discussed further in the Management Discussion and Analysis.

The City's economy consists of three major industries:

- Retail and Tourism Industries, including hotels, restaurants and nightclubs.
- The Entertainment Industry, which includes major motion picture and recording studios, music publishing administration, and media buying agencies.
- The Interior Design Industry, including the Pacific Design Center.

For the year ended June 30, 2006, the City of West Hollywood continued to be a vibrant, livable, and successful community for both its residents and businesses. In general, the City's economy reflected the national and state economies however, these particular industries significantly shape the character of the City and the role the City plays in the greater Los Angeles region. The City's sales tax base is highly diversified, especially given its small geographic area. The City's transient occupancy tax has seen a complete recovery since the tragic events of September 11, 2001. Property tax revenues continue to grow from increased assessed valuations of commercial and residential properties. This revenue will continue to increase over the next few years as the local economy expands.

The City's revenue base remains well diversified, and development is occurring on all the major thoroughfares. The City is dedicated to maintaining a balance between the quality of residential life and the desire for continued development. The City's goals, clearly laid out in the Strategic Plan, include providing opportunities for residents and businesses to constructively and fairly address conflicts, encouraging participation in public life, and ensuring that the City provide its citizens with the highest level of service.

Because of its location and strong and varied economic base, the City's unemployment rate is relatively stable with a rate in calendar 2004 of 5.6%. This compares favorably with the City of Los Angeles at 7.4%, the County of Los Angeles of 6.6% and State of California at 6.0%. The City's unemployment rate is slightly greater than the national rate of 5.4%.

LONG TERM FINANCIAL PLANNING

The City actively monitors revenue sources for both compliance and economic developments. The Department of Finance oversees the compliance aspects of the City's municipal code. The Department of Economic Development addresses strategic issues pertaining to the City's revenue base. These issues include commercial revitalization, developing local business improvement districts, and administering the Visitors and Convention Bureau contract.

During periods of strong economic growth the City has accumulated significant reserves. By capturing and designating some of this growth, it is able to attract development and improve commercial and residential neighborhoods, thus improving the local economy. However, the City also continues to face many fiscal challenges, especially in the area of capital improvements. To address this, the City has designated portions of the revenue growth for capital projects. These capital improvement demands require the City Council and Management to remain committed to restraining expenditures until these responsibilities are met.

Below are the major capital investments, which are either proposed, planned, or in progress, with estimated dates.

- New City Library – Estimated 2008
- West-side Municipal Garage – Estimated 2008
- Sunset Municipal Parking Garage Development – Estimated 2008
- West Hollywood Park Master Plan – Estimated 2010

The new proposed City Library is estimated to cost $50 Million. The Library will have significant ongoing maintenance and operating costs, as the City has seen from other successful projects like: the Santa Monica Boulevard Reconstruction and the Plummer Park Community Center. Finalizing funding for the new City Library and the annual maintenance remains a leading priority. Some of the one time funding costs will be offset by planned drawdowns from various reserves, which have increased significantly over the past decade. Healthy business development and careful management of resources will allow the City to continue to provide the highest level of services and programs.

DEBT ADMINISTRATION

The City of West Hollywood utilizes long-term financing to facilitate the acquisition and construction of capital assets. This allows for the matching of resource utilization to the useful life of the asset being purchased. Descriptions of past City financings are below with detailed schedules in the Financial Section of this report.

> Refunding Certificates of Participation 1998 – On March 1998, the City refinanced the following outstanding issues: Series A, Series B, and the 1995 Certificates of Participation by issuing $27,105,000 fixed rate Certificates of Participation and $5,360,000 Variable Rate Certificates of Participation. The projects refinanced from prior issues include: City Hall, Municipal Parking Structure I, the homeless shelter, Pac-Bell Parking Facility, and Fire Station No. 7. The new project undertaken was the Plummer Park Community Center. In March 2005, the City redeemed the $5,360,000 1998 Variable Rate Refunding Certificates of Participation.

> Redevelopment Agency Tax Allocation Bonds 2003 - In September 2003, the Redevelopment Agency issued Tax Allocation Bonds of $11,500,000 to finance the Eastside Redevelopment Project, including activities that increase, improve or preserve the supply of low and moderate income housing within or of benefit to the Project Area.

MAJOR ACCOMPLISHMENTS FOR THE YEAR

> The City maintained a focus on strengthening Public Safety capability, including outreach to the public on public safety in general and emergency preparedness in particular.

> Labor negotiations were successfully completed with West Hollywood Municipal Employees Association, The Association of Council Deputies and the Association of Confidential Employees.

> Working with consultants, a community study was conduced on the social service, transportation and housing needs of the community. Included in the study were responses to 4,000 surveys, 20 stakeholder interviews and a community forum. Anecdotal and statistical information gathered through this process will guide City service delivery and expansion over the next five years.

> The City began development of a Westside Specific Plan and began an update to the Historic Resources Inventory.

Implementation began on a grant funded project to install bike racks city-wide.

A rate was achieved city-wide of 51% of solid waste diverted away from landfills.

City Council approval was obtained to transfer and assign the City's cable television franchise agreement from Adelphia Cable to Time Warner Cable.

MAJOR INITIATIVES FOR THE FUTURE

The City's completed strategic plan, Vision 2020, will continue to guide the City in developing and accomplishing these future initiatives:

- DEVELOP PARKING OPPORTUNITIES – Explore the creation of off-street parking opportunities near all business districts.
- MOVE FORWARD WITH CITY PARKS, LIBRARY AND EXPANDING AND ENHANCING CITY'S GREEN AND PUBLIC SPACES - Complete the Park(s) Master Plan process and Library Project, and create and encourage more public spaces wherever feasible.
- FISCAL SUSTAINABILITY – Monitor, protect, and increase City resources. Take an active role in monitoring the State's Fiscal Crisis.
- AFFORDABLE HOUSING – Protect and enhance affordable housing opportunities, with emphasis on Rent Stabilization laws.
- MAINTAIN THE CITY'S UNIQUE URBAN BALANCE WITH EMPHASIS ON RESIDENTIAL NEIGHBORHOOD LIVABILITY – Recognize diverse and competing interests, and work to find a balance.

AWARDS

GFOA Award Program - Comprehensive Annual Financial Report

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 West Hollywood for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This is the thirtieth 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. We are confident 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.

CSMFO Award Program - Comprehensive Annual Financial Report
For the past thirteen fiscal years, the City of West Hollywood has received the Certificate of Award for Outstanding Financial Reporting from the California Society of Municipal Finance Officers (CSMFO). The Certificate of Award is valid for a period of one year. The Society has discontinued offering separate awards to Cities that apply for the GFOA award.

ACKNOWLEDGMENTS

Preparation of this report was accomplished through the combined efforts of the City's Staff. The following staff deserves special recognition for their contribution to this project: David Hatcher, Revenue Manager, Norma Soto-Touriño, Accountant, and David Wilson, Management Analyst.

We thank the members of the City Council for their continued interest and support in the development of this report. Without their leadership, the preparation of this document would not be possible.

Respectfully submitted,

Paul Arevalo
City Manager

Anil H. Gandhy, CPA
Director of Finance and
Technology Services

FINANCE POLICIES

The following is a summary of the Fiscal Policies adopted by the City Council. These policies will have a substantial impact on the operations, service levels, and finances of the City. Major emphasis will be on conserving and increasing fund balances to ensure for the long-term fiscal health of the City, rather than limiting the City's focus to day-to-day operational issues. All proposals for new or expanded services or projects forwarded by departments will have to identify new sources of funding or recommend reallocation of existing funds. Special Districts will strive to bear the full cost, both direct and indirect, of their operations. The policies commit to the development of and adherence to a five-year plan for capital improvements and to long-term financing when appropriate, rather than merely focusing on current funding issues.

SUMMARY OF POLICIES

I. We will comply with all the requirements of generally accepted accounting principles (GAAP).

II. We will maintain a balanced operating budget for all governmental funds, ensuring that ongoing revenues are equal to or greater than ongoing expenditures.

III. We will require that all proprietary funds be self-supporting.

IV. We will maintain an appropriated General Fund working reserve equivalent to 20.0% of the General Fund budget and an appropriated emergency reserve equivalent to 5.0% of the General Fund budget.

V. We will assume that normal revenue inflation will go to pay normal inflation expenses. Any new or expanded programs will be required to identify funding sources or will be offset by cost reductions through cutting back or eliminating other programs.

VI. We will maintain a long-range fiscal perspective through the use of a five-year capital improvement plan and revenue forecast.

VII. Major capital improvements or acquisitions will be made using long-term financing methods rather than out of operating revenue.

VIII. We will maintain sound budgeting practices ensuring that service delivery is provided in an efficient and effective manner.

IX. We will require each appropriation request to include a fiscal impact analysis and be submitted to the Finance Committee prior to Council agendizing.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Hollywood California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.

President

Executive Director

California Society of
Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of West Hollywood

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

February 24, 2006

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management

DIRECTORY OF CITY OFFICIALS
AS OF JUNE 30, 2006

Mayor and City Council

Mayor.. *John Heilman*

Mayor Pro Tempore ....*Sal Guarriello*

Council Member.. *John Duran*

Council Member..*Abbe Land*

Council Member..*Jeff Prang*

Administration

City Manager... *Paul Arevalo*

City Attorney... *Michael Jenkins*

City Clerk .... *Tom West*

Deputy City Manager .... *Joan English*

Director of Administrative Services ....*Vivian Love*

Director of Community Development ....*Susan Healy Keene*

Director of Economic Development............................. *Ray Reynolds*

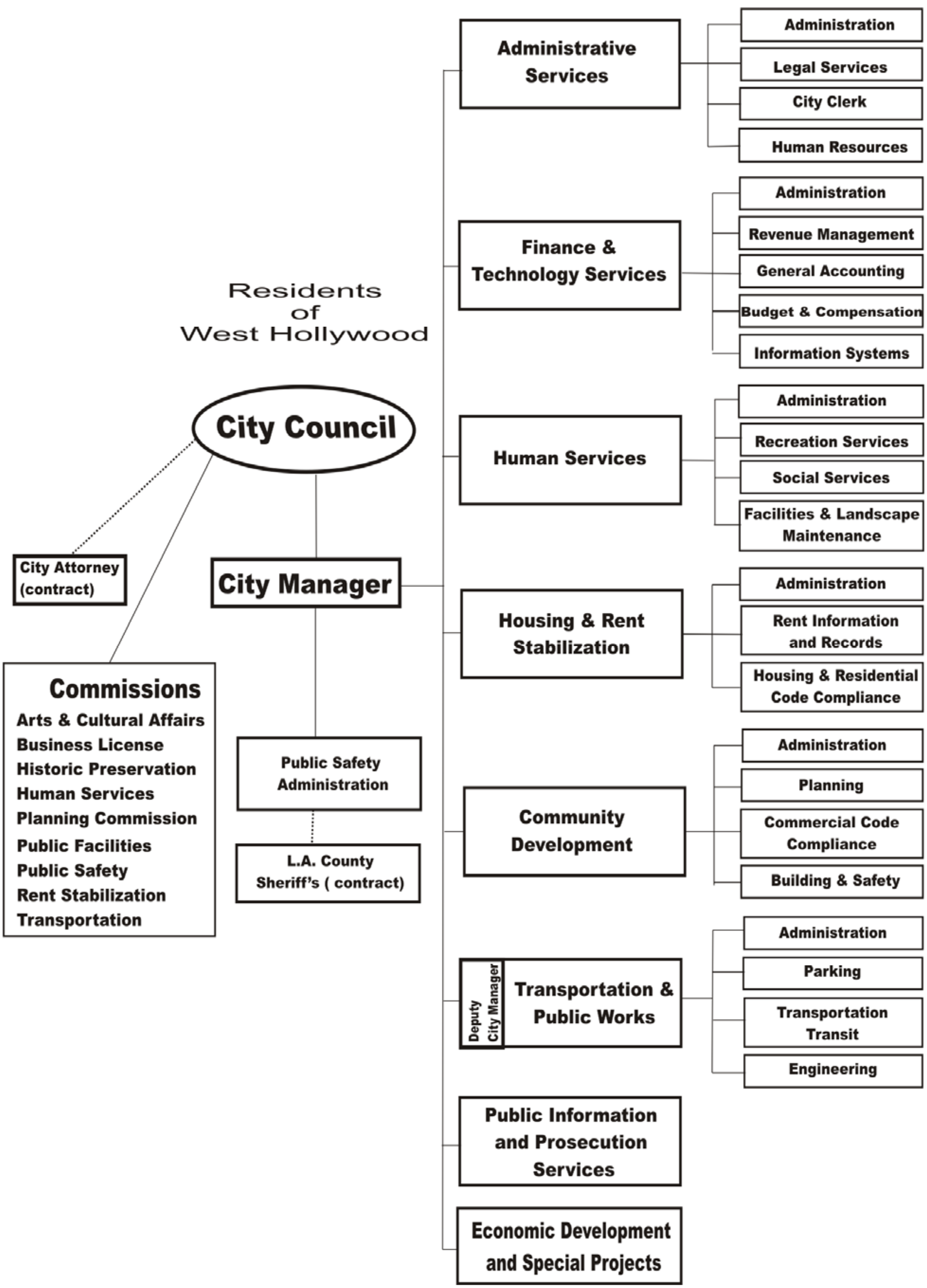
Director of Housing & Rent Stabilization .... *Allyne Winderman*

Director of Human Services ....*Lloyd Long*

Director of Public Information & Legal Services...............*Helen Goss*

Department of Finance & Technology Services

- Director.. *Anil H. Gandhy*
- Accounting Services Manager.................................. *Vacant*
- Budget & Compensation Manager .... *Judith Wright*
- Information Technology Manager.....................*Brian Ganley*
- Revenue Manager...*David Hatcher*


Residents of West Hollywood
City Council
City Attorney (contract)
City Manager
Commissions
Arts & Cultural Affairs
Business License
Historic Preservation
Human Services
Planning Commission
Public Facilities
Public Safety
Rent Stabilization
Transportation
Public Safety Administration
L.A. County Sheriff's (contract)
Administrative Services
Administration
Legal Services
City Clerk
Human Resources
Finance & Technology Services
Administration
Revenue Management
General Accounting
Budget & Compensation
Information Systems
Human Services
Administration
Recreation Services
Social Services
Facilities & Landscape Maintenance
Housing & Rent Stabilization
Administration
Rent Information and Records
Housing & Residential Code Compliance
Community Development
Administration
Planning
Commercial Code Compliance
Building & Safety
Deputy City Manager
Transportation & Public Works
Administration
Parking
Transportation Transit
Engineering
Public Information and Prosecution Services
Economic Development and Special Projects

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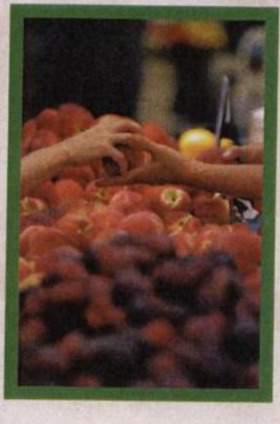
FINANCIAL SECTION

Asia de Cuba restaurant on the Sunset Strip | West Hollywood Farmers Market

Fine dining is a City tradition and the fresh produce from the City-sponsored Farmer's Market makes high quality ingredients available to the trendy restaurants on the Sunset Strip and to those who dine at home.



Lance Soll & Lunghard LLP
Certified Public Accountants

Brandon W. Burrows
Donald L. Parker
Michael K. Chu
David E. Hale
A Professional Corporation
Donald G. Slater
Richard K. Kikuchi

Retired
Robert C. Lance
1914-1994
Richard C. Soll
Fred J. Lunghard, Jr.
1928-1999

INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and Members of the City Council
The City of West Hollywood, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of West Hollywood, California, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City of West Hollywood's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted by the United States of America and the standards applicable to financial audits contained in the *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 opinion.

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of West Hollywood, California, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2006, on our consideration of the City of West Hollywood's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

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regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section, the combining and individual nonmajor fund financial statements, schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual nonmajor 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 accompanying introductory section and statistical tables have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Lance, Soll & Lunghard, LLP

October 12, 2006

MANAGEMENT, DISCUSSION AND ANALYSIS

The Lot Studio | Mondrian Hotel rooftop pool

The entertainment industry – studios, hotels, restaurants – provides part of the diversified revenue base of the City that enables residents and visitors alike to enjoy well maintained local parks.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of West Hollywood ("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, 2006. We encourage the readers to consider the information presented here in conjunction with additional information furnished in the Letter of Transmittal and the accompanying Basic Financial Statements. This is the sixth year that the City has issued financials statements pursuant to GASB Statement No. 34 of the Governmental Accounting Standards Board. Comparative data on the government-wide financial statements is only presented in Management's Discussion and Analysis (hereafter MD&A).

FINANCIAL HIGHLIGHTS

Government-Wide

- Total assets of the City were $219.7 million and total liabilities were $50.4 million at June 30, 2006. The assets exceeded liabilities by $169.3 million (*net assets*). Of this amount, $45.4 million (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- For the year ended June 30, 2006, total net assets increased by $18.1 million. Total revenues from all sources were $80.0 million and total expenses for all functions/programs were $63.3 million.
- Of total revenues, program revenues were $25.8 million and general revenues were $54.2 million. Program revenues are separated into three categories: Charges for Services, $21.8 million; Operating Contributions and Grants, $3.3 million; and Capital Contributions and Grants, $0.7 million.

Fund Based

- For fiscal year ending June 30, 2006, total Fund Balance of the General Fund was $51.7 million, or 101 percent of total General Fund expenditures of $51.1 million. Reserved Fund Balance was $8.7 million, Designated Fund Balance was $39.2 million, and Undesignated Fund Balance was $3.9 million.
- For the General Fund, actual resources available for appropriation during the year were $102.9 million; this consists of $43.5 million in fund balance and $59.4 million in revenue inflows which was $6.3 million over budget. Actual charges (outflows) of $51.1 million were $4.2 million less than the budget of $55.3 million. Capital projects, not completed during the fiscal year, were $2.5 million and will be carried forward to FY 06-07. These are included in the $30.2 million designated in fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) *Government-Wide Financial Statements*, 2) *Fund Financial Statements* and 3) *Notes to the Financial Statements*. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

These statements are designed to provide information about the activities of the City as a whole and present a long-term view of the City's finances. They are prepared using the accrual basis of accounting, which is similar to the accounting used by most private sector companies.

> The *Statement of Net Assets* (page 41) presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. In 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* (pages 42 – 43) presents information on how the City's net assets changed during the 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 or earned but unused leaves). *Program Revenues* – Revenues that derive directly from the program itself. *General Revenues* – Revenues generated from the citizenry or taxpayer.

In both the *Statement of Net Assets* and *Statement of Activities*, we divide the City into three kinds of activities:

> *Governmental activities* – Account for most of the City's basic services which consists of: *General Government,* made up of the following departments*:* City Council, City Manager, Administrative Services, Finance, Public Information, Public Safety, and Public Service (which include the departments of Human Services, Rent Stabilization, Community Development and Transportation & Public Works). Governmental activities are financed mostly by: property taxes, transient occupancy taxes, sales taxes, parking fines, charges for services, franchise taxes, and state and federal grants.
>
> *Business-type activities* – The City charges a fee to customers to help it cover all or most of the costs of providing these services. The City's solid waste, sewer, landscape, and street maintenance districts are reported here.

Component units – The City has included several legally separate entities in this report – the West Hollywood Community Development Commission (Redevelopment Agency), the West Hollywood Housing Authority (Housing Authority), the West Hollywood Public Facilities Corporation (Public Facilities Corporation), the West Hollywood Community Foundation (Community Foundation), the West Hollywood Public Financing Authority, and the West Hollywood Marketing Corporation. Although legally separate, these *component units* are important because the City is financially accountable for them.

The *government-wide financial statements* report both the City, as the *primary government*, and the legally separate *component units.* The Redevelopment Agency, Housing Authority, Public Facilities Corporation, Community Foundation and the Public Financing Authority are known as *Blended Component Units* and all function for practical purposes, as part of the City, and, therefore, have been included (blended) as an integral part of the primary government. Only the Marketing Corporation has been presented separately from the *primary government*, as it is known as a *Discretely Presented Component Unit.*

Fund Financial Statements.

The *Fund Financial Statements* provide detailed information about the most significant funds—not the City as a whole. A *fund* is a group 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 can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The City uses all three types, each using different accounting methods.

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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the *government-wide financial statements*, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the *government-wide financial statements*. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-five individual governmental funds. These funds report financial transactions using an accounting method called modified accrual accounting. Information is presented separately in the Governmental Funds – Balance Sheet and in the Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, RDA Capital Projects Fund, and Capital Projects Debt Service Fund. All three are considered to be major funds. Data from other governmental funds (non-major) are combined into a single presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements starting on page 78 of this report. The City adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for each of the funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 44 to 47.

Proprietary funds – Proprietary funds are primarily used to account for City charges for the services it provides, whether to outside customers or to other units of the City. These funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities, using an accrual basis of accounting. In fact, the City's *enterprise funds* (a component of proprietary funds) are the same as the business-type activities we report in the *government-wide financial statements* but provide more detail and additional information, such as the statement of cash flows. The City uses *internal service funds* (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, such as the Information Systems Master Plan Fund. Since these activities predominantly benefit governmental rather than business-type functions, they are included within the governmental activities in the *government-wide financial statements*. The basic proprietary fund financial statements can be found on pages 50 to 52.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. In these cases, the City has a fiduciary responsibility and is acting as a *trustee*. The *Statement of Fiduciary Net Assets* separately reports all of the City's fiduciary activities. The City excludes these activities from the City's other financial statements because the City cannot use these assets to finance its operations. However, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The basic fiduciary fund financial statements can be found on page 53.

Notes to the Financial Statements – Notes provide additional information that is essential to a full understanding of the data in the government-wide and fund financial statements. The *Notes to the Financial Statements* can be found from pages 55 to 77.

Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain combining statements referred to earlier in connection with non-major governmental and proprietary funds. These combining and individual fund statements and schedules can be found immediately following the *Notes to the Financial Statements.* See pages 79 to 127.

GOVERNMENT - WIDE FINANCIAL ANALYSIS

This analysis will focus on the fiscal year ending June 30, 2006, for net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities. These tables are summarizing the statements located on page 41 to 43. Management has included comparative data from fiscal year ending June 30, 2005 in its analysis.

Net Assets (Table 1)
(in millions)

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2006	2005	2006	2005	2006	2005
Current and other assets	$ 91.2	$ 73.9	$ 1.1	$ 2.1	$ 92.4	$ 75.9
Capital assets	116.7	116.6	10.6	10.8	127.3	127.4
Total assets	**207.9**	**190.5**	**11.7**	**12.9**	**219.7**	**203.3**
Long-term debt outstanding	36.2	36.8	-	-	36.2	36.8
Other liabilities	14.2	15.2	0.0	0.1	14.2	15.3
Total liabilities	**50.4**	**52.1**	**0.0**	**0.1**	**50.4**	**52.2**
Net assets:						
Invested in capital assets, net of debt	83.0	81.8	10.6	10.8	93.6	92.6
Restricted	30.2	22.3	-	-	30.2	22.3
Unrestricted	44.3	34.3	1.1	2.0	45.4	36.2
Total net assets	**$ 157.5**	**$ 138.4**	**$ 11.7**	**$ 12.8**	**$ 169.3**	**$ 151.2**

The City's Government-Wide total net assets were $169.3 million, with assets of $219.7 million and liabilities of $50.4 million. The net investment in capital assets of $93.6

million represents 55.3 percent of the City's total net assets. Investment in capital assets (e.g., infrastructure, land, buildings, machinery and equipment) for this purpose is reduced by any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves can not be used to liquidate these liabilities.

An additional portion of the City's net assets, $30.2 million (17.8 percent) represents resources that are subject to external restrictions in how they may be used. This was an increase of $7.9 million mainly related to $17.6 million restricted to capital projects. The remaining balance of $44.3 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors within the programs areas.

Changes in Net Assets (Table 2)
(in millions)

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2006	2005	2006	2005	2006	2005
Revenues						
Program Revenues:						
Charges for Services	$ 20.0	$ 20.3	$ 1.8	$ 1.8	$ 21.8	$ 22.1
Operating Contributions & Grants	3.2	6.5	-	-	3.2	6.5
Capital Contributions & Grants	0.7	0.3	-	-	0.7	0.3
Sub-total Program Revenues	24.0	27.1	1.8	1.8	25.8	28.9
General Revenues:						
Property taxes	15.3	11.3	-	-	15.3	11.3
Transient occupancy taxes	12.8	11.3	-	-	12.8	11.3
Sales taxes	11.8	11.3	-	-	11.8	11.3
Franchise taxes	2.0	1.6	-	-	2.0	1.6
Business license taxes	2.2	2.0	-	-	2.2	2.0
Motor Vehicle in lieu	2.5	2.6	-	-	2.5	2.6
Use of money and property	6.8	5.3	0.04	0.04	6.8	5.3
Intergovernmental	-	-	-	0.04	-	0.0
Other	0.6	0.4	0.08	-	0.7	0.4
Sale of Capital Asset	(0.1)	-	-	-	(0.1)	-
Sub-total General Revenues	54.0	45.8	0.1	0.1	54.2	45.8
Total Revenues	**78.0**	**72.9**	**1.9**	**1.8**	**80.0**	**74.7**

Changes in Net Assets (Table 2) – continued
(in millions)

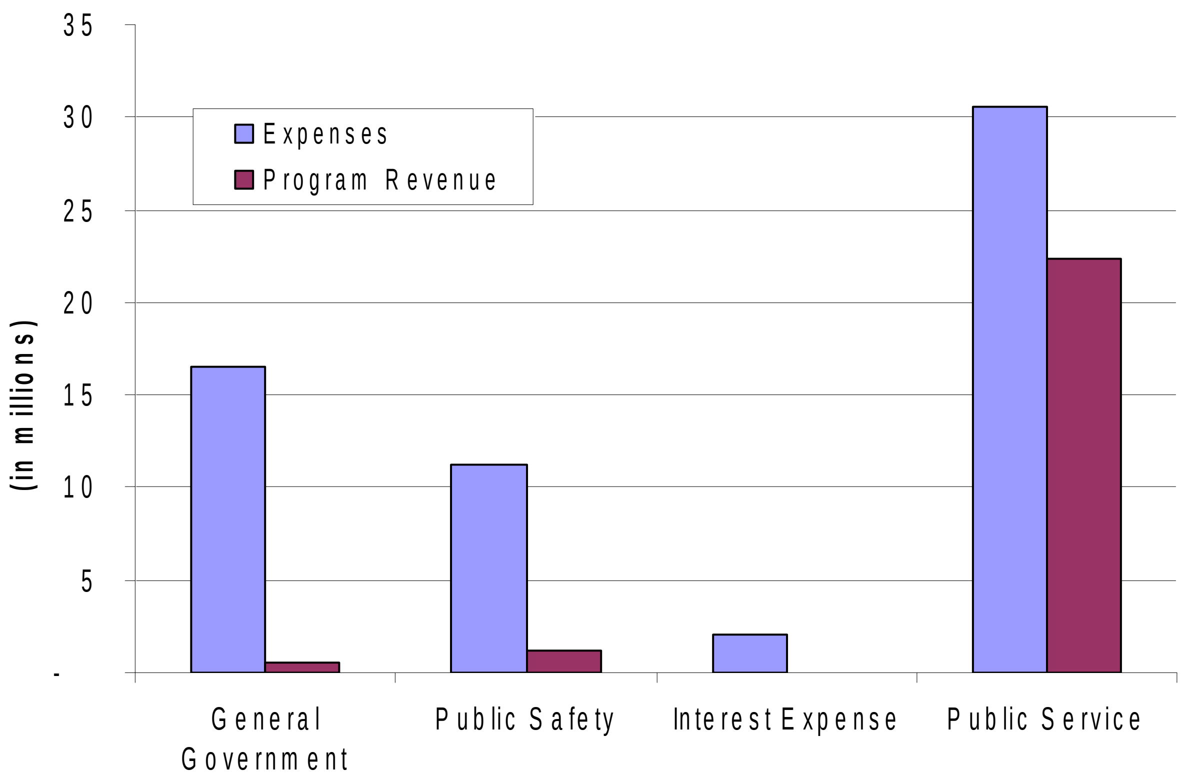
	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2006	2005	2006	2005	2006	2005
Expenses						
General Government	$ 16.5	$ 14.7	$ -	$ -	$ 16.5	$ 14.7
Public Safety	11.2	11.1	-	-	11.2	11.1
Public Services	30.6	33.4	-	-	30.6	33.4
Solid Waste	-	-	1.1	1.1	1.1	1.1
Landscape	-	-	0.2	0.1	0.2	0.1
Sewer	-	-	1.3	0.6	1.3	0.6
Interest on Long-Term Debt	2.1				2.1	
Street Maintenance	-	-	0.3	0.3	0.3	0.3
Total Expenses	**60.3**	**59.2**	**3.0**	**2.2**	**63.3**	**61.4**
Increase (decrease) in Net Assets	**$ 17.7**	**$ 13.7**	**$ (1.0)**	**$ (0.3)**	**$ 16.7**	**$ 13.3**
Net Assets at Beginning of Year	138.4	124.0	12.8	13.1	151.2	137.1
Restatements	1.4	0.7	-	-	1.4	0.7
Net Assets at End of Year	**$ 157.5**	**$ 138.4**	**$ 11.7**	**$ 12.8**	**$ 169.3**	**$ 151.2**

The government's net assets increased $16.7 million (Table 2), with total revenues of $80.0 million and total expenses of $63.3 million. Program revenues were $25.8 million and general revenues were $54.2 million, funding the net difference between program revenues and expenses. The largest single revenue category was Charges for Services, at $21.8 million, which is a *program revenue*. Other program revenues which are applied directly against the costs of providing these services are Operating and Capital Contributions & Grants, at $3.2 and $0.7 million respectively. Property tax was the second largest revenue at $15.3 million, followed by Transient Occupancy tax at $12.8 million, and the fourth largest revenue source was Sales tax at $11.8 million. These last three sources are all general revenues derived from the citizenry or taxpayers.

In comparison to the prior fiscal year, the government's total revenues increased by $5.3 million, consisting of a $3.1 million decrease in program revenues and $ 8.4 million increase in general revenues. For program revenue, charges for services decreased $0.3 million, with operating contributions decreasing $3.3 million. The only increase in program revenues was capital contributions in the amount of $0.4 million. Compared to the prior year, the government's total expenditures increased $1.9 million. This increase occurred in the governmental activities only, with an increase in General Government of $ 1.8 million and a decrease of $2.8 million in Public Service. Interest on Long –Term Debt was reported at $2.1 million.

Governmental Activities. Governmental activities increased the City's *net assets* by $17.7 million (Table 2). The cost of all governmental activities this year was $60.3 million or 95.2 percent of the *primary government* expenditures and was an increase of $1.1 million from the prior year. As shown in the *Statement of Activities* on page 42, the amount that taxpayers financed through City taxes was $36.3 million. The other portion of the costs was paid by those who directly benefited from the programs ($20.0 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($3.9 million). The City used part of the $54.0 million in general revenues to cover the remaining "public benefit" portion of governmental activities. These general revenues are derived mostly from tax revenues (some of which could only be used for certain programs).

Expenses and Program Revenues – Governmental Activities (Graph 1)

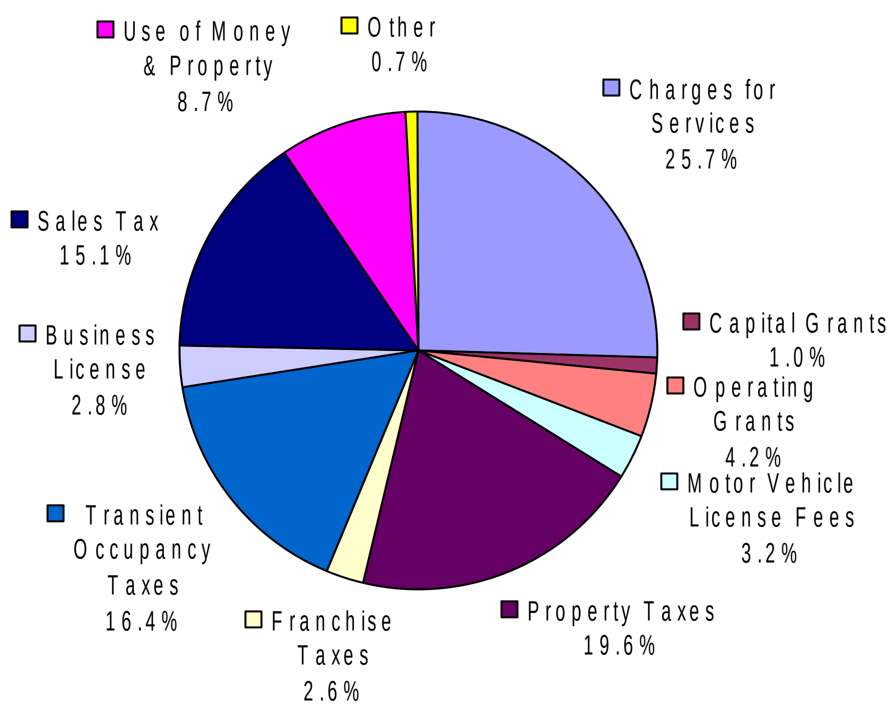


Graph 1 presents the costs of each of the City's three functions – General Government, Public Safety, Public Service, plus Interest on long-term debt as well as the program's revenues. The net cost (total cost less *program revenues*) is the amount that was paid from *general revenues*.

General Government had expenses of $16.5 million with program revenues of $.5 million, while *Public Safety* had expenses of $11.2 million with program revenues of $1.2 million. From the prior year, *General Government* had a $1.7 million increase and *Public Safety* had a $0.1 million increase. Expenses in *Public Services* represented $30.5 million or 50.6 percent of total expenses for Governmental Activities. Of this amount, $22.3 million was funded by *program revenues* and the remaining $8.2 million was funded by *general revenues*. *Public Services* had a decrease of $3.0 million over the prior year; the variance was discussed on prior page. Interest on long term debt was $2.1 million which was funded by general revenues.

Graph 2 presents revenues by source for Governmental Activities. Similar to the government-wide activities, *Charges for Services* is the largest at $20.0 million or 25.7 percent. *Charges for Service's* consist primarily of: parking fines - $6.6 million, licenses and permits - $3.7 million, developer fees - $2.2 million, rent stabilization fees - $1.9 million, vehicle code fines - $1.8 million, and other misc. charges for services of $3.8 million.

<u>Revenues by Source – Governmental Activities (Graph 2)</u>



Other program revenues include operating and capital grants that together represented 5 percent of the total, or $3.9 million. Operating and capital grants includes: $3.1 million in various Federal, State, & County grants, $0.1 million in Community Development

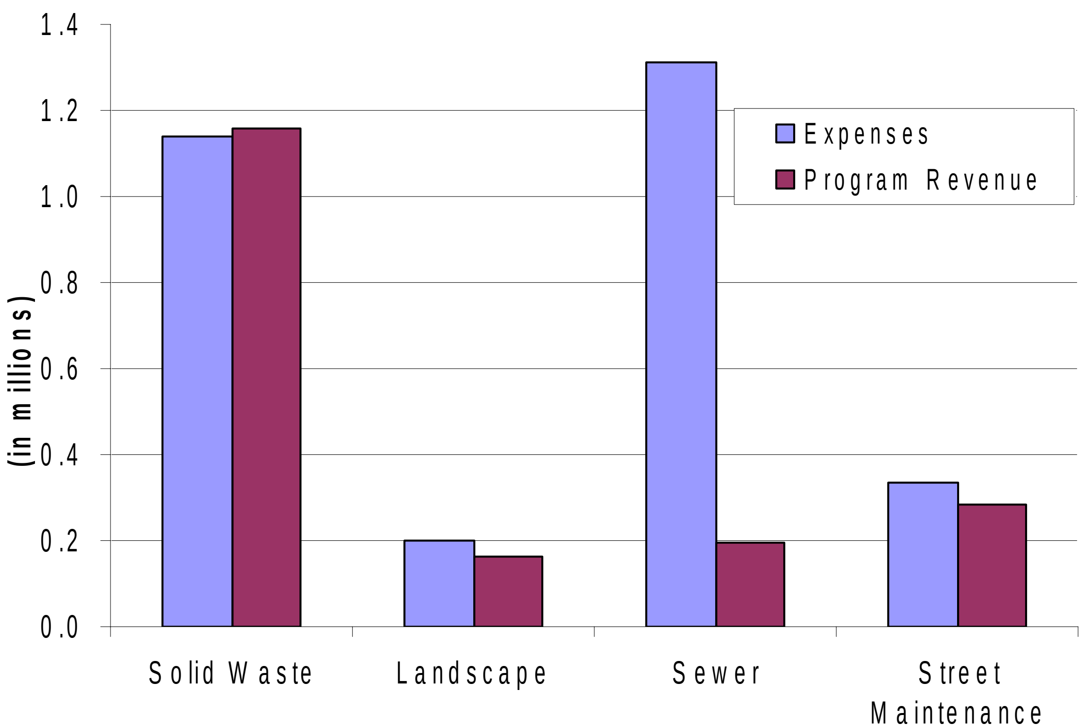
Block Grant and $0.7 million in Gas Tax.

For General Revenues, the four major categories were property tax – $15.3 million, transient occupancy tax – $12.8 million, sales tax – $11.8 million, and use of money and property – $6.8 million. These four sources represented 59.9 percent of the Governmental Activities.

Business-type Activities. *Net assets* at June 30, 2006, were $11.7 million, with assets equaling $11.7 million and liabilities of $0.1 million. Unrestricted net assets represented 9.6 percent or $ 1.1 million of net assets; this may be used to meet the government's ongoing obligations to citizens and creditors (page 41). Investment in capital assets represented the largest portion of net assets at 90.4 percent or $10.6 million. Business-type activities decreased the City's net assets by $1.1 million in 2006 (Table 2). Revenues of the City's business-type activities were $ 1.8 million, while the expenses were $3.0 million.

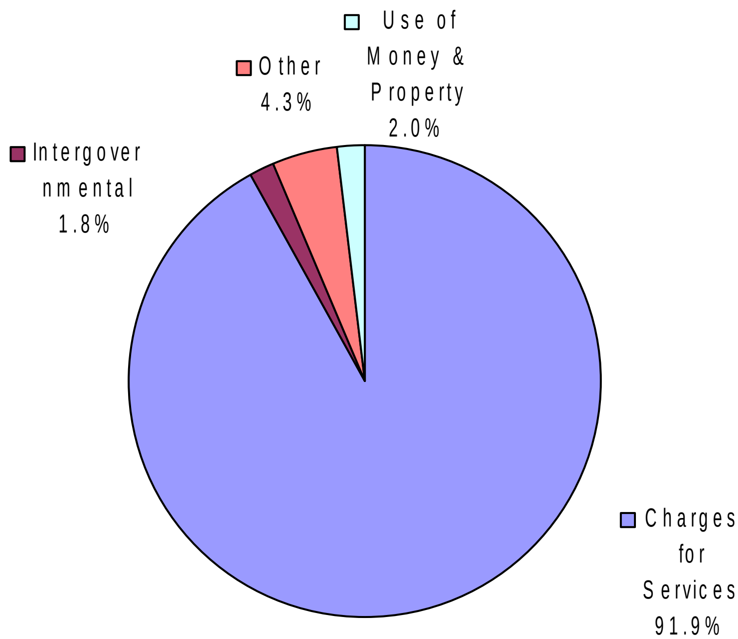
Graph 3 presents the costs of each of the City's business activities and the associated program revenue. Since business-type activities are primarily used when the City charges customers for the services it provides, program revenues (charges for services) should be similar to the costs of these programs and represent the major funding source for these activities. The sewer activity includes depreciation expense on the City's sewer infrastructure and revenues for that activity only include charges for maintenance.

Expenses and Program Revenues – Business-type Activities (Graph 3)



Graph 4 presents revenues by source for Business-type Activities. Similar to government-wide activities, *Charges for Services* is the largest at $1.8 million or 96.0 percent. Total general revenues were $0.1 million and represented intergovernmental and use of money and property (interest earnings).

Revenues by Source – Business-type Activities (Graph 4)



FINANCIAL ANALYSIS OF THE GOVERNMENT'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, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City has three major governmental funds, General Fund, Debt Funded Capital Projects, and the Redevelopment Agency's Capital Project Fund. The General Fund is discussed in depth later in the MD&A. Debt Funded Capital Projects accounts for capital expenditures funded by long term debt. The Redevelopment Fund accounts for expenditures made for improvements to the Project Area. The other twenty-two Governmental Funds are reported as non-major and combined in a single presentation in the *Basic Financial Statements* or individually in the *Supplementary Information*. Each major fund is discussed further in the *Notes to the Financial Statements*.

Governmental Fund Balances – As of the end of the current fiscal year, governmental funds (page 44) reported combined ending fund balances of $75.0 million. Approximately 86.11 percent of this total amount ($64.5 million) constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed for: 1) Liquidation of contracts and purchase orders of the prior period - $2.5 million, and 2) Advances to other funds, particularly from the City to the Redevelopment Agency - $6.2 million.

Governmental Revenues – Table 3 presents a summary of governmental fund revenues for the fiscal year ended June 30, 2006, compared to prior year revenues.

Comparison of Governmental Revenues (Table 3)
Fiscal Years 2005-06 and 2004-05

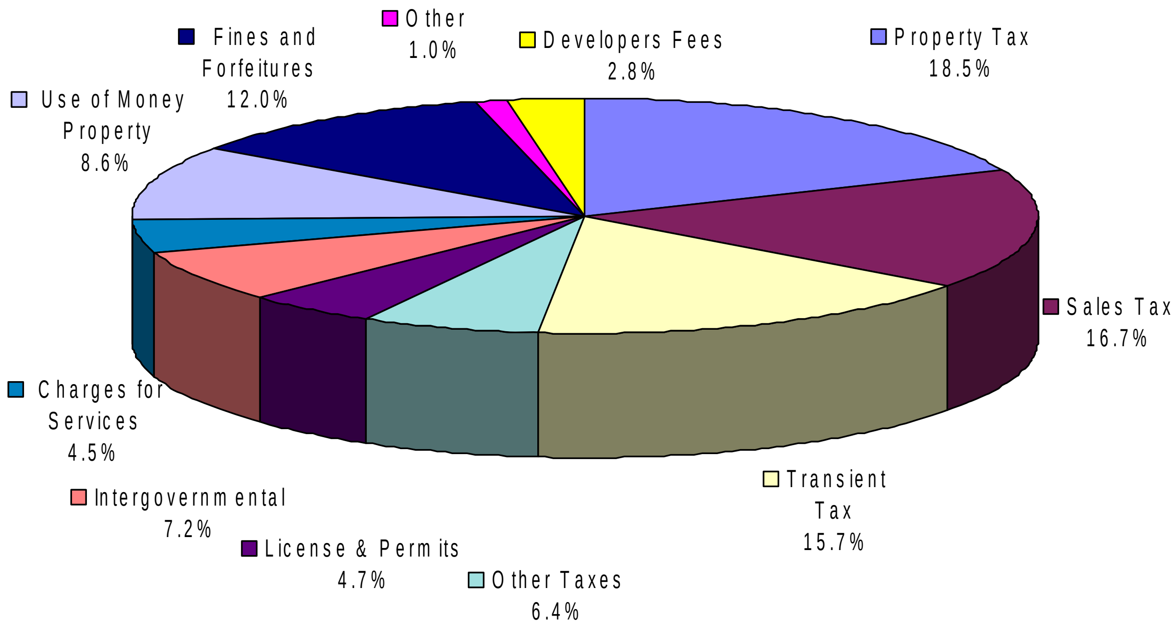
	Amount FY 05-06	% of Total Revenues	Amount FY 04-05	% of Total Revenues	Variance Over/(Under) FY 03-04	% Increase/ (Decrease) FY 03-04
Property Tax	$ 14,412,362	18.5%	$ 11,149,374	15.5%	$ 3,262,988	29.3%
Sales Tax	12,988,360	16.7%	11,283,288	15.7%	1,705,072	15.1%
Transient Tax	12,791,327	16.4%	11,262,704	15.7%	1,528,623	13.6%
Other Taxes	5,015,567	6.4%	4,257,575	5.9%	757,992	17.8%
License & Permits	3,685,402	4.7%	3,768,824	5.2%	(83,422)	-2.2%
Intergovernmental	5,630,843	7.2%	9,019,572	12.6%	(3,388,729)	-37.6%
Charges for Services	3,465,762	4.5%	3,000,706	4.2%	465,056	15.5%
Use of Money & Property	7,878,304	10.1%	6,191,455	8.6%	1,686,849	27.2%
Fines and Forfeitures	9,035,814	11.6%	8,615,254	12.0%	420,560	4.9%
Other	790,001	1.0%	320,347	0.4%	469,654	146.6%
Developers Fees	2,171,542	2.8%	2,959,411	4.1%	(787,869)	-26.6%
TOTAL	$ 77,865,284	100.0%	$ 71,828,510	100.0%	$ 6,036,774	8.4%

Revenues of governmental funds for fiscal year 2005-06 were $77.9 million, with an increase of $6.0 million or 8.4 percent from the prior fiscal year. There were several significant increases to the top three major revenue sources for the City, which is an excellent sign that the local economy is robust. The largest governmental revenue was property tax at $14.4 million with an increase of $3.3 million, or 29.3 percent. Transient occupancy tax, which comprise a significant portion of the City's revenue base and directly reflects the City's tourism industry, increased 13.6 percent or $1.5 million. Similarly, sales tax increased by $1.7 million or 15.1 percent. The other increases over the prior fiscal year include: Other taxes at $0.7 million and use of money & property at $1.7 million.

Unfortunately, there were a few decreases in three categories for a total of $4.3 million. Intragovernmental had the largest percentage decrease of 37.6 percent, which was $3.4

million. The other significant decrease was the Developers fees which was $0.8 million or 26.6 percent. License and Permits had a decrease of $0.1 million or 2.2 percent. As most decreases in revenue are unfortunate, the percentage of decreases mentioned above were 5.8 percent of governmental revenues which had an overall increase of 8.4 percent from the prior year.

Governmental Fund Revenues – Fiscal Year 2005-06 (Graph 5)



Governmental Expenditures – Table 4 presents a summary of governmental fund expenditures for the fiscal year ended June 30, 2006, compared to prior year amounts.

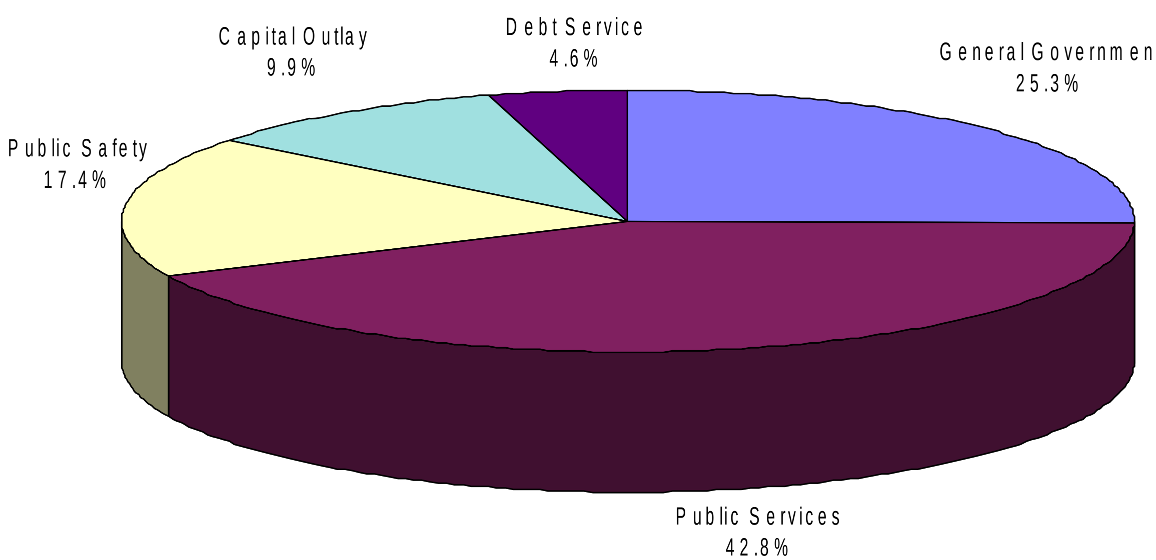
Operating expenditures for 2005-06 were $54.7 million, an increase of 5.4 percent or $2.8 million from the prior fiscal year, with General Government, Public Safety and Public Service having increases of $2.8 million. The following areas had significant expenditure changes: grant program expenditures increased $1.1 million, salaries & benefits increased $1.6 million, and contract services increased $0.6 million, while insurance costs decreased $0.5 million or 27.8 percent. Capital Outlay increased $1.6 million or 33.9 percent due to purchase of a maintenance facility yard.

Debt Service decreased 61.5 percent or $4.7 million due to the City redemption of the 1998 Variable Rate Refunding Certificates of Participation in the prior fiscal year.

Comparison of Major Governmental Expenditures (Table 4)
Fiscal Years 2005-06 and 2004-05

	Amount FY 05-06	% of Total Expenditures	Amount FY 04-05	% of Total Expenditures	Variance Over/(Under) FY 03-04	% Increase/ (Decrease) FY 03-04
General Government	$ 16,166,120	25.3%	$ 13,874,481	21.6%	$ 2,291,639	16.5%
Public Safety	11,139,872	17.4%	10,698,220	16.7%	441,652	4.1%
Public Services	27,346,605	42.8%	27,292,421	42.5%	54,184	0.2%
Total Operating Expenditures	54,652,597	85.5%	51,865,122	80.8%	2,787,475	5.4%
Capital Outlay	6,322,213	9.9%	4,722,669	7.4%	1,599,544	33.9%
Debt Service	2,921,761	4.6%	7,589,468	11.8%	(4,667,707)	-61.5%
TOTAL	$ 63,896,571	100.0%	$ 64,177,259	100.0%	$ (280,688)	-0.4%

Governmental Fund Expenditures – Fiscal Year 2005-06 (Graph 6)



Proprietary Funds. The City's Proprietary funds consist of one major fund, Sewer Construction, and four non-major Enterprise Funds, along with one Internal Service Fund (pages 50 to 52). The non-major Enterprise Funds are combined into an aggregate presentation in the Proprietary Funds financial statements. Individual fund data is provided in the form of *combining statements* starting on page 122.

Revenues for Enterprise Funds include assessments and other charges for services. Total operating revenues for all Enterprise Funds are $1.9 million, while non-operating revenues and transfers represent less than $0.1 million. Operating expenses for the fiscal year were $3.0 million. The City also has one Internal Service Fund to allocate costs of the City's information systems infrastructure to the various departments. The interdepartmental charge for services (revenues) in the fiscal year was $0.3 million with general government expenses of $0.4 million.

Fiduciary Funds account for resources held for the benefit of parties outside the City, in which the City is acting as trustee (page 53). The *Statement of Fiduciary Net Assets* reports two activities for which the City has a fiduciary responsibility. The City administers a Business Improvement District Fund that primarily accounts for the receipt of 1.5 percent of the transient occupancy tax (hotel tax) collected by the City on behalf of the West Hollywood Marketing Corporation (WHMC). The purpose of the WHMC is to promote the City of West Hollywood as a travel destination and convention site. The City also administers a Seismic Improvement Fund which accounts for the collection of special taxes on the property tax rolls to pay interest and principal on bonds issued for seismic retrofitting of 11 buildings within the City.

GENERAL FUND – FUND BALANCE ANALYSIS

The General Fund is the chief operating fund of the City (pages 48 & 49). The fund balance had an increase of $8.3 million. This was primarily the result of the revenues exceeding projections by $6.3 million. As mentioned earlier, Sales, Transient Occupancy Tax, Other Tax and Use Of Money & Property had significant increases from prior year that exceeded $5.0 million together (Table 5).

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund operating expenditures, (which excludes capital projects). Unreserved fund balance represents 95 percent of total General Fund operating expenditures, while total fund balance represents 115 percent of that same amount.

Fund Balance in the General Fund at June 30, 2006 is $51.7 million, which is represented by three components. The Unreserved/undesignated fund balance is $3.9 million, an increase of $2.1 million. The remainder of fund balance, $47.9 million, is made up of: Reserved/designated of $8.7 million and Unreserved/designated of $39.1 million.

Reserved/designated fund balances consist of: $2.5 million for encumbrances and $6.2 million for advances to other funds, which include advances to the Redevelopment Agency for $6.1 million, an increase of $0.4 million from prior year. Unreserved/designated fund balance consists of: $2.5 million for self-insurance, $1.5 million designated for a housing grant match, $30.2 million designated for future capital improvement master plan and $5 million for emergency reserves as required by the Finance Policies.

Table 5 shows the three components of fund balance for the past five years. The second part shows the opening balance, operating surplus/ (deficit), restatements, and ending balance.

General Fund – Changes to Fund Balance – Five Year Trend (Table 5)

	FY 05-06	FY 04-05	FY 03-04	FY 02-03	FY 01-02
Fund Balance					
Reserved	$ 8,667,835	$ 7,366,598	$ 8,252,813	$ 12,827,655	$ 14,898,400
Designated Unreserved	39,192,076	32,835,991	24,890,782	18,072,568	8,337,348
Undesignated Unreserved	3,917,790	1,813,081	214,729	547,328	229,918
Total Fund Balance	$ 51,777,701	$ 42,015,670	$ 33,358,324	$ 31,447,551	$ 23,465,666
Beginning Balance	$ 42,015,670	$ 33,358,324	$ 31,447,551	$ 23,465,666	$ 24,627,842
Operating Surplus /(Deficit)	8,319,955	8,657,346	1,910,773	7,981,885	(408,176)
Restatement	1,442,076	-	-	-	(754,000)
Ending Balance	$ 51,777,701	$ 42,015,670	$ 33,358,324	$ 31,447,551	$ 23,465,666

GENERAL FUND – REVENUE AND EXPENDITURE ANALYSIS

Revenues – For fiscal year 2005-06, General Fund Revenues and Other Financing Sources were $59.4 million, an increase of 7.5 percent due to the various increase in revenues mentioned on page 31 (General Fund – Fund Balance Analysis). Following are key points and graphs of General Fund Revenues:

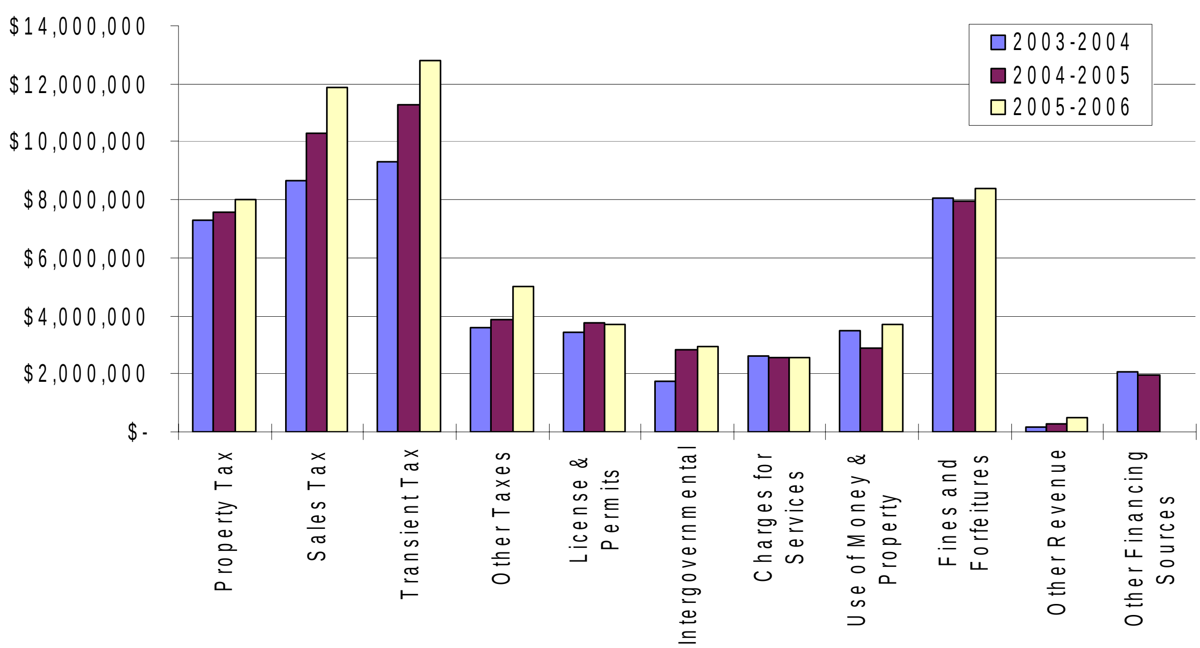
General Fund Revenues and Other Financing Sources (Table 6)
Fiscal Years 2005-06 and 2004-05

	2005-2006	2004-2005	Variance Over/(Under) last year	% of increase (decrease) over last year	% of total
Property Tax	$ 8,000,302	$ 7,585,418	$ 414,884	5.5%	13.5%
Sales Tax	11,856,503	10,295,808	1,560,695	15.2%	20.0%
Transient Tax	12,791,327	11,262,704	1,528,623	13.6%	21.5%
Other Taxes	5,015,567	3,873,449	1,142,118	29.5%	8.4%
License & Permits	3,685,402	3,768,824	(83,422)	-2.2%	6.2%
Intergovernmental	2,958,025	2,824,311	133,714	4.7%	5.0%
Charges for Services	2,547,925	2,578,721	(30,796)	-1.2%	4.3%
Use of Money & Property	3,715,993	2,908,486	807,507	27.8%	6.3%
Fines and Forfeitures	8,369,703	7,969,805	399,898	5.0%	14.1%
Other Revenue	470,738	264,702	206,036	77.8%	0.8%
Other Financing Sources	1,200	1,937,604	(1,936,404)	na	0.0%
Totals	$ 59,412,685	$ 55,269,832	$ 4,142,853	7.5%	100.0%

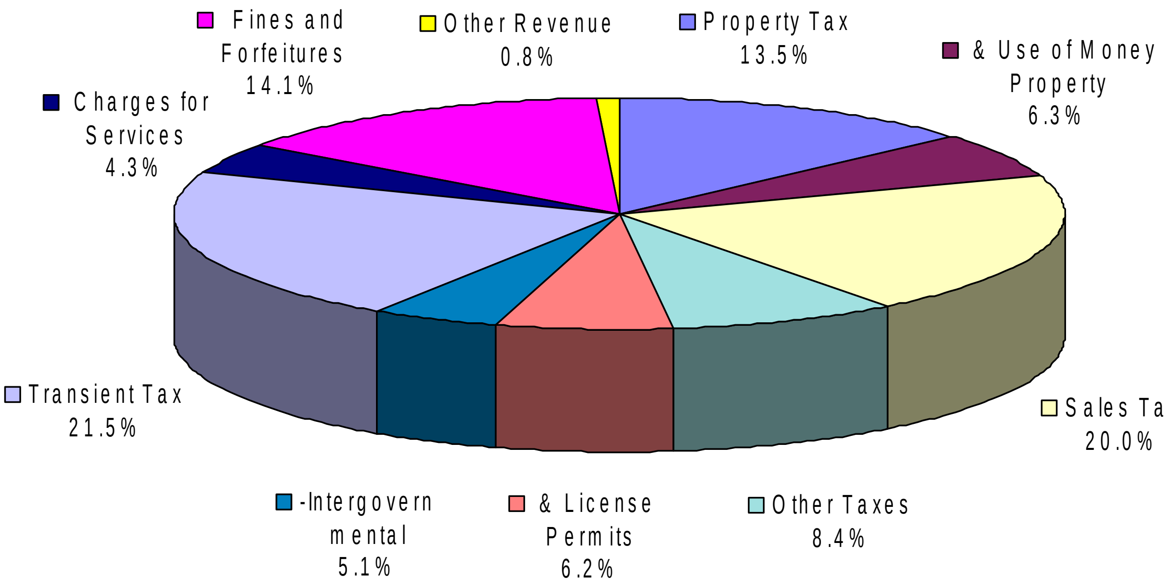
- Property tax revenues increased 5.5 percent, comprising 13.5 percent of General Fund revenue. This increase is attributed primarily to the adjusted valuations of properties sold and subsequently reassessed.
- Sales tax revenues increased $1.6 million or 15.2 percent from the prior year. The increase is primarily attributed to the Target and Best Buy stores located in the redevelopment project area as part of the new La Brea Gateway Project and combined with strong economy in the region.
- Similarly, transient occupancy taxes increased 13.6 percent or $1.5 million and have become the single largest source of revenue for the City. This was the highest year since FY 2000-01, when the events of September 11th sharply affected the travel and tourism industry in the Southern California region.
- Other tax revenues increased by 29.5 percent or $1.1 million. Increases were due to reimbursement of the vehicle in-lieu fee backfill from the State of California for $0.8 million and other increases include $0.1 million in business license and $0.1 million in business license franchise fees.

- License and permit revenues decreased 2.2 percent, as issuance of the building permits issued citywide remained almost the same.
- Intergovernmental revenues increased 4.7 percent or $0.1 million. The increase was due to reimbursement by the State of California for mandated costs.
- Charges for Services had a decrease of 1.2 percent or less then $0.1 million. The major contributor to charges for services is Rent Stabilization Fees at $1.9 million.
- Revenues from the use of money and property represent 6.3 percent of General Fund revenue and increase of 27.8 percent from the prior year. This increase is attributed to higher interest rates on investments and the deferred interest on loans to the Redevelopment Agency.
- Fines & Forfeitures increased 5.0 percent, is the third largest revenue source for the General Fund at 14.1 percent. Parking Fines represent 71.7 percent or $6.0 million of fines & forfeitures. The City dedicates 10.0 percent of total parking fine revenues to the Parking Improvement Fund for the construction and operation of public parking.

Comparison of General Fund Revenues (Graph 7)
Fiscal Years 2005-06, 2004-05 and 2003-04



General Fund Revenues - Fiscal Year 2005-06 (Graph 8)



Expenditures – For fiscal year 2005-06, total General Fund expenditures were $51.1 million, an increase of 9.3 percent from the prior year. Following are key points and graphs of General Fund expenditures and for detail information refer to page 48 & 49.

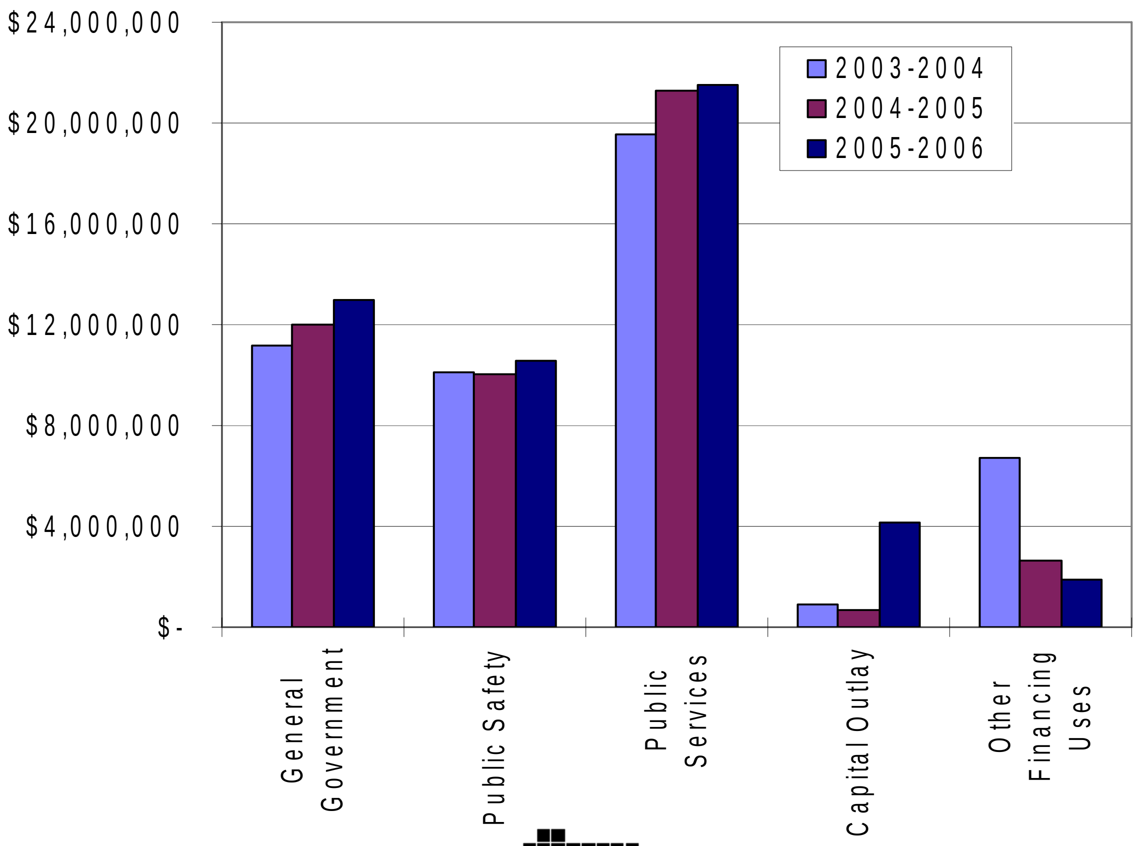
General Fund Expenditures (Table 7)
Fiscal Years 2005-06 and 2004-05

	2005-2006	2004-2005	Variance Over/(Under) last year	% of increase (decrease) over last year	% of total
General Government	$ 12,971,031	$ 11,967,648	$ 1,003,383	9.7%	25.4%
Public Safety	10,532,117	10,002,401	529,716	5.3%	20.6%
Public Services	21,538,845	21,248,851	289,994	1.4%	42.2%
Capital Outlay	4,148,967	716,180	3,432,787	575.1%	8.1%
Other Financing Uses	1,901,771	2,677,406	(775,635)	-19.5%	3.7%
Total Expenditures	$ 51,092,731	$ 46,612,486	$ 4,480,245	9.3%	100.0%

- General Government expenditures were $13.0 million, an increase of 9.7 percent. This is due to the increase in salaries & benefits cost.

- Public Safety expenditures were $10.5 million, an increase of 5.3 percent. The increase was due to an increase in the contract with the Los Angeles County Sherriff's Department. The City also had additional costs in Public Safety for 2005-06 in the amount of $0.7 million, for a total of $11.2 million.
- Public Service expenditures were $21.5 million and resulted in a 1.4 percent increase. Public Services is the largest function in the General Fund, with the following five (5) major program areas: 1) Social Services - $4.0 million, 2) Building and Landscape Maintenance - $3.2 million, 3) Parking Services - $2.8 million, 4) Recreation Services - $2.7 million, and 5) Planning - $2.1 million.
- Capital Outlay was $4.1 million, an increase of 575 percent or $3.4 million. There was $1.9 million of unfinished capital improvement projects carried forward into fiscal year 2006-07. Increase was attributed to the purchase of the Maintenance Facility Yard for $3.0 million.
- Other Financing Uses were $ 1.9 million, which was a decrease of $0.8 million from prior year. The decrease was the result of transferring funds to Debt Service Fund to payoff the variable bonds in the prior year.

Comparison of General Fund Expenditures (Graph 9)
<u>Fiscal Years 2005-06, 2004-05 and 2003-04</u>



GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City budget several times. Budget revisions fall into three categories. The first category includes carry-forward encumbrances and capital projects that are approved shortly after the beginning of the year. The second category includes changes that the Council makes during the mid-year budget process. Finally, the Council approves supplemental appropriations throughout the year based on individual items that are bought forward by various departments. The General Fund budgetary comparison statement is located on pages 48 & 49.

Resources (Inflows) –The budgeted amount for *revenues* (resources available for appropriation) had an increase of $4.9 million between the original budget of $48.3 million and the final amended budget of $53.2 million. The increase was due in part to mid-year adjustments for taxes at $4.2 million and other revenue at $0.7 million. Actual revenues exceeded the final amended budget by $6.3 million. The significant difference in actual revenues was primarily due to actual tax revenue exceeding budget by $3.4 million.

Charges to Appropriations (Outflows) – The difference between the original budget and the final budget was an increase of $8.8 million in appropriations. The major increase was in Capital Projects in the amount of $6.7 million, of which $0.7 million was used to purchase traded funds for transportation programs. For the other functions, General Government had a $0.9 million increase as well as Public Service had increase of $1.2 million and Public Safety remained mostly unchanged.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets (Table 8) for its governmental and business-type activities as of June 30, 2006, is $127.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure.

Here are the major additions included in fiscal year 2005-06:

- City-wide Infrastructure Improvements (CIP) $1,164,994
- Purchase of Maintenance Facility Yard $2,910,671

Capital Assets (Table 8)
(net of depreciation)
(in thousands)

	Governmental Activities		Business-Type Activities		Government-Wide Totals	
	2006	2005	2006	2005	2006	2005
Land	$ 45,675	$ 45,714	$ -	$ -	$ 45,675	$ 45,714
Buildings and systems	17,990	13,461	-	-	17,990	13,461
Improvements other than buildings	3,487	3,709	-	-	3,487	3,709
Machinery and Equipment	917	231	-	-	917	231
Infrastructure	46,017	46,807	10,594	10,812	56,611	57,619
Construction in progress	2,594	6,675	-	-	2,594	6,675
Total Capital Assets	$ 116,680	$ 116,597	$ 10,594	$ 10,812	$ 127,274	$ 127,409

For Fiscal Year 2005-06, the capital budget called for the City to spend another $33.8 million that will be carried forward to 2006-07. In 06-07, the City budgeted $8.0 million for park improvements; $1.6 million for affordable housing projects; $7.0 million for new parking lots and garages and $2.5 million for street repairs and improvements. Additional information about the City's capital assets can be found in Notes 5 & 6 of the Notes to Financial Statements starting on page 55.

Long-Term Debt. At year-end, the City had $35.7 million in outstanding long-term debt for Governmental Activities. This consisted of bonds payable, Certificates of Participation & Tax Allocation Bonds, and compensated absences. As shown in Table 8, Certificates of Participation outstanding were $22.6 million versus $23.3 million last year – a decrease of 3 percent caused by early redemption of the 1998 Variable Rate Refunding Certificates of Participation. Tax Allocation Bonds were $11.1 million and represent the first bond issue of the City's Redevelopment Agency. The 2003 Tax Allocation Bonds were issued in September 2003 and the proceeds financed redevelopment activities within the East-side Project Area, including activities that increase, improve or preserve the supply of low and moderate income housing. Compensated absences had an increase of $0.3 million with an outstanding balance of $2.0 million at year end. Additional information about the City's long-term debt can be found in Note 8 of the Notes to the Financial Statements starting on page 55.

Long-Term Debt (Table 9)
(in thousands)

	Governmental Activities			
	2006	2005	Variance Over/(Under) last year	% of increase (decrease) over last year
Certificates of Participation	$ 22,605.0	$ 23,255.0	$ (650.0)	-2.8%
Tax Allocation Bonds	11,070.0	11,265.0	(195.0)	-1.7%
Compensated Absences	2,042.0	1,782.9	259.1	14.5%
Total Long-term Debt	$ 35,717.0	$ 36,302.9	$ (585.9)	-1.6%

ECONOMIC FACTORS AND OUTLOOK FOR FUTURE YEARS

Although the focus of this Annual Report is the economic condition of the City as of June 30, 2006, there are always local, state and federal issues that require consideration in this report because of their future economic impact to the City. So in preparing the budget for the next fiscal year, these factors played a critical role.

At the Federal Level, cuts in housing and social services funding create a severe crisis for the County of Los Angeles and have a significant impact on City residents, especially those who depend on the County for housing and medical care. As government funding and private donations become scarcer and client populations increase, the non-profit agencies that serve City residents are finding it more difficult to provide necessary services. Several crucial programs focused on survival needs fulfilled 100% of their service commitments to the City by mid-year.

At the State level, the California economy has experienced growth over the past year and raids on the local government treasury seems to have subsided with the passage of Proposition 1A in November of 2004. However, we are still aware of fiscal constraints that the state has and how it could eventually affect local government even with the passage of Proposition 1A.

At the local level, the City's economic condition, which declined in fiscal year 2001-02 because of the events of September 11th, has shown a full recovery with the City's three major revenue sources well above the levels of Fiscal Year 01-02. The tourism and entertainment industry plays a crucial role in the City's economic base, and receipt of transient occupancy tax (TOT) and sales tax revenues at their highest levels indicates that the local economy has had a full recovery from the recession in 2001. The City expects the economy to continue to improve in Fiscal Year 2006-07.

Taking this information into account, the City's adopted General Fund budget for fiscal year 2006-07 reflects optimism about the City's financial future. Projection for key revenues over the next year anticipates that they will continue to strengthen and expand our very diverse economic base. Higher costs for public safety, housing & social services, wages, retirement and health care counter in significant part the anticipated revenue expansion. The escalation of these costs was factored into the next fiscal year's budget. The City continues to use its strategic plan, Vision 2020, in guiding its decisions during the budget process.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives and expends. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance & Technology Services, City of West Hollywood, 8300 Santa Monica Blvd., West Hollywood, California 90069. This report is also available online at www.weho.org/financials.

BASIC FINANCIAL STATEMENTS

Halloween celebration costumes

The West Hollywood Halloween celebration is world famous and draws 400,000 or more costumed merry-makers and looky-loos to Santa Monica Boulevard. Sales and occupancy taxes paid by revelers fund a variety of City programs, including citizenship classes and other services to residents.

CITY OF WEST HOLLYWOOD

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	West Hollywood Marketing Corp
Assets:				
Cash and investments	$ 78,473,791	$ 1,009,360	$ 79,483,151	$ 446,490
Receivables:				
Accounts	1,487,989	229	1,488,218	4,241
Taxes	1,653,786	-	1,653,786	298,317
Accrued interest	539,632	10,183	549,815	-
Deferred loans	11,160,421	-	11,160,421	-
Allowance for loan forgivness	(10,066,715)	-	(10,066,715)	-
Internal balances	(7,144)	7,144	-	-
Prepaid costs	94,093	-	94,093	71,187
Inventories	15,000	-	15,000	-
Due from external parties	44,117	-	44,117	-
Due from other governments	4,715,481	118,379	4,833,860	-
Deferred charges	243,459	-	243,459	-
Restricted assets:				
Cash with fiscal agent	2,880,460	-	2,880,460	-
Capital assets not being depreciated	48,268,145	1,367,777	49,635,922	-
Capital assets, net of depreciation	68,411,944	9,225,991	77,637,935	41,317
Total Assets	**207,914,459**	**11,739,063**	**219,653,522**	**861,552**
Liabilities:				
Accounts payable	5,902,453	18,277	5,920,730	33,690
Accrued liabilities	477,798	-	477,798	20,072
Accrued interest	655,826	-	655,826	-
Unearned revenues	3,229,141	-	3,229,141	-
Deposits payable	1,172,679	-	1,172,679	-
Due to other governments	1,866,258	-	1,866,258	-
Accrued claims and judgments	851,664	-	851,664	-
Noncurrent liabilities:				
Due within one year	2,814,557	-	2,814,557	3,577
Due in more than one year	33,400,492	-	33,400,492	14,212
Total Liabilities	**50,370,868**	**18,277**	**50,389,145**	**71,551**
Net Assets:				
Invested in capital assets, net of related debt	83,025,801	10,593,768	93,619,569	41,317
Restricted for:				
Community development projects	610,209	-	610,209	-
Capital projects	17,646,512	-	17,646,512	-
Debt service	11,947,116	-	11,947,116	-
Unrestricted	44,313,953	1,127,018	45,440,971	748,684
Total Net Assets	**$ 157,543,591**	**$11,720,786**	**$ 169,264,377**	**$ 790,001**

See Notes to Financial Statements

CITY OF WEST HOLLYWOOD

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

		Program Revenues		
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	$ 16,479,257	$ 492,019	$ -	$ -
Public safety	11,212,181	999,856	188,374	-
Public services	30,573,381	18,535,109	3,056,246	743,180
Interest on long-term debt	2,073,243	-	-	-
Total Governmental Activities	**60,338,062**	**20,026,984**	**3,244,620**	**743,180**
Business-Type Activities:				
Sewer Construction	1,310,820	196,513	-	-
Solid Waste	1,137,797	1,159,211	-	-
Landscape District	198,252	163,312	-	-
Street Maintenance	334,287	285,348	-	-
Total Business-Type Activities	**2,981,156**	**1,804,384**	**-**	**-**
Total Primary Government	**$ 63,319,218**	**$ 21,831,368**	**$ 3,244,620**	**$ 743,180**
Component Units:				
West Hollywood Marketing Corporation	$ 1,529,655	$ -	$ -	$ -

General Revenues:
Taxes:
Property taxes, levied for general purpose
Transient occupancy taxes
Sales taxes
Franchise taxes
Business licenses taxes
Motor vehicle in lieu
Use of money and property
Gain/(loss) on sale of assets
Other

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Restatement of Net Assets

Net Assets at End of Year

See Notes to Financial Statements

CITY OF WEST HOLLYWOOD

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Marketing Corporation
$ (15,987,238)	$ -	$ (15,987,238)	$ -
(10,023,951)	-	(10,023,951)	-
(8,238,846)	-	(8,238,846)	-
(2,073,243)	-	(2,073,243)	-
(36,323,278)	**-**	**(36,323,278)**	**-**
-	(1,114,307)	(1,114,307)	-
-	21,414	21,414	-
-	(34,940)	(34,940)	-
-	(48,939)	(48,939)	-
-	**(1,176,772)**	**(1,176,772)**	**-**
$ (36,323,278)	**(1,176,772)**	**(37,500,050)**	**-**
			$ (1,529,655)
15,282,673	-	15,282,673	-
12,791,327	-	12,791,327	1,523,691
11,815,467	-	11,815,467	-
2,045,702	-	2,045,702	-
2,198,549	-	2,198,549	-
2,522,013	-	2,522,013	-
6,798,247	38,563	6,836,810	5,663
(70,533)	-	(70,533)	-
646,918	84,165	731,083	128,233
54,030,363	**122,728**	**54,153,091**	1,657,587
17,707,086	(1,054,044)	16,653,042	127,932
138,394,429	12,774,830	151,169,259	662,069
1,442,076	-	1,442,076	-
$ 157,543,591	**$ 11,720,786**	**$ 169,264,377**	**$ 790,001**

See Notes to Financial Statements

CITY OF WEST HOLLYWOOD

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Capital Projects Agency Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled cash and investments	$49,188,059	$ 48,715	$28,879,889	$78,116,663
Receivables:				
Accounts	418,553	-	1,069,436	1,487,989
Taxes	1,653,786	-	-	1,653,786
Accrued interest	308,174	163	231,295	539,632
Loans	-	-	11,160,421	11,160,421
Allowance for loan forgiveness	-	-	(10,066,715)	(10,066,715)
Prepaid costs	70,608	-	23,485	94,093
Deposits	15,000	-	-	15,000
Due from other governments	3,855,308	-	860,173	4,715,481
Due from other funds	2,021,165	-	-	2,021,165
Advances to other funds	6,178,159	-	-	6,178,159
Restricted assets:				
Cash and investments with fiscal agents	-	-	2,880,460	2,880,460
Total Assets	**$63,708,812**	**$ 48,878**	**$35,038,444**	**$98,796,134**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 5,089,658	$ 1,647	$ 736,771	$ 5,828,076
Accrued liabilities	477,182	-	616	477,798
Due to other funds	-	-	1,977,048	1,977,048
Deferred revenues	1,870,577	-	415,683	2,286,260
Unearned revenues	2,483,901	-	745,240	3,229,141
Advances from other funds	-	6,078,729	99,430	6,178,159
Accrued claims and judgments	851,664	-	-	851,664
Deposits payable	1,158,129	-	14,550	1,172,679
Due to other governments	-	-	1,866,258	1,866,258
Total Liabilities	**11,931,111**	**6,080,376**	**5,855,596**	**23,867,083**
Fund Balances:				
Reserved:				
Reserved for encumbrances	2,489,676	106,759	1,633,172	4,229,607
Reserved for advances to other funds	6,178,159	-	-	6,178,159
Unreserved:				
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	12,827,476	12,827,476
Capital projects funds	-	-	2,138,419	2,138,419
Debt service funds	-	-	12,596,942	12,596,942
Permanent funds	-	-	(13,161)	(13,161)
Designated for self-insurance	2,500,000	-	-	2,500,000
Designated for future expenditures	35,192,076	-	-	35,192,076
Designated for LHTFP grant	1,500,000	-	-	1,500,000
Undesignated	3,917,790	(6,138,257)	-	(2,220,468)
Total Fund Balances	**51,777,701**	**(6,031,498)**	**29,182,848**	**74,929,051**
Total Liabilities and Fund Balances	**$63,708,812**	**$ 48,878**	**$35,038,444**	**$98,796,134**

See Notes to Financial Statements

CITY OF WEST HOLLYWOOD

GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Fund balances of governmental funds	$ 74,929,051
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	116,680,089
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Long-term debt	(33,929,895)
Compensated absences	(2,041,695)
Accrued interest payable for the current portion of interest due on long-term liabilities that have not been reported in the governmental funds.	(655,826)
The accrued interest on interfund loans between the City and Redevelopment Agency.	901,457
Certain revenues in governmental funds are deferred because they are not collected within the prescribed time period after year-end. Those revenues are recognized on the accrual basis used in the government-wide statements.	1,384,803
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets.	275,607
Net assets of governmental activities	**$ 157,543,591**

See Notes to Financial Statements

CITY OF WEST HOLLYWOOD

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2006

	General	Capital Projects Agency Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 37,663,699	$ -	$ 7,543,917	$ 45,207,616
Licenses and permits	3,685,402	-	-	3,685,402
Intergovernmental	2,958,025	-	2,672,818	5,630,843
Charges for services	2,547,925	-	917,837	3,465,762
Use of money and property	3,715,993	83,501	4,078,810	7,878,304
Fines and forfeitures	8,369,703	-	666,111	9,035,814
Miscellaneous	470,738	-	319,263	790,001
Developer Participation	-	-	2,171,542	2,171,542
Total Revenues	**59,411,485**	**83,501**	**18,370,298**	**77,865,284**
Expenditures:				
Current:				
General government	12,971,031	359,522	2,835,567	16,166,120
Public safety	10,532,117	-	607,755	11,139,872
Public services	21,538,845	-	5,807,760	27,346,605
Capital outlay	4,148,967	287,115	1,886,131	6,322,213
Debt service:				
Principal retirement	-	-	845,000	845,000
Interest and fiscal charges	-	344,541	1,732,220	2,076,761
Total Expenditures	**49,190,960**	**991,178**	**13,714,433**	**63,896,571**
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,220,526	(907,677)	4,655,865	13,968,714
Other Financing Sources (Uses):				
Transfers in	1,200	312,867	2,370,539	2,684,606
Transfers out	(1,901,771)	-	(782,835)	(2,684,606)
Sale of capital asset	-	-	2,879,467	2,879,467
Total Other Financing Sources (Uses)	**(1,900,571)**	**312,867**	**4,467,171**	**2,879,467**
Net Change in Fund Balances	**$ 8,319,955**	**(594,810)**	**$ 9,123,036**	**$ 16,848,181**
Fund Balances, Beginning of Year, as originally reported	$ 42,015,670	$ (5,436,688)	$ 20,059,812	$ 56,638,794
Restatements	1,442,076	-	-	1,442,076
Fund Balances, Beginning of Year, as restated	43,457,746	(5,436,688)	20,059,812	58,080,870
Net Change in Fund Balances	8,319,955	(594,810)	9,123,036	16,848,181
Fund Balances, End of Year	**$ 51,777,701**	**$ (6,031,498)**	**$ 29,182,848**	**$ 74,929,051**

See Notes to Financial Statements

CITY OF WEST HOLLYWOOD

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	$ 16,848,181
Amounts reported for governmental activities in the statement of activities differ because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	83,175
Repayment of long-term debt principal is an expenditure in the governmental funds, while reducing the long-term liabilities in the statement of net assets.	864,330
Accrued interest on long-term debt. This is the net change in accrued interest for the current period.	15,978
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(258,753)
The accrued interest on interfund loans between the City and Redevelopment Agency.	344,541
Certain revenues were measurable but not available and, therefore, could not be reported as revenue on the modified accrual basis, but are considered revenues for the Statement of Activities.	(125,935)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service fund is reported with governmental activities.	(64,431)
Change in net assets of governmental activities	**$ 17,707,086**

See Notes to Financial Statements

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Budgetary Fund Balance, July 1	$43,457,746	$ 43,457,746	$ 43,457,746	$ -
Resources (Inflows):				
Taxes	30,066,162	34,216,193	37,663,699	3,447,506
Licenses and permits	2,979,100	3,086,650	3,685,402	598,752
Intergovernmental	1,557,725	2,205,225	2,958,025	752,800
Charges for services	2,433,900	2,433,900	2,547,925	114,025
Use of money and property	2,847,930	2,854,680	3,715,993	861,313
Fines and forfeitures	8,404,000	8,358,000	8,369,703	11,703
Miscellaneous	-	-	470,738	470,738
Transfers from other funds	-	-	1,200	1,200
Amounts Available for Appropriation	**91,746,563**	**96,612,394**	**102,870,431**	**6,258,037**
Charges to Appropriation (Outflow):				
General Government:				
City council	806,139	904,985	904,561	424
City manager	503,960	532,244	528,351	3,893
Economic Development Department	701,226	711,506	680,413	31,093
Public Safety Administration	693,101	713,101	702,896	10,205
City Attorney	868,000	1,249,454	1,249,150	304
Administrative Services	988,710	835,220	827,430	7,790
Legal Services	908,758	902,758	892,095	10,663
City Clerk	752,034	822,049	822,031	18
Human Resources	715,601	981,263	953,731	27,532
Finance Administration	1,995,300	1,902,833	1,636,059	266,774
Revenue Management	573,407	590,265	590,233	32
General Accounting	483,942	599,557	489,753	109,804
Budget & Compensation	390,932	402,429	398,429	4,000
Organizational Services	4,000	104,000	122	103,878
Information Technology	1,155,241	1,174,923	1,089,709	85,214
Public Information & Prosecution Svc.	1,178,063	1,206,172	1,206,068	104
Sub-total General Government	12,718,414	13,632,759	12,971,031	661,728
Public Safety:				
City Police/Protective Services	11,535,750	11,545,490	10,532,117	1,013,373
Sub-total Public Safety	11,535,750	11,545,490	10,532,117	1,013,373

See Notes to Financial Statements

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2006

Public Services:				
Human Services Administration	325,908	465,553	459,627	5,926
Recreation Services	2,671,619	2,749,581	2,744,851	4,730
Social Services	4,043,445	4,063,471	3,919,139	144,332
Facilities & Field Services	4,033,739	3,550,780	3,237,613	313,167
Housing & Rent Stabilization Admin.	345,657	512,456	476,354	36,102
Rent Information & Records	991,006	950,599	943,754	6,845
Housing & Residential Code Comp	374,702	455,867	455,075	792
Community Development Admin	352,337	382,167	349,698	32,469
Planning	1,555,884	2,929,069	2,110,143	818,926
Commercial Code Compliance	949,766	978,187	962,258	15,929
Building and Safety	812,719	862,014	771,074	90,940
Transportation & Public Works	420,907	435,907	435,802	105
Parking	2,772,866	2,788,449	2,788,374	75
Transportation	1,745,471	1,768,053	1,438,199	329,854
City Engineering	918,720	597,373	446,883	150,490
Sub-total Public Services	22,314,746	23,489,526	21,538,844	1,950,682
Capital outlay				
Capital Projects	1,149,853	6,657,234	4,148,967	2,508,267
Nondepartmental				
Transfers Out	1,189,907	5,405	1,901,771	(1,896,366)
Total Charges to Appropriations	**48,908,670**	**55,330,414**	**51,092,730**	**4,237,684**
Budgetary Fund Balance, June 30	**$42,837,893**	**$ 41,281,980**	**$ 51,777,701**	**$ 10,495,721**

See Notes to Financial Statements

CITY OF WEST HOLLYWOOD

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Enterprise Fund			Internal Service Fund
	Sewer	Non-Major Other Enterprise	Totals	Information Systems Master Plan
Current:				
Cash and investments	$ 321,119	$ 688,241	$ 1,009,360	$ 357,128
Receivables:				
Accounts	-	229	229	-
Accrued interest	2,892	7,291	10,183	-
Due from other governments	-	118,379	118,379	-
Total Current Assets	**324,011**	**814,140**	**1,138,151**	**357,128**
Noncurrent:				
Capital assets - net of accumulated depreciation	10,593,768	-	10,593,768	-
Total Noncurrent Assets	**10,593,768**	**-**	**10,593,768**	**-**
Total Assets	**10,917,779**	**$ 814,140**	**$11,731,919**	**$ 357,128**
Liabilities and Net Assets:				
Liabilities:				
Current:				
Accounts payable	-	$ 18,277	$ 18,277	$ 74,377
Total Current Liabilities	**-**	**18,277**	**18,277**	**74,377**
Total Liabilities	**-**	**18,277**	**18,277**	**74,377**
Net Assets:				
Net assets, invested in capital assets	10,593,768	-	10,593,768	-
Unrestricted	324,011	795,863	1,119,874	282,751
Total Net Assets	**$ 10,917,779**	**795,863**	**11,713,642**	**282,751**
Total Liabilities and Net Assets	**$ 10,917,779**	**$ 814,140**	**$11,731,919**	**$ 357,128**

Reconciliation of net assets to the Statement of Net Assets

Net assets per Statement of Net Assets - Proprietary Funds	11,713,642
Prior years' accumulated adjustment to reflect the consolidation of internal service activities related to enterprise funds	9,079
Current year internal service adjustment	(1,935)
Net assets per Statement of Net Assets	11,720,786

See Notes to Financial Statements

CITY OF WEST HOLLYWOOD

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS JUNE 30, 2006

	Enterprise Funds Sewer District	Non-Major Enterprise Funds	Totals	Internal Service Fund Information Systems Master Plan
Operating Revenues:				
Sales and service charges	$ -	$ 1,804,384	$ 1,804,384	$ 339,564
Intergovernmental	-	11,658	11,658	-
Licenses and permits	-	72,507	72,507	-
Total Operating Revenues	**-**	**1,888,549**	**1,888,549**	**339,564**
Operating Expenses:				
Treatment	1,015,039	1,805,869	2,820,908	-
Administration and general	-	158,313	158,313	405,930
Total Operating Expenses	**1,015,039**	**1,964,182**	**2,979,221**	**405,930**
Operating Income (Loss)	(1,015,039)	(75,633)	(1,090,672)	(66,366)
Nonoperating Revenues (Expenses):				
Interest revenue	16,477	22,086	38,563	-
Total Nonoperating Revenues (Expenses)	**16,477**	**22,086**	**38,563**	**-**
Changes in Net Assets	(998,562)	(53,547)	(1,052,109)	(66,366)
Net Assets:				
Beginning of Fiscal Year	11,916,341	849,410	12,765,751	349,117
End of Fiscal Year	**$ 10,917,779**	**$ 795,863**	**$ 11,713,642**	**$ 282,751**
Reconciliation of net assets to the Statements of Activities			$ (1,052,109)	
Adjustment to reflect the consolidation of internal service activities related to enterprise funds			(1,935)	
Changes in net assets of business - type activities			$ (1,054,044)	

See Notes to Financial Statements

CITY OF WEST HOLLYWOOD

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Enterprise Fund Sewer District	Non-Major Enterprise Funds	Totals	Internal Service Fund Information Systems Master Plan
Cash Flows from Operating Activities:				
Cash received from customers	$ -	$ 1,816,042	$ 1,816,042	$ 339,564
Cash payments to suppliers for goods and services	(706,891)	(1,903,463)	(2,610,354)	(444,189)
Cash payments to employees for services	-	(147,200)	(147,200)	-
Other operating revenues (expenses)	3,841	4,471	8,312	-
Net Cash Provided (Used) by Operating Activities	(703,050)	(230,150)	(933,200)	(104,625)
Cash Flows from Capital and Related Financing Activities:				
Acquisition and construction of capital assets	(103,966)	-	(103,966)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(103,966)	-	(103,966)	-
Cash Flows from Investing Activities:				
Interest income	16,477	22,086	38,563	-
Net Cash Provided (Used) by Investing Activities	16,477	22,086	38,563	-
Net Increase (Decrease) in Cash and Investments	(790,539)	(208,064)	(998,603)	(104,625)
Cash and Investments at Beginning of Fiscal Year	1,111,658	896,305	2,007,963	461,753
Cash and Investments at End of Fiscal Year	$ 321,119	$ 688,241	$ 1,009,360	$ 357,128
Reconciliation:				
Operating income	$ (1,015,039)	$ (75,633)	$ (1,090,672)	$ (66,366)
Adjustments:				
Depreciation	322,624	-	322,624	-
Decrease (increase) in interest receivable	3,841	(1,394)	2,447	-
Decrease (increase) in due from other governments	-	(66,642)	(66,642)	-
Increase (decrease) in accounts payable	(14,476)	(97,594)	(112,070)	(38,259)
Increase (decrease) in accrued payroll	-	11,113	11,113	-
Total Adjustments	311,989	(154,517)	157,472	(38,259)
Net Cash Provided (Used) by Operating Activities	$ (703,050)	$ (230,150)	$ (933,200)	$ (104,625)

Schedule of Noncash Investing and Capital and Noncapital Financing Activities
During the fiscal year ending June 30, 2006, there were no noncash investing or capital or noncapital financing activities.

See Notes to Financial Statements

CITY OF WEST HOLLYWOOD

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

Assets:	
Cash and investments	$ 160,814
Receivables (net of allowance for uncollectibles):	
Accounts	155,675
Taxes	198,450
Interest	1,442
Due from other governments	4,872
Restricted Assets:	
Cash With Fiscal Agent	229,842
Total Assets	**$ 751,095**

Liabilities:

Liabilities:	
Accounts payable	$ 310,008
Payable to trustee	396,970
Due to other funds	44,117
Total Liabilities	**$ 751,095**

See Notes to Financial Statements

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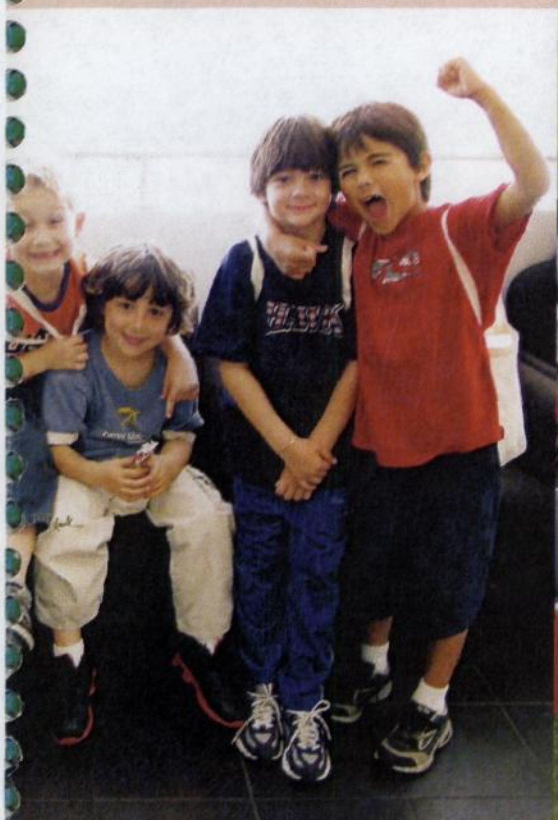
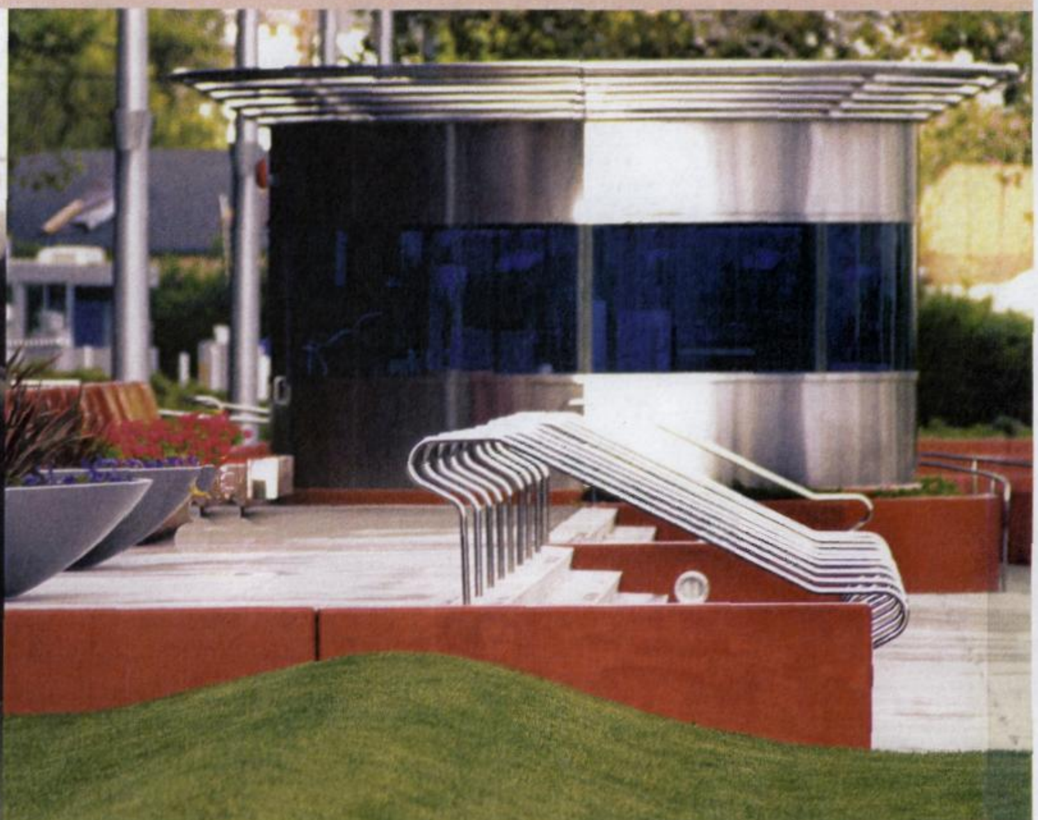
NOTES TO FINANCIAL STATEMENTS





School kids tour City Hall

Melrose Plaza at the Pacific Design Center, AREA Architects

Modern art and architecture and the timeless delight of children: compatible components of the West Hollywood Urban Village.

Below "Julia" by Keith Harring

CITY OF WEST HOLLYWOOD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The City of West Hollywood was incorporated on November 29, 1984, under the laws of the State of California and is entitled to all the rights and privileges applicable to a general law city. It is governed by an elected five-member board. As required by generally accepted accounting principles, these financial statements present the City of West Hollywood (the primary government) and its component units. The component units discussed below are included in the reporting entity because of their operational or financial relationships with the City of West Hollywood.

Blended Component Units:

The following five component units, although legally separate entities are, in substance, part of the City's operations, so data from these units are combined with the data of the City of West Hollywood, the primary government. All are governed by the City Council of the City of West Hollywood. Therefore, they are included in this financial presentation using the blending method.

The West Hollywood Community Development Commission (also referred as the “Redevelopment Agency”) was formed on April 1, 1996, pursuant to Section 33000 of the California Health and Safety Code for the purpose of preparing and carrying out plans for the improvement, rehabilitation and development of blighted areas within the territorial limits of the City of West Hollywood. The Commission is governed by a five-member board that is the City Council of the City of West Hollywood. As of June 30, 2005, one project area, the East Side Redevelopment Project Area, has been formed.

The West Hollywood Public Facilities Corporation was formed November 20, 1995, pursuant to the Non-Profit Public Benefit Corporation Law of the State of California for the purpose of assisting the City in financing the acquisition, construction and improvement for public benefit within the City limits. The Corporation is governed by a five-member board that is the City Council of the City of West Hollywood.

The West Hollywood Housing Authority (also referred to as the “Housing Trust” fund) was established on December 17, 1990, pursuant to Section 34240 of the California Health and Safety Code. The Authority is governed by a five-member board that is the City Council of the City of West Hollywood. Although it is legally separate from the City of West Hollywood, the West Hollywood Housing Authority is reported as if it were part of the primary government because the Authority's governing body is the same as the governing body of the primary government, and the Authority's sole purpose is to increase low and moderate housing with the City of West Hollywood.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The West Hollywood Community Foundation (also referred to as the “Avenues of Art and Design” fund) was formed on July 13, 1998, pursuant to the Non-Profit Public Benefit Corporation Law of the State of California for the purpose of fundraising for projects related to the enhancement of the arts, cultural and educational programs in the City. The foundation is governed by a five-member board, which is the City Council of the City of West Hollywood. The Foundation has obtained tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The West Hollywood Public Financing Authority was formed on August 18, 2003, by a joint exercise of powers agreement between the City Council of West Hollywood and the West Hollywood Community Development Commission under Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California. The Authority was established for the purpose of issuing debt.

Discretely Presented Component Unit:

The West Hollywood Marketing Corporation was formed in October 1986 as a nonprofit public benefit corporation. It was created in order to promote and market the City of West Hollywood and its major industries. Providing advice to the City Council, Commissions and staff and enhancing their understanding of the unique business dynamics enables them to better affect policy and create a business-friendly climate within the City.

The Corporation has a separate governing board. It is included as a discretely presented component unit because the City Council of West Hollywood determines the hotel assessment rates, which are the corporation's major source of revenue.

As of June 30, 2006, only the Community Development Commission and the Marketing Corporation have separately issued financial statements. The Commission's statements may be obtained at City Hall. The Marketing Corporation's statements may be obtained at their offices.

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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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. Certain indirect costs are included in program expenses reported for individual functions and activities.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government'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 Redevelopment Agency Capital Projects Fund accounts for loans and advances from the City, bond proceeds available for project improvements, interest income on invested funds, certain miscellaneous income and costs incurred to implement the Redevelopment Plan of the Redevelopment Agency. The projects will improve the assessed values of properties located in the project areas, thus increasing the property taxes. The increase in taxes will be used to repay the Agency's debt.

The City reports the following major proprietary fund:

The Sewer Fund charges assessments for the sewers that are determined by the City Engineer based on the type of swellings and their usage. These assessments are attached to the property tax bill and then distributed to the City by the County of Los Angeles. Use of this fund is for all engineering costs, mileage, overhead and maintenance cost related to the sewers.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Additionally the government reports the following fund types:

The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

The Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

The Information Systems Master Plan Internal Service Fund accounts for all costs incurred in the process of designing, purchasing and implementing a new information systems infrastructure. Project includes costs for design, hardware and software acquisition and systems conversion. Costs are recovered from all operating units over a five-year period.

The Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations, or other governments. These funds are reported on the accrual basis.

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 Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds and of the Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, 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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

d. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments and Cash and Cash Equivalents

   The City's cash and cash equivalents for the statement of cash flows are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Investments for the City, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and 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 property tax receivables are shown net of an allowance for uncollectibles.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the City. Tax liens attach annually as of 12:01 A.M. on the first day in January preceding the fiscal year for which the taxes are levied. Taxes are levied on both real and personal property as it exists on that date. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31.

3. Prepaid Items

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.

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks 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 government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. 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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The costs 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 and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	30 - 50
Public domain infrastructure	30 - 50
Construction-in-progress	N/A
Vehicles	5
Office equipment	5
Machinery and equipment	3 - 10
Equipment under lease purchase	3
Furniture and Fixtures	7

5. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation time accrued is transferable from one year to the next with the exception that no more than 320 hours of vacation time may be carried over to the next year. Employees may exchange unused vacation time for monetary compensation provided that they have taken at least two weeks of earned vacation in the prior year.

Employees are entitled to unlimited accumulation of sick leave. Employees may elect to receive compensation at 50% of their regular hourly rate of pay for each hour of sick leave accumulated in excess of 96 hours up to 200 hours. Employees may elect to receive full compensation at their regular hourly rate of pay for each hour of sick leave accumulated over 200 hours.

All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. 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 governmental activities, business type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

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

7. Fund Equity

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

e. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of assets.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds, and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Governmental long-term debts have not been included in the Governmental Fund activity - Certificates of Participation and Tax Allocation Bonds Payable." The details of this $33,929,895 difference are summarized as follows and further explained in Note 8.

Certificates of Participation payable		$ 22,605,000
Tax Allocation Bonds payable		11,070,000
Add:	Deferred gain on refunding (to be amortized as miscellaneous income)	593,412
Less:	Unamortized original issue discount	95,058
Less:	Unamortized bond issuance costs	243,459
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities		$33,929,895

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $83,175 difference are as follows:

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Capital outlay	$5,420,272
Less: Disposal of assets	2,950,000
Less: Depreciation expense	2,387,097
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$ 83,175

II. STEWARDSHIP

Note 2: Stewardship, Compliance and Accountability

a. General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. Supplemental appropriations, where required during the period, are also approved by the Council. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The budget is prepared on a GAAP basis. The budget period is the same as the fiscal period. The legal level of budgetary control is the department level for the General Fund and the function level for the other governmental fund types. During the year, several supplementary appropriations were necessary. The original budgeted appropriations were $62,710,495. Additional appropriations of $50,270,267 were made for a total of $112,980,762. At fiscal year-end, all operating budget appropriations lapse.

b. Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. These commitments are recorded for budgetary control purposes in the General, Special Revenue, and similar governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at year-end are completed. They do not constitute expenditures or estimated liabilities.

c. The following funds contained deficit fund balances or net assets:

Fund	Amount
Special Revenue Funds:	
Special Grant	$ 414,526
Permit Parking	13,408
CDBG	9
Sunset Mitigation	115,096

Fund	Amount
Capital Projects Funds:	
Redevelopment Agency Capital Projects	6,031,498
Debt Funded Capital Projects	1,120,616
Santa Monica Boulevard	34,517
Permanent Fund:	
Laurel Avenue Trust	13,161

The City expects to eliminate these deficits from future revenues.

III. DETAILED NOTES ON ALL FUNDS

Note 3: Cash and Investments

As of June 30, 2006, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	$	81,354,250
Business-type activities		1,009,360
Component unit		446,490
Fiduciary funds		390,656
Total Cash and Investments	$	83,200,756

The City of West Hollywood maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy, which authorizes it to invest in various investments.

The City has implemented the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement establishes and modifies disclosure requirements related to investment and deposit risks; accordingly, the note disclosure on cash and investments has been revised to conform to the provisions of GASB Statement No. 40.

Deposits

At June 30, 2006, the carrying amount of the City's deposits was $3,790,890, and the bank balance was 3,798,169. The $7,279 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to $100,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental.

Note 3: Cash and Investments (Continued)

Investments Authorized by the City's Investment Policy

The list below identifies the investment types that are authorized by the City's investment policy in accordance with the California Government Code. The list does not address investments of debt proceeds held by bond trustees that are governed by the provisions of the City's debt agreements, rather than the general provisions of the City's investment policy.

1. Demand deposits in any FDIC insured institution.
2. Los Angeles County Treasury Pool ("LACT") administered by the Treasurer and Tax Collector of Los Angeles County.
3. The Local Agency Investment Fund ("LAIF") administered by the Treasurer of the State of California.
4. Investment in Joint Powers Authorities: The City may invest in investment joint powers authorities provided that the City is a member, that the pool provides comprehensive, timely, monthly reports which include transaction listings, reports gains and losses, provides market values for securities, provides a quality rating for investment securities, takes delivery of securities prior to payment, third-party safekeeping of all investments, for whom an audit is conducted annually by an independent authority other than the local agency's internal auditors, the weighted average maturity of not greater than two years, and that leveraging be not more than twenty-five percent of the portfolio.
5. Certificates of Deposit with a maturity of two years or less and fully insured by the Federal Deposit Insurance Corporation up to the limit established under the Investment Guidelines.
6. Securities issued by the United States Government which mature in two years or less up to the limit established under the Investment Guidelines.
7. Money Market Savings Accounts, provided that no deposit made pursuant to this paragraph in any one institution shall exceed the amount insured by the Federal Deposit Insurance Corporation.

The City shall not invest more than the lesser of $3,000,000 or 15% of all deposits in investment instruments with a life that exceeds one year.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the City's investment policy. The list below identifies the investment types that are authorized for investments held by the bond trustee:

1. Federal Securities.
2. Bonds, debentures, notes or other evidence of indebtedness of the following Federal Agencies: U.S. Export-Import Bank, Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, General Services Administration, GNMA, U.S. Maritime Administration, U.S. public housing notes and bonds of the U.S. Department of HUD.
3. Bonds, debentures, notes or other evidence of indebtedness of the following Federal Agencies: FHLB, FNMA, FHLMC, SLMA, Resolution Funding Corporation, Farm Credit System.

4. Money Market Funds.
5. Certificates of Deposit secured by collateral.
6. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are FDIC insured.
7. Investment Agreements.
8. Commercial Paper.
9. State and Local Bonds.
10. Federal Funds or Bankers Acceptances with a maximum term of one year.
11. Repurchase Agreements.
12. Pre-refunded Municipal Bonds.
13. Local Agency Investment Fund of the State of California.

Monies in the Reserve Funds shall not be invested in any investment having a maturity greater than five years. There are no restrictions regarding the maximum percentage allowed per investment type nor regarding the maximum investment in one issuer.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Board, which consists of five members, in accordance with state statute. The State's Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

GASB Statement No. 31

The Entity adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the Entity reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2006, the City's investments in external investment pools and money market mutual funds are unrated.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2006, none of the City's deposits or investments were exposed to custodial credit risk.

Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. With respect to concentration risk, as of June 30, 2006, the City has not invested more than 5% of its total investments in any one issuer. Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising for interest rates. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

Note 3: Cash and Investments (Continued)

As of June 30, 2006, the City had the following investments and original maturities:

Investment Type:	Remaining Investment Maturities 6 Months or Less	More than 5 years	Fair Value
California Local Agency Investment Fund	$ 38,559,769	$ -	$ 38,559,769
Los Angeles County Investment Pool	37,739,794	-	37,739,794
Cash with fiscal agents			
Money Market Mutual Funds	800,135	-	800,135
U.S. Treasury	309,917	-	309,917
Investment agreements	-	2,000,250	2,000,250
Total	$ 77,409,616	$ 2,000,250	$ 79,409,866

Note 4: Loans Receivable

Housing Loans

The City has established the Citywide Affordable Housing Trust Fund, accounted for as a special revenue fund, and the Redevelopment Agency Low and Moderate Housing Fund, accounted for as a capital projects fund, to assist non-profit housing and community development corporations in preserving and expanding the supply of low and moderate income housing in the City of West Hollywood. Loans of $7,573,666 and $2,493,049, respectively, were outstanding at June 30, 2006 to qualified developers and properties at annual interest rates ranging from 6 to 10%.

All principal and interest payments on the loans are payable thirty years from the date of the loans. For certain loans included above, the City will forgive and waive all amounts due under the loans if at the date of expiration the borrowers have performed under the terms of related agreements. The loans are offset by an allowance for forgiveness as the City does not expect repayment.

Other Loans

The Agency made a loan to a nonprofit organization for the acquisition of its offices in the amount of $287,115 from the Redevelopment Agency Capital Projects Fund. The property was seized by the federal government and the Agency was in litigation for several years to attempt to recover the amount loaned. The Agency lost its case and this loan has been reported as an expenditure during the current year.

Note 5: Changes in Governmental Activities Capital Assets

	Balance July 1, 2005	Additions	Deletions	Transfers	Balance June 30, 2006
Non-Depreciable Assets:					
Land	$ 45,713,928	$ 2,910,671	$ 2,950,000	$ -	$ 45,674,599
Construction-in-progress	6,675,047	1,465,964	-	(5,547,465)	2,593,546
Subtotal Non-Depreciable Assets	52,388,975	4,376,635	2,950,000	(5,547,465)	48,268,145
Depreciable Assets:					
Buildings	17,743,315	-	-	4,986,803	22,730,118
Improvements other than buildings	3,320,448	122,873	-	560,662	4,003,983
Machinery and equipment	4,254,177	85,998	-	-	4,340,175
Furniture and fixtures	71,719	-	-	-	71,719
Office equipment	841,878	57,535	-	-	899,413
Infrastructure	74,282,051	777,231	-	-	75,059,282
Subtotal - Depreciable Assets	100,513,588	1,043,637	-	5,547,465	107,104,690
Total Capital Assets	152,902,563	5,420,272	2,950,000	-	155,372,835
Buildings	$ 4,282,598	$ 457,059	$ -	$ -	$ 4,739,657
Improvements other than buildings	432,020	84,900	-	-	516,920
Machinery and equipment	3,433,672	187,504	-	-	3,621,176
Furniture and fixtures	63,454	2,935	-	-	66,389
Office equipment	618,706	87,831	-	-	706,537
Infrastructure	27,475,199	1,566,868	-	-	29,042,067
Total Accumulated Depreciation	$ 36,305,649	$ 2,387,097	$ -	$ -	$ 38,692,746
Total Net Depreciable Assets	$ 64,207,939	$ (1,343,460)	$ -	$ 5,547,465	$ 68,411,944
Total Net Capital Assets	$ 116,596,914	$ 3,033,175	$ 2,950,000	$ -	$ 116,680,089

Note 5: Changes in Governmental Activities Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2006 follows:

Depreciation expense was charged to functions/programs of the primary government in the Governmental Activities as follows:

Governmental Activities:	
General government	$183,478
Public safety	72,309
Public services	2,131,310
Total Depreciation Expense	$2,387,097

Note 6: Proprietary Fund Capital Assets

	Balance at July 1, 2005	Additions	Deletions	Balance at June 30, 2006
Enterprise Funds:				
Solid Waste Fund				
Depreciable Assets:				
Machinery and Equipment	$ 32,183	$ -	$ -	$ 32,183
Office Equipment	34,734	-	-	34,734
Subtotal	66,917	-	-	66,917
Less: accumulated depreciation for:				
Machinery and Equipment	32,183	-	-	32,183
Office Equipment	34,734	-	-	34,734
Subtotal	66,917	-	-	66,917
Total Solid Waste	$ -	$ -	$ -	$ -
Sewer Construction Fund				
Depreciable assets:				
Improvements	$ 16,007,882	$ 103,966	$ -	$ 16,111,848
Construction in progress	1,367,777	-	-	1,367,777
Subtotal	17,375,659	103,966	-	17,479,625
Less: accumulated depreciation for:				
Improvements	6,563,233	322,624	-	6,885,857
Total Sewer Construction	$ 10,812,426	$ (218,658)	$ -	$ 10,593,768

Note 6: Proprietary Fund Capital Assets (Continued)

A summary of proprietary fund type property, plant and equipment is presented below:

Depreciation expense was charged to functions/programs of the primary government in the Business-Type Activities as follows:

Business-Type Activities:	
Sewer	$322,624

A summary of the component unit property, plant and equipment is presented below:

	Balance at July 1, 2005	Additions	Deletions	Balance at June 30, 2006
Component Unit				
WH Marketing				
Furniture and Equipment	$ 91,099	$ 11,147	$ -	$ 102,246
Furniture and Equipment under capital lease purchase	15,265	20,827	15,265	20,827
Leasehold	2,832	-	-	2,832
Subtotal	103,785	31,974	15,265	125,905
Less: accumulated depreciation for:				
Furniture and Equipment	$ 70,717	$ 7,950	$ -	$ 78,667
Furniture and Equipment capital lease	8,650	4,165	8,650	4,165
Leasehold	1,440	316	-	1,756
Subtotal	68,879	12,431	8,650	84,588
Total Component Unit	$ 34,906	$ 19,543	$ 6,615	$ 41,317

Note 7: Retirement Plan

Plan Description

The City of West Hollywood contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 10.189% for

Note 7: Retirement Plan (Continued)

miscellaneous employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2006, the City's annual pension cost of $1,384,744 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation, using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2006, was three years for prior service unfunded and 14 years for remaining unfunded. The latest information available is presented below:

THREE-YEAR INFORMATION FOR MISCELLANEOUS PLAN

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2004	236,693	100%	-
6/30/2005	1,037,671	100%	-
6/30/2006	1,384,744	100%	-

SCHEDULE OF FUNDING PROGRESS FOR MISCELLANEOUS PLAN
(LATEST INFORMATION AVAILABLE)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/03	21,734,286	24,261,178	2,526,892	89.6%	11,916,977	21.2%
6/30/04	23,926,279	27,518,816	3,592,537	86.9%	11,797,148	30.5%
6/30/05	28,162,124	32,113,353	3,951,229	87.7%	12,539,390	31.5%

Note 8: Long-Term Debt

a. Refunding Certificates of Participation

On March 19, 1998, the City of West Hollywood issued $27,105,000 fixed rate and $5,360,000 variable demand rate Certificates of Participation. The fixed rate certificates bear interest rates that vary from 3.7% to 5.0% and interest is payable semi-annually each February 1 and August 1, commencing August 1, 1998. These mature on February 1 of each year starting 1999 through 2025.

Note 8: Long-Term Debt (Continued)

The variable rate certificates were redeemed during 2004-2005. The purpose of both these certificates is to defease $12,180,000 of outstanding 1995 Series A Certificates of Participation. The balance of the 1998 fixed rate Certificates of Participation will be used to provide funds to: 1) defease $9,655,000 of outstanding 1995 Certificates of Participation (City Hall Project) and $5,375,000 of outstanding 1995, Series B Certificates of Participation, 2) to finance the acquisition and improvements of the public parks, 3) to prepay a certain portion of the lease payments, and 4) fund a reserve for the refunding certificates as well as pay for the execution and delivery of the refunding certificates.

b. Redevelopment Agency Tax Allocation Bonds

In September 2003, the West Hollywood Community Development Commission (Redevelopment Agency) issued $11,500,000 Eastside Redevelopment Project 2003 Tax Allocation Bonds for the purpose of financing redevelopment activities. The bonds consist of $5,650,000 serial bonds with annual maturity dates from September 1, 2004 through September 1, 2023, with interest rates ranging from 3.000% to 5.700%, and term bonds of $2,520,000 with an interest rate of 5.625% maturing September 1, 2028 and term bonds of $3,330,000 with an interest rate of 5.750% maturing September 1, 2033. Interest is payable semiannually beginning March 1, 2004.

c. Accrued employee benefits

The accrued employee benefits are normally liquidated by the General Fund.

The following is a schedule of changes in long-term debt of the entity for the current fiscal year:

	Outstanding July 1, 2005	Additions	Deletions	Outstanding June 30, 2006	Due Within One Year
City:					
Certificates of Participation					
1998 Fixed Rate	$ 23,255,000	$ -	$ 650,000	$ 22,605,000	$ 690,000
Tax Allocation Bonds	11,265,000	-	195,000	11,070,000	200,000
Accrued employee benefits	1,782,942	2,183,310	1,924,557	2,041,695	1,924,557
Totals	$ 42,263,628	$ 2,183,310	$ 2,769,557	35,716,695	$ 2,814,557
Reconciliation to Statement of Net Assets					
Add: unamortized gain on defeasance				593,413	
Less: unamortized original issue discount				(95,059)	
				$ 36,215,049	

Note 8: Long-Term Debt (Continued)

The following is a schedule, by years, of future debt service payments as of June 30:

	1998 Fixed Rate		2003 Bonds	
Fiscal Year	Principal	Interest	Principal	Interest
2006-2007	$ 690,000	$ 1,111,520	$ 200,000	$ 582,220
2007-2008	730,000	1,082,195	205,000	575,633
2008-2009	765,000	1,050,075	215,000	568,820
2009-2010	810,000	1,015,268	220,000	561,745
2010-2011	850,000	977,805	225,000	553,396
2012-2016	5,050,000	4,225,040	1,295,000	2,601,246
2017-2021	6,725,000	2,797,475	1,645,000	2,235,877
2022-2026	6,985,000	899,000	2,140,000	1,719,968
2027-2031	-	-	2,820,000	1,025,618
2032-2034	-	-	2,105,000	185,869
Totals	$ 22,605,000	$ 13,158,378	$ 11,070,000	$ 10,610,392

d. Noncommitment Debt

On August 6, 1992, the Community Facilities District sold $835,000 of City of West Hollywood Community Facilities District No. 92-1 (Seismic Upgrade Project) Special Tax Bonds, Series 1992. The bonds, dated August 1, 1992, are in denominations of $5,000. They mature on August 1 of each year starting in 1993 to 2012. The bonds have varying interest rates ranging from 6.25% to 10.15% and interest is payable semi-annually on each February 1 and August 1, commencing February 1, 1993. The bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982 and are issued under resolutions adopted by the City Council of the City of West Hollywood, acting as the legislative body of the District, on July 20, 1992. The purpose of the bonds is to finance the construction and installation of seismic resistance improvements to certain properties within the City of West Hollywood. Funds for payment of bond principal and interest requirements, as they come due, are to be obtained from a special tax levied by the City on behalf of the District against lands within the District. The bonds are not general or special obligations of the City nor general obligations of the District, but are limited obligations payable solely from the proceeds of the special taxes and funds held pursuant to the fiscal agent agreement. Because neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged for payment of these bonds, they are not reflected in the Statement of Net Assets. The outstanding balance at June 30, 2006 was $470,000.

e. Lease Payable - Component Unit

The West Hollywood Marketing Corporation entered into a capital lease in August 2005 in order to acquire a photocopier. The original lease amount was $20,827. Lease payments are as follows:

Note 8: Long-Term Debt (Continued)

Original balance	$	20,827
Principal paid in fiscal year:		
2005-2006		(3,038)
Balance at June 30, 2005	$	17,789

The future lease payments are as follows:

2006-2007	$	4,871
2007-2008		4,871
2008-2009		4,871
2009-2010		4,871
2010-2011		1,624
		21,108
Less interest		(3,319)
Total	$	17,789

Note 9: Unearned Revenue

The City received rent stabilization fees relating to fiscal year 2006-2007 in fiscal year 2005-2006. These are recorded as unearned revenue in the General Fund in the amount of $1,619,410. The City also received a $260,364 franchise fee in advance. This unearned amount will be reduced and reported as revenue as it is earned. The remaining unearned revenue in the General Fund and other funds also includes grant monies received but not yet earned, recreation revenues and other revenues collected in advance and interest accrued but not available on the loan to the Redevelopment Agency.

Note 10: Fund Equity and Net Assets Restatements

Beginning fund equity has been restated as follows:

Major Governmental Funds:		
General Fund		
To remove short-term compensated absences reported on the fund level and report only at the government-wide level	$	1,442,076

Note 11: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2006 was as follows:

Due To/From Other Funds

Funds	Due to Other Funds: Nonmajor Governmental Funds	Total
Due From Other Funds:		
General	$ 2,021,165	$ 2,021,165
Total	$ 2,021,165	$ 2,021,165

The due to General Fund of $2,021,164 from various nonmajor funds was a result of temporary deficit cash balances in those funds.

Advances To/From Other Funds

Funds	Advances To Other Funds: RDA Capital Projects	Nonmajor Governmental Funds	Total
Advances from Other Funds:			
General	$ 6,078,729	$ 99,430	$ 6,178,159

The City has advanced $6,078,729 to the Redevelopment Agency to fund redevelopment projects. The General Fund has advanced $99,430 to the Laurel Avenue Trust Fund to fund capital improvements to donated property.

	General Fund	Nonmajor Funds	Total
Transfers In:			
General	$ -	$ 1,200	$ 1,200
Redevelopment Agency Capital Projects	-	312,867	312,867
Nonmajor Governmental Funds	1,901,771	468,768	2,370,539
Total	$ 1,901,771	$ 782,835	$ 2,684,606

Interfund Transfers

The General Fund made transfers out of $572,696 to the Sunset Mitigation Fund to subsidize their operations. It also made a transfer of $1,200 to the Special Grant Fund for grant matching costs. The General Fund transferred out $1,323,670 and the Parking Improvement Fund transferred $468,768 to the Capital Projects Debt Service Fund for debt service. The Redevelopment Agency Debt Service Fund transferred out $318,272 to the Redevelopment Agency Capital Projects fund to fund various capital projects.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Note 12: Contractual Commitments

The City has entered into a contract with the Los Angeles County Sheriff's Department to provide law enforcement services in the City of West Hollywood. Approximately $10,449,250 was paid for these services in fiscal year 2005-2006.

Note 13: Self-Insurance Contingencies

a. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 109 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

b. Self-Insurance Programs of the Authority

<u>General Liability</u> - Each member government pays a primary deposit to cover estimated losses for a fiscal year. Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Loss development reserves are allocated by pool and by loss layer. Costs are spread to members as follows: the first $30,000 of each occurrence is charged directly to the member; costs from $30,000 to $750,000 and the loss development reserves associated with losses up to $750,000 are pooled based on a member's share of costs under $30,000. Losses from $750,000 to $10,000,000 and the loss development reserve associated with losses $750,000 to $10,000,000 are pooled based on payroll. Costs of covered claims above $10,000,000 are currently paid by excess insurance. The protection for each member is $50,000,000 per occurrence and $50,000,000 annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

<u>Workers Compensation</u> - The City of West Hollywood also participates in the workers compensation pool administered by the Authority. Claims are pooled separately between public safety and non-public safety. Loss development reserves are allocated by pool and loss layer. Members retain the first $50,000 of each claim. Losses from $50,000 to $100,000 and the loss development reserve associated with losses up to $100,000 are pooled based on the member's losses under $50,000. Losses from $100,000 and $2,000,000 and loss development reserves associated with losses from $100,000 to $2,000,000 are pooled based on payroll. Costs from $2,000,000 to $150,000,000 are transferred to an excess insurance purchased. Costs in excess of $150,000,000 are pooled among the members based on payroll. Administrative expenses are paid from the Authority's investment earnings.

Note 13: Self-Insurance Contingencies (Continued)

c. Purchased Insurance

Environmental Insurance - The City of West Hollywood participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of West Hollywood. Coverage is on a claims-made basis. There is a $50,000 deductible. The Authority has a limit of $50,000,000 for the 3-year period from July 1, 2005 through July 1, 2008. Each member of the Authority has a $10,000,000 limit during the 3-year term of the policy.

Property Insurance - The City of West Hollywood participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City of West Hollywood's property is currently insured according to a schedule of covered property submitted by the City of West Hollywood to the Authority. Total all-risk property insurance coverage is $40,436,231. There is a $5,000 per loss deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance - The City of West Hollywood purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. Te City of West Hollywood property currently has earthquake protection in the amount of $34,449,764. There is a deductible of 5% of value with a minimum deductible of $100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Fidelity Bonds - The City of West Hollywood purchases blanket fidelity bond coverage in the amount of $1,000,000 with a $2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

d. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Note 14: Post-Retirement Benefits

The City offers post-retirement benefits in accordance with Memoranda of Understanding. These benefits consist of contributions towards the health care premiums of retirees. For the fiscal year ended June 30, 2006, the total cost of retiree health insurance premiums for ten retirees was $54,999, and the City contributed $12,000 towards those premiums. The City funds this program on a pay-as-you-go basis.

Note 15: Litigation

There are certain lawsuits pending against the City which seek monetary damages. As the likelihood of judgment being awarded has not yet been determined, no accrual of this amount has been reflected in the financial statements.

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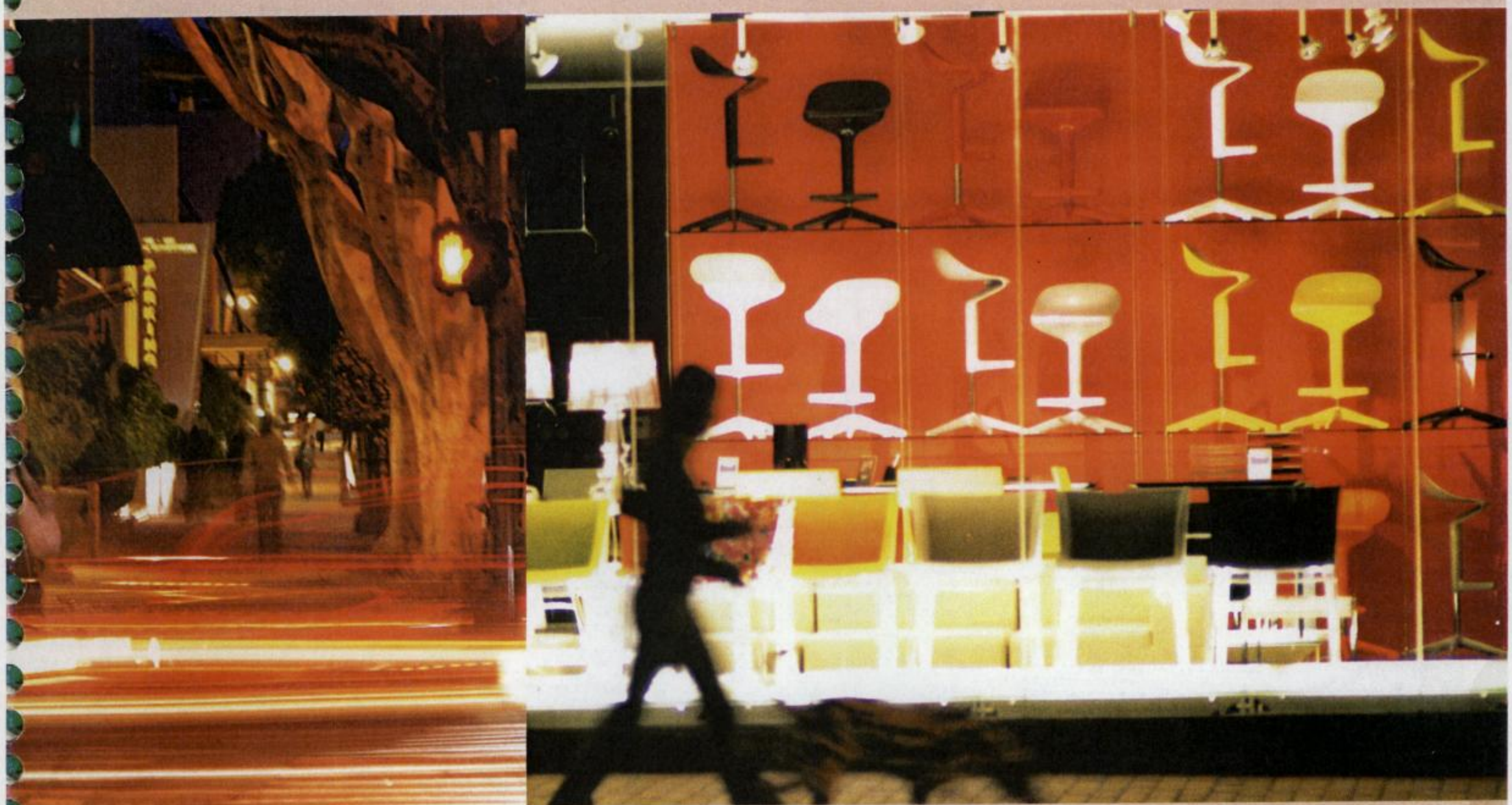
SUPPLEMENTARY INFORMATION



West Hollywood Streetscapes

Melrose, Robertson and Beverly Boulevards anchor the Avenues of Art and Design, a neighborhood of art galleries, interior design retailers, nightclubs and restaurants. Below: WEHO lounge on Santa Monica Boulevard offers free AIDS testing to the public.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF WEST HOLLYWOOD

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds			
Assets:	**Special Grant**	**Proposition A**	**Proposition C**	**Gas Tax**
Pooled cash and investments	$ 8,558	$2,166,997	$1,203,921	$584,163
Receivables:				
Accounts	298,608	66,107	-	10,762
Accrued interest	-	19,791	10,672	5,349
Deferred loans	-	-	-	-
Allowance for loan forgiveness	-	-	-	-
Prepaid costs	-	-	-	-
Due from other governments	229,610	-	-	65,957
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	**$ 536,776**	**$2,252,895**	**$1,214,593**	**$666,231**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 34,656	$ 246,494	$ 23,472	$ 56,022
Accrued liabilities	-	-	-	-
Due to other funds	278,440	-	-	-
Deferred revenues	415,683	-	-	-
Unearned revenues	222,522	-	-	-
Advances from other funds	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Total Liabilities	**951,301**	**246,494**	**23,472**	**56,022**
Fund Balances:				
Fund balances				
Reserved:				
Reserved for encumbrances	562,200	-	434,205	177,678
Unreserved:				
Designated for cash flows	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	(976,725)	2,006,401	756,916	432,531
Total Fund Balances	**(414,525)**	**2,006,401**	**1,191,121**	**610,209**
Total Liabilities and Fund Balances	**$ 536,776**	**$2,252,895**	**$1,214,593**	**$666,231**

CONTINUED

Special Revenue Funds			
Air Quality Improvement	**Traffic**	**Public Beautification and Art**	**Quimby Act**
$ 173,780	$342,601	$ 719,426	$1,230,274
-	-	-	-
1,540	3,179	6,449	11,084
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 175,320	**$345,780**	**$ 725,875**	**$1,241,358**
$ -	$ -	$ 2,180	$ 4,100
-	-	-	-
-	-	-	-
-	-	-	-
-	-	262,628	-
-	-	-	-
-	-	-	-
-	-	-	-
-	**-**	**264,808**	**4,100**
28,000	16,593	28,468	8,410
-	-	-	-
-	-	-	-
147,320	329,187	432,599	1,228,848
175,320	**345,780**	**461,067**	**1,237,258**
$ 175,320	**$345,780**	**$ 725,875**	**$1,241,358**

CITY OF WEST HOLLYWOOD

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds			
Assets:	**City Lighting**	**Public Access**	**Parking Improvement**	**Permit Parking**
Pooled cash and investments	$ 93,353	$ 513,016	$ 2,790,814	$ -
Receivables:				
Accounts	53,897	-	-	-
Accrued interest	1,176	4,646	20,592	89
Deferred loans	-	-	-	-
Allowance for loan forgiveness	-	-	-	-
Prepaid costs	-	-	23,485	-
Due from other governments	39,036	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	**$187,462**	**$ 517,662**	**$ 2,834,891**	**$ 89**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ 81,144	$ 5,012	$ 92,672	$ 772
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	12,725
Deferred revenues	-	-	-	-
Unearned revenues	-	-	260,090	-
Advances from other funds	-	-	-	-
Deposits payable	3,930	-	10,620	-
Due to other governments	-	-	-	-
Total Liabilities	**85,074**	**5,012**	**363,382**	**13,497**
Fund Balances:				
Fund balances				
Reserved:				
Reserved for encumbrances	66,182	-	159,968	11,609
Unreserved:				
Designated for cash flows	-	-	-	-
Designated for debt service	-	-	-	-
Undesignated	36,206	512,650	2,311,541	(25,017)
Total Fund Balances	**102,388**	**512,650**	**2,471,509**	**(13,408)**
Total Liabilities and Fund Balances	**$187,462**	**$ 517,662**	**$ 2,834,891**	**$ 89**

CONTINUED

Special Revenue Funds			
CDBG	**Housing Trust**	**Sunset Mitigation**	**Avenues of Art and Design**
$ -	$5,818,467	$ -	$ 54,979
76,317	-	435,752	2,500
-	52,591	-	-
1,093,706	7,573,666	-	-
-	(7,573,666)	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$1,170,023	**$5,871,058**	**$435,752**	**$ 57,479**
$ 42,576	$ 79,741	$ 56,400	$ 7,270
616	-	-	-
33,134	-	494,448	-
-	-	-	-
-			
-	-	-	-
-	-	-	-
1,093,706	-	-	-
1,170,032	**79,741**	**550,848**	**7,270**
-	91,402	-	-
-	-	-	-
-	-	-	-
(9)	5,699,915	(115,096)	50,209
(9)	**5,791,317**	**(115,096)**	**50,209**
$1,170,023	**$5,871,058**	**$435,752**	**$ 57,479**

CITY OF WEST HOLLYWOOD

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Capital Projects Funds			
Assets:	**Debt Funded Capital Projects**	**Community Facilities**	**Santa Monica Boulevard**	**Redevelopment Agency Low & Moderate Housin**
Pooled cash and investments	$ -	$ -	$ -	$ 2,904,887
Receivables:				
Accounts	-	-	3,168	-
Accrued interest	-	-	-	24,700
Deferred loans	-	-	-	2,493,049
Allowance for loan forgiveness	-	-	-	(2,493,049)
Prepaid costs	-	-	-	-
Due from other governments	-	-	-	129,513
Restricted assets:				
Cash and investments with fiscal agents	-	33,428	-	243,481
Total Assets	**$ -**	**$ 33,428**	**$ 3,168**	**$ 3,302,581**
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Accrued liabilities	-	-	-	-
Due to other funds	1,120,616	-	37,685	-
Deferred revenues	-	-	-	-
Unearned revenues	-	-	-	-
Advances from other funds	-	-	-	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Total Liabilities	**1,120,616**	**-**	**37,685**	**-**
Fund Balances:				
Fund balances				
Reserved:				
Reserved for encumbrances	42,457	-	-	-
Unreserved:				
Designated for cash flows	-	33,428	-	-
Designated for debt service	-	-	-	-
Undesignated	(1,163,073)	-	(34,517)	3,302,581
Total Fund Balances	**(1,120,616)**	**33,428**	**(34,517)**	**3,302,581**
Total Liabilities and Fund Balances	**$ -**	**$ 33,428**	**$ 3,168**	**$ 3,302,581**

Debt Service Fund		Permanent Fund	
Capital Projects Debt Service	Redevelopment Agency	Laurel Avenue Trust	Total Governmental Funds
$4,274,715	$ 5,914,421	$ 85,517	$28,879,889
122,325	-	-	1,069,436
19,494	49,191	752	231,295
-	-	-	11,160,421
-	-	-	(10,066,715)
-	-	-	23,485
-	396,057	-	860,173
2,046,897	556,654	-	2,880,460
$6,463,431	**$ 6,916,323**	**$ 86,269**	**$35,038,444**
$ 1,000	$ 3,260	$ -	$ 736,771
-	-	-	616
-	-	-	1,977,048
-	-	-	415,683
-	-	-	745,240
-	-	99,430	99,430
-	-	-	14,550
-	772,552	-	1,866,258
1,000	**775,812**	**99,430**	**5,855,596**
6,000	-	-	1,633,172
-	-	-	33,428
5,451,475	3,659,150	-	9,110,625
1,004,956	2,481,361	(13,161)	18,405,623
6,462,431	**6,140,511**	**(13,161)**	**29,182,848**
$6,463,431	**$ 6,916,323**	**$ 86,269**	**$35,038,444**

CITY OF WEST HOLLYWOOD

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds			
	Special Grant	**Proposition A**	**Proposition C**	**Gas Tax**
Revenues:				
Taxes	$ -	$ 608,770	$ 523,087	$ -
Intergovernmental	1,619,244	196,704	14,245	712,595
Charges for services	-	-	-	-
Use of money and property	-	83,192	36,882	20,679
Fines and forfeitures	-	-	-	-
Miscellaneous	-	81,496	-	-
Developer Participation	-	-	-	-
Total Revenues	**1,619,244**	**970,162**	**574,214**	**733,274**
Expenditures:				
Current:				
General government	276,835	-	-	-
Public safety	50,812	-	-	-
Public works	925,810	1,812,319	188,632	737,925
Capital outlay	583,414	-	123,810	36,088
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	**1,836,871**	**1,812,319**	**312,442**	**774,013**
Excess (Deficiency) of Revenues Over (Under) Expenditures	(217,627)	(842,157)	261,772	(40,739)
Other Financing Sources (Uses):				
Transfers in	5,405	-	-	-
Transfers out	-	-	-	-
Sale of capital asset	-	-	-	-
Total Other Financing Sources (Uses)	**5,405**	**-**	**-**	**-**
Net Change in Fund Balances	(212,222)	(842,157)	261,772	(40,739)
Fund Balances, Beginning of Year	(202,303)	2,848,558	929,349	650,948
Fund Balances, End of Year	**$ (414,525)**	**$ 2,006,401**	**$ 1,191,121**	**$ 610,209**

CONTINUED

Special Revenue Funds			
Air Quality Improvement	**Traffic**	**Public Beautification and Art**	**Quimby Act**
$ 45,889	$ -	$ -	$ -
-	-	-	-
-	-	-	-
5,165	12,112	21,888	38,651
-	-	-	-
-	-	-	-
-	77,232	135,138	250,069
51,054	**89,344**	**157,026**	**288,720**
-	-	94,902	-
-	-	-	-
9,795	117,744	-	22,215
-	-	-	-
-	-	-	-
-	-	-	-
9,795	**117,744**	**94,902**	**22,215**
41,259	(28,400)	62,124	266,505
-	-	-	-
-	-	-	-
-	-	-	-
-	**-**	**-**	**-**
41,259	(28,400)	62,124	266,505
134,061	374,180	398,943	970,753
$ 175,320	**$ 345,780**	**$ 461,067**	**$ 1,237,258**

CITY OF WEST HOLLYWOOD **CONTINUED**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2006

	Special Revenue Funds			
	City Lighting	Public Access	Parking Improvement	Permit Parking
Revenues:				
Taxes	$ 573,750	$ 73,372	$ -	$ -
Intergovernmental	6,204	-	-	-
Charges for services	-	-	-	-
Use of money and property	2,643	17,576	1,755,017	644,411
Fines and forfeitures	3,395	-	662,716	-
Miscellaneous	53,897	466	-	-
Developer Participation	-	-	66,594	-
Total Revenues	**639,889**	**91,414**	**2,484,327**	**644,411**
Expenditures:				
Current:				
General government	-	82,318	-	-
Public safety	-	-	-	-
Public works	637,375	-	459,514	669,400
Capital outlay	-	46,852	308,138	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	**637,375**	**129,170**	**767,652**	**669,400**
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,514	(37,756)	1,716,675	(24,989)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(469,968)	-
Sale of capital asset	-	-	2,879,467	-
Total Other Financing Sources (Uses)	**-**	**-**	**2,409,499**	**-**
Net Change in Fund Balances	2,514	(37,756)	4,126,174	(24,989)
Fund Balances, Beginning of Year	99,874	550,406	(1,654,665)	11,581
Fund Balances, End of Year	**$ 102,388**	**$ 512,650**	**$ 2,471,509**	**$ (13,408)**

CONTINUED

Special Revenue Funds			
CDBG	**Supplemental Law Enforcement**	**Sunset Mitigation**	**Avenues of Art and Design**
$ -	$ -	$ -	$ -
123,826	-	-	-
-	-	917,837	-
-	172,803	402	-
-	-	-	-
-	-	-	183,404
-	1,642,509	-	-
123,826	**1,815,312**	**918,239**	**183,404**
-	230,043	591,500	150,517
-	-	556,943	-
123,835	59,132	-	-
-	165,737	-	-
-	-	-	-
-	-	-	-
123,835	**454,912**	**1,148,443**	**150,517**
(9)	1,360,400	(230,204)	32,887
-	-	572,696	-
-	-	-	-
-	-	-	-
-	**-**	**572,696**	**-**
(9)	1,360,400	342,492	32,887
-	4,430,917	(457,588)	17,322
$ (9)	**$ 5,791,317**	**$ (115,096)**	**$ 50,209**

CITY OF WEST HOLLYWOOD **CONTINUED**

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	Capital Projects Funds			
	Debt Funded Capital Projects	**Community Facilities**	**Santa Monica Boulevard**	**Redevelopment Agency Low & Moderate Housing**
Revenues:				
Taxes	$ -	$ -	$ -	$ 1,143,810
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Use of money and property	1,172	1,159	4,955	85,785
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Developer Participation	-	-	-	-
Total Revenues	**1,172**	**1,159**	**4,955**	**1,229,595**
Expenditures:				
Current:				
General government	-	1,159	-	11,533
Public safety	-	-	-	-
Public works	-	-	39,472	-
Capital outlay	622,092	-	-	-
Debt service:				
Principal retirement	-	-	-	59,338
Interest and fiscal charges	-	-	-	180,610
Total Expenditures	**622,092**	**1,159**	**39,472**	**251,481**
Excess (Deficiency) of Revenues Over (Under) Expenditures	(620,920)	-	(34,517)	978,114
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Sale of capital asset	-	-	-	-
Total Other Financing Sources (Uses)	**-**	**-**	**-**	**-**
Net Change in Fund Balances	(620,920)	-	(34,517)	978,114
Fund Balances, Beginning of Year	(499,696)	33,428	-	2,324,467
Fund Balances, End of Year	**$ (1,120,616)**	**$ 33,428**	**$ (34,517)**	**$ 3,302,581**

Debt Service Funds		Permanent Fund	
Capital Projects Debt Service	Redevelopment Agency	Laurel Avenue Trust	Total Governmental Funds
$ -	$ 4,575,239	$ -	$ 7,543,917
-	-	-	2,672,818
-	-	-	917,837
1,010,956	160,583	2,779	4,078,810
-	-	-	666,111
-	-	-	319,263
-	-	-	2,171,542
1,010,956	**4,735,822**	**2,779**	**18,370,298**
-	1,396,760	-	2,835,567
-	-	-	607,755
-	-	4,592	5,807,760
-	-	-	1,886,131
650,000	135,662	-	845,000
1,142,438	409,172	-	1,732,220
1,792,438	**1,941,594**	**4,592**	**13,714,433**
(781,482)	2,794,228	(1,813)	4,655,865
1,792,438	-	-	2,370,539
-	(312,867)	-	(782,835)
-	-	-	2,879,467
1,792,438	**(312,867)**	**-**	**4,467,171**
1,010,956	2,481,361	(1,813)	9,123,036
5,451,475	3,659,150	(11,348)	20,059,812
$ 6,462,431	**$ 6,140,511**	**$ (13,161)**	**$ 29,182,848**

SPECIAL REVENUE FUNDS

These funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for a specified purpose. The City of West Hollywood has the following Special Revenue Funds:

AIR QUALITY IMPROVEMENT FUND:

Assembly Bill 2766 authorized a fee on motor vehicle registrations to fund programs to reduce mobile source air pollution. The South Coast Air Quality Management District (AQMD) administers the program which distributes forty cents of every dollar collected to the cities based on population. Additional grant funds may also be available from AQMD.

AVENUES OF ART AND DESIGN FUND:

The City established the Avenues of Art & Design Business Improvement District on July 1, 1992. This fund is used to account for the annual assessments and expenditures within the District.

CITY LIGHTING FUND:

The City receives a small portion of the 1.0% ad-valorem tax that is assessed on property by the County of Los Angeles. These revenues are used to provide city-wide lighting. In prior years, the City had recorded these revenues in the Lighting and Landscape Fund.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND:

This U.S. Department of Housing and Urban Development grant provides resources for revitalization of low income urban areas, including beautification of the East Side, rehabilitation of low-income rental housing, shelter for the homeless, and assistance to low-income business owners.

GAS TAX FUND:

Street and Highway Code sections 2106, 2107 and 2107.5 provide apportionment of certain monies from the State Highway Fund between the cities and counties; the City shares in proportion to its population. These funds must be used exclusively for the purposes of extensive maintenance, right-of-way, or construction of streets which are major thoroughfares or collector streets.

HOUSING TRUST FUND:

This fund is used to account for the fees paid by developers of residential properties, as required by City Ordinance. The fees are used to create affordable housing, which includes long term loans to non-profit developers to provide housing to low income residents.

PARK DEVELOPMENT FUND (QUIMBY ACT):

The State Government Code authorizes the City to have developers either dedicate land or pay fees to provide open space and park amenities in the City.

PARKING IMPROVEMENT FUND:

This fund contains the revenue from a predetermined amount of parking meter collections, and exactions from the developers of commercial and residential projects. These funds will be used for construction of parking structures

PERMIT PARKING FUND:

Revenue for this fund comes from parking permit fees established to restrict parking within the preferential parking districts in the City. The major expenses are those incurred in managing and enforcing parking in the districts and developing shared parking programs.

PROPOSITION "A" FUND:

This revenue is derived from a voter approved increase of 0.5% on sales tax within the County of Los Angeles, sales of bus passes, purchase of Prop. A funds from other cities, and incentive funds from Los Angeles County received at 25% of the net operating cost of the Taxi Coupon program. These funds can be used only for the purposes of providing transportation programs to residents.

PROPOSITION "C" FUND:

This revenue is derived from a voter approved increase of 0.5% on sales tax within the County of Los Angeles. The expenditures for this fund must be related to transit programs, which may include paving projects.

PUBLIC BEAUTIFICATION AND ART FUND:

City Ordinance requires the developer of new projects to either submit an art plan to be approved by the Fine Arts Advisory Board or make a contribution to the Public Beautification and Art Fund in an amount established by resolution of the City Council. These funds are to be used for beautification of the City.

PUBLIC ACCESS CORPORATION FUND:

This Fund receives 1% of the Franchise Fees paid to the General Fund by the local cable company. The money is restricted to the use of the community channel 36 operation.

SPECIAL GRANTS FUND

This fund is used to account for various grants the City receives that are restricted for a specific purpose, but do not warrant a separate fund for each grant.

SUNSET MITIGATION FUND:

The City established a Sunset Boulevard Business Improvement District effective July 1, 2002. This fund is used to account for the annual assessments and expenditures within the District.

TRAFFIC FUND:

Fees imposed on developers and Federal Grants provide revenues to this fund.

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
SPECIAL GRANT
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (202,303)	$ (202,303)	$ (202,303)	$ -
Resources (Inflows):				
Intergovernmental	444,931	943,633	1,619,244	675,611
Other	-	20,000	-	(20,000)
Transfers from other funds	-	5,405	5,405	-
Amounts Available for Appropriation	**242,628**	**766,735**	**1,422,346**	**655,611**
Charges to Appropriation (Outflow):				
General government	99,967	513,412	276,835	236,577
Public safety	50,000	80,119	50,812	29,307
Public works	275,930	190,179	925,810	(735,631)
Capital outlay	-	1,316,584	583,414	733,170
Total Charges to Appropriations	**425,897**	**2,100,294**	**1,836,871**	**263,423**
Budgetary Fund Balance, June 30	**$ (183,269)**	**$ (1,333,559)**	**$ (414,525)**	**$ 919,034**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
PROPOSITION A
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 2,848,558	$ 2,848,558	$ 2,848,558	$ -
Resources (Inflows):				
Taxes	528,000	528,000	608,770	80,770
Intergovernmental	363,571	460,315	196,704	(263,611)
Use of money and property	10,000	10,000	83,192	73,192
Other	80,000	80,000	81,496	1,496
Amounts Available for Appropriation	**3,830,129**	**3,926,873**	**3,818,720**	**(108,153)**
Charges to Appropriation (Outflow):				
Public works	2,056,824	2,056,824	1,812,319	244,505
Total Charges to Appropriations	**2,056,824**	**2,056,824**	**1,812,319**	**244,505**
Budgetary Fund Balance, June 30	**$ 1,773,305**	**$ 1,870,049**	**$ 2,006,401**	**$ 136,352**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
PROPOSITION C
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Budgetary Fund Balance, July 1	$ 929,349	$ 929,349	$ 929,349	$ -
Resources (Inflows):				
Taxes	438,000	438,000	523,087	85,087
Intergovernmental	-	-	14,245	14,245
Use of money and property	8,000	8,000	36,882	28,882
Amounts Available for Appropriation	**1,375,349**	**1,375,349**	**1,503,563**	**128,214**
Charges to Appropriation (Outflow):				
Public works	403,367	203,367	188,632	14,735
Capital outlay	-	1,017,400	123,810	893,590
Total Charges to Appropriations	**403,367**	**1,220,767**	**312,442**	**908,325**
Budgetary Fund Balance, June 30	**$ 971,982**	**$ 154,582**	**$ 1,191,121**	**$ 1,036,539**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 650,948	$ 650,948	$ 650,948	$ -
Resources (Inflows):				
Intergovernmental	700,800	700,800	712,595	11,795
Use of money and property	500	500	20,679	20,179
Amounts Available for Appropriation	**1,352,248**	**1,352,248**	**1,384,222**	**31,974**
Charges to Appropriation (Outflow):				
Public works	845,999	891,163	737,925	153,238
Capital outlay	-	213,797	36,088	177,709
Total Charges to Appropriations	**845,999**	**1,104,960**	**774,013**	**330,947**
Budgetary Fund Balance, June 30	**$ 506,249**	**$ 247,288**	**$ 610,209**	**$ 362,921**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
AIR QUALITY IMPROVEMENT
YEAR ENDED JUNE 30, 2006

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance, July 1	$ 134,061	$ 134,061	$ 134,061	$ -
Resources (Inflows):				
Taxes	40,000	40,000	45,889	5,889
Use of money and property	8,000	8,000	5,165	(2,835)
Amounts Available for Appropriation	**182,061**	**182,061**	**185,115**	**3,054**
Charges to Appropriation (Outflow):				
Public works	57,000	20,000	9,795	10,205
Capital outlay	-	44,500	-	44,500
Total Charges to Appropriations	**57,000**	**64,500**	**9,795**	**54,705**
Budgetary Fund Balance, June 30	**$ 125,061**	**$ 117,561**	**$ 175,320**	**$ 57,759**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
TRAFFIC
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 374,180	$ 374,180	$ 374,180	$ -
Resources (Inflows):				
Use of money and property	21,000	21,000	12,112	(8,888)
Developer fees	10,000	10,000	77,232	67,232
Amounts Available for Appropriation	**405,180**	**405,180**	**463,524**	**58,344**
Charges to Appropriation (Outflow):				
Public works	226,411	429,381	117,744	311,637
Total Charges to Appropriations	**226,411**	**429,381**	**117,744**	**311,637**
Budgetary Fund Balance, June 30	**$ 178,769**	**$ (24,201)**	**$ 345,780**	**$ 369,981**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
PUBLIC BEAUTIFICATION AND ART
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 398,943	$ 398,943	$ 398,943	$ -
Resources (Inflows):				
Use of money and property	6,000	6,000	21,888	15,888
Developer fees	-	60,000	135,138	75,138
Amounts Available for Appropriation	**404,943**	**464,943**	**555,969**	**91,026**
Charges to Appropriation (Outflow):				
General government	113,500	223,800	94,902	128,898
Total Charges to Appropriations	**113,500**	**223,800**	**94,902**	**128,898**
Budgetary Fund Balance, June 30	**$ 291,443**	**$ 241,143**	**$ 461,067**	**$ 219,924**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
QUIMBY ACT
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Budgetary Fund Balance, July 1	$ 970,753	$ 970,753	$ 970,753	$ -
Resources (Inflows):				
Use of money and property	4,000	4,000	38,651	34,651
Developer fees	2,000	171,281	250,069	78,788
Amounts Available for Appropriation	**976,753**	**1,146,034**	**1,259,473**	**113,439**
Charges to Appropriation (Outflow):				
Public works	205,000	646,334	22,215	624,119
Total Charges to Appropriations	**205,000**	**646,334**	**22,215**	**624,119**
Budgetary Fund Balance, June 30	**$ 771,753**	**$ 499,700**	**$ 1,237,258**	**$ 737,558**

CITY OF WEST HOLLYWOOD

BUDGET COMPARISON SCHEDULE
CITY LIGHTING
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 99,874	$ 99,874	$ 99,874	$ -
Resources (Inflows):				
Taxes	483,000	483,000	573,750	90,750
Intergovernmental	5,000	5,000	6,204	1,204
Use of money and property	1,000	1,000	2,643	1,643
Fines and forfeitures	3,000	3,000	3,395	395
Other	-	-	53,897	53,897
Amounts Available for Appropriation	**591,874**	**591,874**	**739,763**	**147,889**
Charges to Appropriation (Outflow):				
Public works	610,000	706,361	637,375	68,986
Total Charges to Appropriations	**610,000**	**706,361**	**637,375**	**68,986**
Budgetary Fund Balance, June 30	**$ (18,126)**	**$ (114,487)**	**$ 102,388**	**$ 216,875**

CITY OF WEST HOLLYWOOD

BUDGET COMPARISON SCHEDULE
PUBLIC ACCESS
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 550,406	$ 550,406	$ 550,406	$ -
Resources (Inflows):				
Taxes	55,000	55,000	73,372	18,372
Use of money and property	4,000	4,000	17,576	13,576
Other	2,000	2,000	466	(1,534)
Amounts Available for Appropriation	**611,406**	**611,406**	**641,820**	**30,414**
Charges to Appropriation (Outflow):				
General government	79,882	69,882	82,318	(12,436)
Public works	-	233,239	-	233,239
Capital Outlay	-	-	46,852	(46,852)
Total Charges to Appropriations	**79,882**	**303,121**	**129,170**	**173,951**
Budgetary Fund Balance, June 30	**$ 531,524**	**$ 308,285**	**$ 512,650**	**$ 204,365**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
PARKING IMPROVEMENT
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (1,654,665)	$ (1,654,665)	$ (1,654,665)	$ -
Resources (Inflows):				
Use of money and property	1,356,948	1,356,948	1,755,017	398,069
Fines and forfeitures	672,000	672,000	662,716	(9,284)
Developer fees	-	-	66,594	66,594
Other financing sources	-	-	2,879,467	2,879,467
Amounts Available for Appropriation	**374,283**	**374,283**	**3,709,129**	**3,334,846**
Charges to Appropriation (Outflow):				
Public works	520,250	600,215	459,514	140,701
Capital outlay	-	25,878,334	308,138	25,570,196
Transfers to other funds	-	-	469,968	(469,968)
Total Charges to Appropriations	**520,250**	**26,478,549**	**1,237,620**	**25,240,929**
Budgetary Fund Balance, June 30	**$ (145,967)**	**$(26,104,266)**	**$ 2,471,509**	**$ 28,575,775**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
PERMIT PARKING
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 11,581	$ 11,581	$ 11,581	$ -
Resources (Inflows):				
Use of money and property	632,000	632,000	644,411	12,411
Amounts Available for Appropriation	**643,581**	**643,581**	**655,992**	**12,411**
Charges to Appropriation (Outflow):				
Public works	653,669	669,400	669,400	-
Total Charges to Appropriations	**653,669**	**669,400**	**669,400**	**-**
Budgetary Fund Balance, June 30	**$ (10,088)**	**$ (25,819)**	**$ (13,408)**	**$ 12,411**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
CDBG
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Budgetary Fund Balance, July 1	$ -	$ -	$ -	$ -
Resources (Inflows):				
Intergovernmental	696,008	696,008	123,826	(572,182)
Amounts Available for Appropriation	**696,008**	**696,008**	**123,826**	**(572,182)**
Charges to Appropriation (Outflow):				
Public works	696,008	696,008	123,835	572,173
Total Charges to Appropriations	**696,008**	**696,008**	**123,835**	**572,173**
Budgetary Fund Balance, June 30	**$ -**	**$ -**	**$ (9)**	**$ (9)**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
HOUSING TRUST
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 4,430,917	$ 4,430,917	$ 4,430,917	$ -
Resources (Inflows):				
Use of money and property	15,000	15,000	172,803	157,803
Developer fees	197,000	717,569	1,642,509	924,940
Amounts Available for Appropriation	**4,642,917**	**5,163,486**	**6,246,229**	**1,082,743**
Charges to Appropriation (Outflow):				
General government	-	346,250	230,043	116,207
Public works	225,000	-	59,132	(59,132)
Capital outlay	-	1,225,349	165,737	1,059,612
Total Charges to Appropriations	**225,000**	**1,571,599**	**454,912**	**1,116,687**
Budgetary Fund Balance, June 30	**$ 4,417,917**	**$ 3,591,887**	**$ 5,791,317**	**$ 2,199,430**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
SUNSET MITAGATION
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Budgetary Fund Balance, July 1	$ (457,588)	$ (457,588)	$ (457,588)	$ -
Resources (Inflows):				
Charges for Services	600,000	600,000	917,837	317,837
Use of money and property	-	-	402	402
Transfers from other funds	-	-	572,696	572,696
Amounts Available for Appropriation	**142,412**	**142,412**	**1,033,347**	**890,935**
Charges to Appropriation (Outflow):				
General government	591,500	591,500	591,500	-
Public safety	575,441	575,441	556,943	18,498
Total Charges to Appropriations	**1,166,941**	**1,166,941**	**1,148,443**	**18,498**
Budgetary Fund Balance, June 30	**$ (1,024,529)**	**$ (1,024,529)**	**$ (115,096)**	**$ 909,433**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
AVENUES OF ART AND DESIGN
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 17,322	$ 17,322	$ 17,322	$ -
Resources (Inflows):				
Other	177,530	177,530	183,404	5,874
Amounts Available for Appropriation	**194,852**	**194,852**	**200,726**	**5,874**
Charges to Appropriation (Outflow):				
General government	177,530	177,530	150,517	27,013
Total Charges to Appropriations	**177,530**	**177,530**	**150,517**	**27,013**
Budgetary Fund Balance, June 30	**$ 17,322**	**$ 17,322**	**$ 50,209**	**$ 32,887**

CAPITAL PROJECT FUNDS

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND:

This fund accounts for loans and advances from the City, bond proceeds available for project improvements, interest income on invested funds, and certain miscellaneous income of the Redevelopment Agency. The projects will improve the assessed values of properties located in the project areas, thus increasing the property taxes. The increase in taxes will be used to repay the Agency's debt. The City declared that there is a need for a Redevelopment Agency to function in the City under and pursuant to the Community Redevelopment law, California Health and Safety Code Section 33000, et seq.

REDEVELOPMENT AGENCY LOW & MODERATE FUND:

This fund accounts for the 20% set aside of tax increment revenues pursuant to the Community Redevelopment law, California Health and Safety Code Section 33000, for housing projects benefiting low and moderate-income households.

SEISMIC IMPROVEMENT FUND:

The City issued 20-year bonds worth $835,000 to finance Seismic Improvements within the Communities Facilities District. However, this debt is entirely financed by the assessments levied on the properties within this district and the City assumes no future liabilities. Thus, the activities on this debt are reported under Agency funds.

SANTA MONICA BLVD. RELINQUISHMENT/REHABILITATION FUND:

This fund accounts for the receipt and disbursement of funds for the reconstruction of Santa Monica Boulevard. Funds have been received from Caltrans and will also be received from Los Angeles County and other sources for use in reconstruction. These funds will be augmented by transfers from the City's General Fund and/or from the issuance of debt in order to enhance the boulevard.

WEST HOLLYWOOD DEBT FUNDED CAPITAL IMPROVEMENT FUND:

To account for the receipt and disbursement of monies used for the construction of the mix use parking facilities, City Hall acquisition, Homeless Shelter, Fire Station No. 7, and new parking meters, which generally require more than one budgetary cycle to complete. These projects are funded by the General Fund and Bond Proceeds.

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
DEBT FUNDED CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ (499,696)	$ (499,696)	$ (499,696)	$ -
Resources (Inflows):				
Use of money and property	-	-	1,172	1,172
Amounts Available for Appropriation	**(499,696)**	**(499,696)**	**(498,524)**	**1,172**
Charges to Appropriation (Outflow):				
Capital outlay	-	882,417	622,092	260,325
Total Charges to Appropriations	**-**	**882,417**	**622,092**	**260,325**
Budgetary Fund Balance, June 30	**$ (499,696)**	**$ (1,382,113)**	**$ (1,120,616)**	**$ 261,497**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
COMMUNITY FACILITIES
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 33,428	$ 33,428	$ 33,428	$ -
Resources (Inflows):				
Use of money and property	-	-	1,159	1,159
Amounts Available for Appropriation	**33,428**	**33,428**	**34,587**	**1,159**
Charges to Appropriation (Outflow):				
General government	-	-	1,159	(1,159)
Capital outlay	-	33,428	-	33,428
Total Charges to Appropriations	**-**	**33,428**	**1,159**	**32,269**
Budgetary Fund Balance, June 30	**$ 33,428**	**$ -**	**$ 33,428**	**$ 33,428**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
SANTA MONICA BOULEVARD
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ -	$ -	$ -	$ -
Resources (Inflows):				
Use of money and property	-	-	4,955	4,955
Amounts Available for Appropriation	**-**	**-**	**4,955**	**4,955**
Charges to Appropriation (Outflow):				
Capital outlay	-	377,663	-	377,663
Total Charges to Appropriations	**-**	**377,663**	**39,472**	**338,191**
Budgetary Fund Balance, June 30	**$ -**	**$ (377,663)**	**$ (34,517)**	**$ 343,146**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY CAPITAL PROJECTS
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Budgetary Fund Balance, July 1	$ (5,436,688)	$ (5,436,688)	$(5,436,688)	$ -
Resources (Inflows):				
Use of money and property	60,000	60,000	83,501	23,501
Transfers from other funds	-	-	312,867	312,867
Amounts Available for Appropriation	**(5,376,688)**	**(5,376,688)**	**(5,040,320)**	**336,368**
Charges to Appropriation (Outflow):				
General government	607,000	14,480	359,522	(345,042)
Public works	893,381	673,034	-	673,034
Capital outlay	-	6,528,000	287,115	6,240,885
Debt Service:				
Interest and fiscal charges	-	600,000	344,541	255,459
Total Charges to Appropriations	**1,500,381**	**7,815,514**	**991,178**	**6,824,336**
Budgetary Fund Balance, June 30	**$ (6,877,069)**	**$ (13,192,202)**	**$(6,031,498)**	**$ 7,160,704**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY LOW & MODERATE HOUSING
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Budgetary Fund Balance, July 1	$ 2,324,467	$ 2,324,467	$ 2,324,467	$ -
Resources (Inflows):				
Taxes	432,000	632,000	1,143,810	511,810
Use of money and property	5,000	5,000	85,785	80,785
Amounts Available for Appropriation	**2,761,467**	**2,961,467**	**3,554,062**	**592,595**
Charges to Appropriation (Outflow):				
General government	241,392	2,043	11,533	(9,490)
Capital Outlay	-	600,000	-	600,000
Debt service:				
Principal	-	59,348	59,338	10
Interest and fiscal charges	-	180,001	180,610	(609)
Total Charges to Appropriations	**241,392**	**841,392**	**251,481**	**589,911**
Budgetary Fund Balance, June 30	**$ 2,520,075**	**$ 2,120,075**	**$ 3,302,581**	**$ 1,182,506**

DEBT SERVICE FUNDS

REDEVELOPMENT AGENCY FUND:

This fund is used to account for the accumulation of resources and the payment of principal and interest on long-term debt issued to finance projects in the Eastside Redevelopment Project Area. Currently, resources consist of tax increments and interest earnings which will be used for payment of long-term debt of the Agency.

WEST HOLLYWOOD DEBT SERVICE FUND:

Accounts for all financial activity related to the administration of proceeds generated from the issuance of long-term debt. The City issued Certificates of Participation (COPs) for the acquisition and construction of mixed use parking structures, fire station, homeless shelter, city hall, park renovations, and new parking meters.

Principal and interest on COPs issued are paid from resources accumulated through rents, parking fines, parking meter collections, and allocation of costs to divisions in lieu of the square feet occupied at City Hall by the foresaid divisions.

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS DEBT SERVICE
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 5,451,475	$ 5,451,475	$ 5,451,475	$ -
Resources (Inflows):				
Use of money and property	876,025	876,025	1,010,956	134,931
Transfers from other funds	-	-	1,792,438	1,792,438
Amounts Available for Appropriation	**6,327,500**	**6,327,500**	**8,254,869**	**1,927,369**
Charges to Appropriation (Outflow):				
Debt service:				
Principal	650,000	650,000	650,000	-
Interest and fiscal charges	1,158,820	1,164,820	1,142,438	22,382
Total Charges to Appropriations	**1,808,820**	**1,814,820**	**1,792,438**	**22,382**
Budgetary Fund Balance, June 30	**$ 4,518,680**	**$ 4,512,680**	**$ 6,462,431**	**$ 1,949,751**

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
REDEVELOPMENT AGENCY DEBT SERVICE
YEAR ENDED JUNE 30, 2006

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	**Final**	**Amounts**	**(Negative)**
Budgetary Fund Balance, July 1	$ 3,659,150	$ 3,659,150	$ 3,659,150	$ -
Resources (Inflows):				
Taxes	1,864,000	2,664,000	4,575,239	1,911,239
Use of money and property	10,000	10,000	160,583	150,583
Amounts Available for Appropriation	**5,533,150**	**6,333,150**	**8,394,972**	**2,061,822**
Charges to Appropriation (Outflow):				
General government	106,957	306,957	1,396,760	(1,089,803)
Debt service:				
Principal	135,652	135,652	135,662	(10)
Interest and fiscal charges	409,144	409,144	409,172	(28)
Transfers to other funds	-	-	312,867	(312,867)
Total Charges to Appropriations	**651,753**	**851,753**	**2,254,461**	**(1,402,708)**
Budgetary Fund Balance, June 30	**$ 4,881,397**	**$ 5,481,397**	**$ 6,140,511**	**$ 659,114**

PERMANENT FUND

LAUREL AVE. TRUST FUND:

A Trust was formed between the City and Elsie Weisman to maintain a donated historic apartment building. The fund is to account for the rental revenues, related operating costs, and the capital improvements. Prior to GASB 34, this fund was considered a Non-Expendable Trust, and was considered a Fiduciary Fund.

CITY OF WEST HOLLYWOOD

BUDGETARY COMPARISON SCHEDULE
LAUREL AVENUE TRUST
YEAR ENDED JUNE 30, 2006

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance, July 1	$ (11,348)	$ (11,348)	$ (11,348)	$ -
Resources (Inflows):				
Use of money and property	-	-	2,779	2,779
Amounts Available for Appropriation	**(11,348)**	**(11,348)**	**(8,569)**	**2,779**
Charges to Appropriation (Outflow):				
Public works	13,450	-	4,592	(4,592)
Total Charges to Appropriations	**13,450**	**-**	**4,592**	**(4,592)**
Budgetary Fund Balance, June 30	**$ (24,798)**	**$ (11,348)**	**$ (13,161)**	**$ (1,813)**

PROPRIETARY FUNDS

LANDSCAPE DISTRICT FUND – ENTERPRISE:

An assessment is levied on the lots and parcels of property within the designated Landscape Maintenance District. Collection and distribution of the assessment is done by the County of Los Angeles. The revenue generated in this fund is used for maintenance, operation and servicing of boulevard median and parkways within the District.

SEWER CONSTRUCTION FUND – ENTERPRISE:

This fund has equity transferred from the County of Los Angeles, when the City took over the Sewer district. Presently, the only source of revenue is the interest earnings on the investments. Use of this fund is designated for the future improvement of the underground sewer lines.

SEWER CHARGE FUND – ENTERPRISE:

Assessments for the sewers are determined by the City Engineer based on the type of dwellings and their usage. These assessments are attached to the property tax bill and then distributed to the City by the County of Los Angeles. Uses of this fund are for all engineering costs, mileage, overhead and maintenance costs related to the sewers.

SOLID WASTE FUND – ENTERPRISE:

The City levies assessments for collection of solid waste from residential and/or commercial premises. The revenues are used to support the Environmental Services Division of the Community Development Department.

STREET MAINTENANCE FUND – ENTERPRISE:

An assessment is levied on parcels of property within the City limits. Collection and distribution of the assessment is done by the County of Los Angeles. The revenue will be used for maintenance, operation, and servicing of the roadways within the City.

INFORMATION SYSTEMS MASTER PLAN FUND – INTERNAL SERVICE:

Accounts for all costs incurred in the process of designing, purchasing and implementing of a new information systems infrastructure. Project includes costs for design, hardware and software acquisition and systems conversion. Costs are recovered from all operating units over a five-year period.

CITY OF WEST HOLLYWOOD

COMBINING STATEMENT OF NET ASSETS
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2006

	Sewer	Solid	Landscape	Street	Totals
ASSETS					
Current:					
Cash and investments	$ 206,492	$ 319,333	$ 110,609	$ 51,807	$ 688,241
Receivables:					
Accounts	229	-	-	-	229
Accrued interest	2,130	3,333	1,068	760	7,291
Due from other governments	15,380	65,419	17,661	19,919	118,379
Total Assets	$ 224,231	$ 388,085	$ 129,338	$ 72,486	$ 814,140
LIABILITIES AND NET ASSETS					
Liabilities:					
Current:					
Accounts payable	$ 5,639	$ 2,031	$ 8,963	$ 1,644	$ 18,277
Total Liabilities	5,639	2,031	8,963	1,644	18,277
Net Assets:					
Unrestricted	218,592	386,054	120,375	70,842	795,863
Total Net Assets	218,592	386,054	120,375	70,842	795,863
Total Liabilities and Net Assets	$ 224,231	$ 388,085	$ 129,338	$ 72,486	$ 814,140

CITY OF WEST HOLLYWOOD

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS NONMAJOR PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2006

	Sewer	Solid	Landscape	Street	Totals
Operating Revenues:					
Sales and Service Charges	$ 196,513	$1,159,211	$ 163,312	$ 285,348	$ 1,804,384
Fines and forfeitures	947	6,903	2,667	1,141	11,658
Miscellaneous	72,507	-	-	-	72,507
Total Operating Revenues	269,967	1,166,114	165,979	286,489	1,888,549
Operating Expenses:					
Treatment	280,162	1,106,495	195,172	224,040	1,805,869
Administration and General	14,892	31,302	3,000	109,119	158,313
Total Operating Expenses	295,054	1,137,797	198,172	333,159	1,964,182
Operating Income (Loss)	(25,087)	28,317	(32,193)	(46,670)	(75,633)
Nonoperating Revenues (Expenses):					
Interest Revenue	8,046	7,466	4,337	2,237	22,086
Total Nonoperating Revenues (Expenses)	8,046	7,466	4,337	2,237	22,086
Changes in Net Assets	(17,041)	35,783	(27,856)	(44,433)	(53,547)
Net Assets					
Beginning of Fiscal Year	235,633	350,271	148,231	115,275	849,410
End of Fiscal Year	$ 218,592	$ 386,054	$ 120,375	$ 70,842	$ 795,863

FIDUCIARY FUNDS

BUSINESS IMPROVEMENT FUND – AGENCY:

This fund accounts for the receipt of 1.5% of the transient occupancy tax (hotel bed tax) collected by the City on behalf of West Hollywood Marketing Corporation (WHMC). This receipt of 1.5% tax is granted to the WHMC to use to advertise the as a travel destination and convention site. The City's total transient occupancy tax rate is 13.0%.

SEISMIC IMPROVEMENT BOND – AGENCY:

To collect assessments on Community Facilities District No. 92-1 and to pay off interest and principal on the special Tax Bonds Series 1992.

CITY OF WEST HOLLYWOOD

COMBINING BALANCE SHEET
ALL AGENCY FUNDS
JUNE 30, 2006

	Business Improvement	Community District Debt Service	Totals
Assets:			
Cash and investments	$ -	$ 160,814	$ 160,814
Receivables (net of allowance for uncollectibles):			
Accounts	155,675	-	155,675
Taxes	198,450	-	198,450
Interest	-	1,442	1,442
Due from other governments	-	4,872	4,872
Restricted Assets:			
Cash With Fiscal Agent	-	229,842	229,842
Total Assets	**$ 354,125**	**$ 396,970**	**$ 751,095**
Liabilities:			
Accounts payable	$ 310,008	$ -	$ 310,008
Due to bondholders	-	396,970	396,970
Due to other funds	44,117	-	44,117
Total Liabilities	**$ 354,125**	**$ 396,970**	**$ 751,095**

CITY OF WEST HOLLYWOOD

COMBINED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2006

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Business Improvement				
Assets:				
Cash and investments	$ -	$ 1,669,480	$ 1,669,480	$ -
Accounts receivable	133,334	168,966	146,625	155,675
Taxes receivable	112,800	218,984	133,334	198,450
Total Assets	**$ 246,134**	**$ 2,057,430**	**$ 1,949,439**	**$ 354,125**
Liabilities:				
Accounts payable	$ 246,134	$ 1,691,218	$ 1,627,344	$ 310,008
Due to other funds	-	44,117	-	44,117
Total Liabilities	**$ 246,134**	**$ 1,735,335**	**$ 1,627,344**	**$ 354,125**
Community District Debt Service				
Assets:				
Cash and investments	$ 96,832	$ 68,482	$ 4,500	$ 160,814
Cash and investments with fiscal agent	314,727	9,754	94,639	229,842
Interest receivable	574	4,190	3,322	1,442
Due from other governments	1,378	4,872	1,378	4,872
Total Assets	**$ 413,511**	**$ 87,298**	**$ 103,839**	**$ 396,970**
Liabilities:				
Accounts payable	$ 3,000	$ 1,500	$ 4,500	$ -
Due to bondholders	410,511	83,976	97,517	396,970
Total Liabilities	**$ 413,511**	**$ 85,476**	**$ 102,017**	**$ 396,970**
Totals - All Agency Funds				
Assets:				
Cash and investments	$ 96,832	$ 1,737,962	$ 1,673,980	$ 160,814
Cash and investments with fiscal agent	314,727	9,754	94,639	229,842
Accounts receivable	133,334	168,966	146,625	155,675
Taxes receivable	112,800	218,984	133,334	198,450
Interest receivable	574	4,190	3,322	1,442
Due from other governments	1,378	4,872	1,378	4,872
Total Assets	**$ 659,645**	**$ 2,144,728**	**$ 2,053,278**	**$ 751,095**
Liabilities:				
Accounts payable	$ 249,134	$ 1,692,718	$ 1,631,844	$ 310,008
Due to bondholders	410,511	83,976	97,517	396,970
Due to other funds	-	44,117	-	44,117
Total Liabilities	**$ 659,645**	**$ 1,820,811**	**$ 1,729,361**	**$ 751,095**

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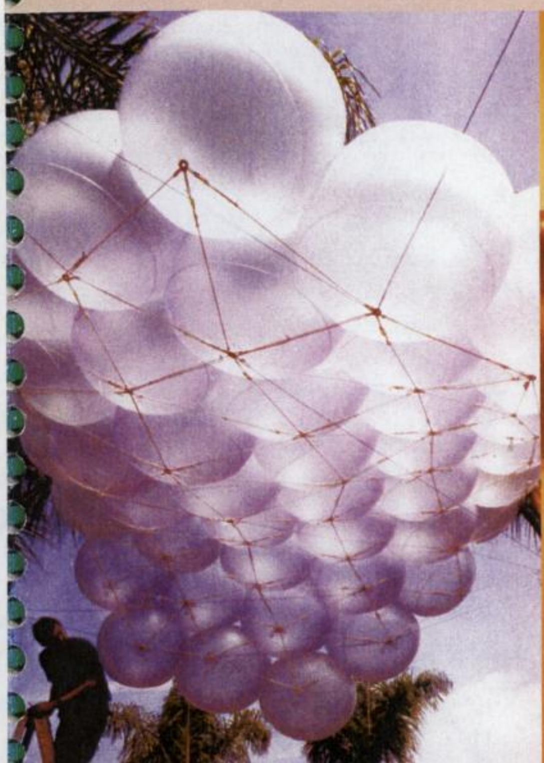
STATISTICAL SECTION



desert cloud<transformer 3>, Berhard Sommer, Sculptor | Remba Gallery
The cultural life of West Hollywood encompasses galleries, concerts, public art displays, and children's dance classes at Plummer Park. Below: Performance at Plummer Park, Zamuel Studio Dancers

TABLE OF CONTENTS

FINANCIAL TRENDS INFORMATION

REVENUE CAPACITY INFORMATION

DEBT CAPACITY INFORMATION

DEMOGRAPHIC AND ECONOMIC INFORMATION

OPERATING INFORMATION

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TABLE 1

NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Governmental activities						
Invested in capital assets,						
net of related debt	$ 28,305,177	$ 74,877,305	$ 75,773,265	$ 76,368,465	$ 81,802,689	$ 83,025,801
Restricted	6,921,288	14,585,862	920,268	20,795,829	22,213,608	30,203,837
Unrestricted	31,804,686	28,986,811	38,150,731	26,840,466	34,378,132	44,313,953
Total governmental activities net assets	$ 67,031,151	$ 118,449,978	$ 114,844,264	$ 124,004,760	$ 138,394,429	$ 157,543,591
Business-type activities						
Invested in capital assets,						
net of related debt	$ 1,024,531	$ 11,741,182	$ 11,430,276	$ 11,110,118	$ 10,812,425	$ 10,593,768
Restricted	-	-	-	-	-	-
Unrestricted	2,220,068	1,868,372	1,877,114	1,988,256	1,962,405	1,127,018
Total business-type activities net assets	$ 3,244,599	$ 13,609,554	$ 13,307,390	$ 13,098,374	$ 12,774,830	$ 11,720,786
Primary government						
Invested in capital assets,						
net of related debt	$ 29,329,708	$ 86,618,487	$ 87,203,541	$ 87,478,583	$ 92,615,114	$ 93,619,569
Restricted	6,921,288	14,585,862	920,268	20,795,829	22,213,608	30,203,837
Unrestricted	34,024,754	30,855,183	40,027,845	28,828,722	36,340,537	45,440,971
Total primary government net assets	$ 70,275,750	$ 132,059,532	128,151,654	137,103,134	151,169,259	169,264,377

Note: The City of West Hollywood implemented GASB 34 for the fiscal year ended June 30, 2001.
Information prior to the implementation is unavailable.

Source: City of West Hollywood.

TABLE 2

CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
Expenses	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Governmental activities:						
General government	$ 11,493,082	$ 12,256,946	$ 11,660,643	$ 13,336,517	$ 14,701,420	$ 16,479,257
Public safety	10,202,108	11,159,356	11,012,150	11,223,737	11,072,802	11,212,181
Public services	32,368,829	30,444,978	53,406,669	29,813,574	33,426,113	30,573,381
Interest on long-term debt		-	2,330,775	-	-	2,073,243
Total governmental activities expenses	54,064,019	53,861,280	78,410,237	54,373,828	59,200,335	60,338,062
Business-type activities:						
Solid waste	1,158,516	1,158,692	1,283,410	1,202,666	1,096,935	1,137,797
Landscape and lighting	603,372	885,139	73,536	83,326	147,299	198,252
Sewer	249,348	578,569	606,188	618,254	610,894	1,310,820
Street maintenance	299,053	313,616	306,866	276,658	305,569	334,287
Total business-type activities expenses	2,310,289	2,936,016	2,270,000	2,180,904	2,160,697	2,981,156
Total primary government expenses	$ 56,374,308	$ 56,797,296	$ 80,680,237	$ 56,554,732	$ 61,361,032	$ 63,319,218
Program Revenues						
Governmental activities:						
Charges for services:						
General government	$ 334,616	$ 282,684	$ 369,514	$ 894,792	$ 868,099	$ 492,019
Public safety	415,282	668,429	708,219	289,521	800,865	999,856
Public services	14,228,437	14,777,639	17,312,306	16,487,845	18,260,961	18,535,109
Operating grants and contributions	5,597,417	5,193,906	10,341,249	5,449,185	6,484,701	3,244,620
Capital grants and contributions	7,171,796	3,160,438	13,698,814	1,929,252	332,050	743,180
Total governmental activities program revenues	27,747,548	24,083,096	42,430,102	25,050,595	26,746,676	24,014,784
Business-type activities:						
Charges for services:						
Solid waste	1,149,304	1,228,677	1,234,292	1,284,162	1,140,457	1,159,211
Landscape and lighting	139,945	133,161	162,903	138,117	136,105	163,312
Sewer	175,270	200,139	226,048	200,911	201,155	196,513
Street maintenance	283,733	293,977	285,506	288,359	286,867	285,348
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-
Total business-type activities program revenues	1,748,252	1,855,954	1,908,749	1,911,549	1,764,584	1,804,384
Total primary government program revenues	$ 29,495,800	$ 25,939,050	$ 44,338,851	$ 26,962,144	$ 28,511,260	$ 25,819,168
Net (expense)/revenue						
Governmental activities	$ (26,316,471)	$ (29,778,184)	$ (35,980,135)	$ (29,323,233)	$ (32,453,659)	$ (36,323,278)
Business-type activities	(562,037)	(1,080,062)	(361,251)	(269,355)	(396,113)	(1,176,772)
Total Primary government net expense	$ (26,878,508)	$ (30,858,246)	$ (36,341,386)	$ (29,592,588)	$ (32,849,772)	$ (37,500,050)

TABLE 2

CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(CONTINUED)

General Revenue and Other Changes in Net Assets	Fiscal Year 2001	2002	2003	2004	2005	2006
Governmental activities:						
Taxes						
Property tax	$ 7,324,474	$ 8,439,702	$ 8,621,038	$ 10,557,027	$ 11,290,226	$ 15,282,673
Transient occupancy tax	9,609,872	7,888,469	8,050,754	9,288,712	11,262,704	12,791,327
Sales tax	8,648,356	7,764,588	8,265,707	8,667,158	11,295,461	11,815,467
Franchise tax	1,145,752	1,453,833	1,349,112	1,482,870	1,568,412	2,045,702
Business license tax	1,287,309	1,392,779	1,523,494	1,839,314	2,012,904	2,198,549
Motor vehicle in-lieu	2,080,458	2,038,363	2,279,906	1,737,070	2,588,005	2,522,013
Use of money and property	6,313,229	5,385,592	5,034,161	5,565,745	5,296,288	6,798,247
Other	228,670	266,741	4,736,600	341,521	447,477	646,918
Sale of capital assets	-	-	452,514	(199,449)	-	(70,533)
Transfers	(75,037)	(178,539)	-	-	-	-
Total governmental activities	36,563,083	34,451,528	40,313,286	39,279,968	45,761,477	54,030,363
Business-type activities:						
Property taxes	423,322	477,825	26,895	-	-	-
Use of money and property	118,105	63,372	32,192	23,743	37,035	38,563
Intergovernmental	-	-	-	36,596	35,534	-
Transfers	75,037	178,539	-	-	-	-
Other	-	-	-	-	-	84,165
Total business-type activities	616,464	719,736	59,087	60,339	72,569	122,728
Total primary government	$ 37,179,547	$ 35,171,264	$ 40,372,373	$ 39,340,307	$ 45,834,046	$ 54,153,091
Change in Net Assets						
Governmental Activities	$ 10,246,612	$ 4,673,344	$ 4,333,151	$ 9,956,735	$ 13,307,818	$ 17,707,085
Business-type activities	54,427	(360,326)	(302,164)	(209,016)	(323,544)	(1,054,044)
Total primary government	$ 10,301,039	$ 4,313,018	$ 4,030,987	$ 9,747,719	$ 12,984,274	$ 16,653,041

Note: The City of West Hollywood implemented GASB 34 for the fiscal year ended June 30, 2001. Information prior to implementation is unavailable.

Source: City of West Hollywood

TABLE 3

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
General Fund						
Reserved	$ 11,215,199	$ 14,898,400	$ 12,827,655	$ 8,252,813	$ 7,366,598	$ 8,667,835
Unreserved	13,412,643	8,567,266	18,619,896	25,105,511	34,649,072	43,109,866
Total General Fund	$ 24,627,842	$ 23,465,666	$ 31,447,551	$ 33,358,324	$ 42,015,670	$ 51,777,701
All other governmental funds						
Reserved	$ 11,110,349	$ 21,587,999	$ 3,285,441	$ 1,306,137	$ 1,853,944	$ 1,739,931
Unreserved, reported in:						
Special revenue funds	8,544,473	10,927,125	13,068,315	9,167,038	8,124,694	12,827,476
Capital projects funds	(10,377,354)	(16,333,371)	(16,087,901)	(2,869,830)	(4,446,100)	(3,999,838)
Debt service funds	4,365,576	3,877,980	6,234,461	8,044,882	9,104,625	12,596,942
Permanent funds	14,815	19,534	(7,340)	(19,008)	(14,039)	(13,161)
Total all other governmental funds	$ 13,657,859	$ 20,079,267	$ 6,492,976	$ 15,629,219	$ 14,623,124	$ 23,151,350

Note: The City of West Hollywood implemented GASB 34 for the fiscal year ended June 30, 2001.
Information prior to implementation is unavailable.

Source: City of West Hollywood.

TABLE 4

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Revenues						
Taxes	$ 28,851,907	$ 27,600,100	$ 28,790,692	$ 33,002,400	$ 37,952,941	$ 45,207,616
Licenses and permits	2,777,259	1,935,265	3,321,312	3,430,860	3,768,824	3,685,402
Intergovernmental	13,131,601	6,429,614	13,726,715	7,834,915	9,019,572	5,630,843
Charges for services	2,405,407	2,421,986	2,791,718	3,008,760	3,000,706	3,465,762
Use of money and property	6,428,474	6,631,903	4,895,491	6,304,030	6,191,455	7,878,304
Fines and forfeitures	8,450,029	9,198,259	8,907,842	8,695,339	8,615,254	9,035,814
Other	1,221,241	3,463,635	15,991,927	400,676	320,347	790,001
Developer fees	637,111	1,435,273	2,630,914	1,145,013	2,959,411	2,171,542
Total revenues	63,903,029	59,116,035	81,056,611	63,821,993	71,828,510	77,865,284
Expenditures						
Current:						
General government	9,251,147	10,926,359	11,588,027	12,101,089	13,874,481	16,166,120
Public Safety	9,908,515	10,512,934	10,928,765	10,887,777	10,698,220	11,139,872
Public Services	26,434,085	28,024,826	28,749,190	25,541,870	27,292,421	27,346,605
Capital outlay	16,120,960	9,549,859	26,028,650	12,626,053	4,722,669	6,322,213
Debt service:						
Principal retirement	755,000	685,000	1,885,000	725,000	5,420,000	845,000
Interest and fiscal charges	2,046,344	2,214,602	2,342,520	2,028,213	2,169,468	2,076,761
Cost of issuance	-	-	-	364,975	-	-
Total expenditures	64,516,051	61,913,580	81,522,152	64,274,977	64,177,259	63,896,571
Excess (deficiency) of revenues over (under) expenditures	(613,022)	(2,797,545)	(465,541)	(452,984)	7,651,251	13,968,714
Other financing sources (uses)						
Transfers in	6,253,719	4,561,054	8,556,204	15,664,745	8,062,551	2,684,606
Transfers out	(6,357,572)	(4,739,593)	(8,556,204)	(15,664,745)	(8,062,551)	(2,684,606)
Long-term debt issued	-	-	-	11,500,000	-	-
Sale of capital assets	-	-	2,800,000	-	-	2,879,467
Total other financing sources (uses)	(103,853)	(178,539)	2,800,000	11,500,000	-	2,879,467
Net change in fund balances	$ (716,875)	$ (2,976,084)	$ 2,334,459	$ 11,047,016	$ 7,651,251	$ 16,848,181
Debt service as a percentage of noncapital expenditures	5.8%	5.5%	7.6%	5.3%	12.8%	5.1%

Note: The City of West Hollywood implemented GASB 34 for the fiscal year ended June 30, 2001. Information prior to implementation is unavailable.

Source: City of West Hollywood.

TABLE 5

GENERAL FUND TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year	(1) Transient Occupancy Tax	(2) Sales Taxes	(3) Property Taxes	Franchise Taxes	Business License Tax	Total General Fund Taxes
1997	6,129,454	6,341,951	4,571,360	917,933	1,035,470	18,996,168
1998	7,595,268	6,974,300	4,752,532	1,113,140	1,059,901	21,495,142
1999	8,414,889	6,953,992	4,932,063	1,185,483	1,131,022	22,617,448
2000	8,806,714	8,139,029	5,403,149	1,061,580	1,167,321	24,577,793
2001	9,609,872	8,648,356	5,858,141	1,145,752	1,250,839	26,512,959
2002	7,888,469	7,764,588	6,468,352	1,359,588	1,347,024	24,828,020
2003	8,050,754	8,265,707	6,898,409	1,443,358	1,425,024	26,083,252
2004	9,288,712	8,667,158	7,280,610	1,949,270	1,747,267	28,933,016
2005	11,262,704	10,295,808	7,585,418	1,931,179	1,942,270	33,017,379
2006	12,791,327	11,856,503	8,000,302	2,045,703	2,111,391	36,805,225

Notes:

(1) Does not include marketing assessment for West Hollywood Visitors and Convention Bureau.

(2) Does not include Prop A and C transportation sales taxes.

(3) Does not include redevelopment agency or Lighting District.

Source: City of West Hollywood.

TABLE 6

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

	City				Redevelopment Agency			
Fiscal Year	Secured	Unsecured	Utility	Taxable Assessed Value	Secured	Unsecured	Taxable Assessed Value	(1) Total Direct Tax Rate
1997	2,781,070,317	131,600,912	0	2,912,671,229	0	0	0	-
1998	2,727,266,224	144,766,480	0	2,872,032,704	394,793,296	8,403,183	403,196,479	-
1999	2,767,267,798	169,062,556	0	2,936,330,354	410,341,912	8,955,916	419,297,828	-
2000	3,042,307,840	184,985,033	0	3,227,292,873	446,297,257	26,039,787	472,337,044	-
2001	3,335,217,735	185,482,750	0	3,520,700,485	471,914,181	16,603,289	488,517,470	-
2002	3,719,325,589	216,877,920	0	3,936,203,509	555,918,793	30,961,708	586,880,501	-
2003	3,939,365,143	177,436,647	0	4,116,801,790	582,850,126	25,257,243	608,107,369	-
2004	4,177,702,952	177,372,290	257,447	4,355,332,689	593,783,725	26,125,268	619,908,993	-
2005	4,531,529,879	171,644,355	278,447	4,703,452,681	639,278,469	32,908,899	672,187,368	-
2006	5,051,718,551	189,968,823	0	5,241,687,374	756,182,390	37,018,088	793,200,478	-

Notes: Assessed values reflect current market values as established by the County Assessor.

(1) The City does not have a direct property tax rate.

Source: Los Angeles County Auditor-Controller:

TABLE 7

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

	(1)	Overlapping Rates (2)						Total
Fiscal Year	Prop 13 Direct Tax Tax Rate	Los Angeles Unified School	Los Angeles Community College	County Detention Facilities	Metro-politan Water	Flood Control	County Sanitation District #4	Direct & Overlapping Rates
1997	1.00000	0.00334	0.00000	0.00160	0.00890	0.00199	0.00219	1.01802
1998	1.00000	0.01201	0.00000	0.00158	0.00890	0.00220	0.00228	1.02697
1999	1.00000	0.02475	0.00000	0.00145	0.00890	0.00195	0.00153	1.03858
2000	1.00000	0.03154	0.00000	0.00142	0.00890	0.00176	0.00160	1.04522
2001	1.00000	0.04076	0.00000	0.00131	0.00880	0.00156	0.00134	1.05377
2002	1.00000	0.04813	0.01600	0.00113	0.00770	0.00107	0.00104	1.07507
2003	1.00000	0.03698	0.01460	0.00103	0.00670	0.00088	0.00000	1.06019
2004	1.00000	0.07714	0.01986	0.00099	0.00610	0.00047	0.00000	1.10456
2005	1.00000	0.08885	0.01810	0.00092	0.00580	0.00024	0.00000	1.11391
2006	1.00000	0.08433	0.01430	0.00080	0.00520	0.00005	0.00000	1.10468

Notes:

(1) The Prop 13 rate of 1% includes allocations of 0.17946 for the City of West Hollywood.

(2) Overlapping rates are those of local and county governments and/or special districts that apply to property owners within certain geographic boundaries in the City.

Source: Los Angeles County Auditor-Controller.

TABLE 8

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

	2006		1997	
Taxpayer	**Taxable Assessed Value**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Percentage of Total Taxable Assessed Value**
Pacific Design Center 1 LLC	$ 157,811,100	2.93%	$ 151,858,769	5.05%
Sunset Millennium Associates LLC	107,333,577	1.99%	-	0.00%
CLPF West Hollywood Limited Partnership	75,380,000	1.40%	-	0.00%
Mondrian Holdings LLC	71,500,449	1.33%	-	0.00%
Mani Brothers	56,275,808	1.04%	-	0.00%
BA Studios LLC	51,099,885	0.95%	-	0.00%
W Bel Age LLC	45,248,610	0.84%	19,837,049	0.66%
City of West Hollywood	28,774,510	0.53%	22,556,248	0.75%
RWH Holdings Inc.	27,805,114	0.52%	23,823,937	0.79%
Overstreet Monte	26,449,842	0.49%	-	0.00%
Time Warner Entertainment Company	-	0.00%	40,759,561	1.36%
9000 Sunset Boulevard Corporation	-	0.00%	35,829,844	1.19%
Shearson Beverly Hills Medical	-	0.00%	23,000,000	0.76%
Charles Luckman Trust	-	0.00%	19,029,508	0.63%
Cedars Sinai Medical Center	-	0.00%	17,771,186	0.59%
AFC Properties Limited	-	0.00%	17,466,314	0.58%
TOTALS	$ 647,678,895	12.01%	$ 371,932,416	12.37%

Note: Assessed valuation includes land, building and improvements.

Source: HdL Coren & Cone.
Los Angeles County Assessor combined Tax Rolls.

TABLE 9

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levied for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1997	4,798,261	4,394,378	91.6%	81,721	4,476,099	93.3%
1998	4,982,517	4,386,159	88.0%	146,957	4,533,116	91.0%
1999	5,223,621	4,578,834	87.7%	147,112	4,725,946	90.5%
2000	5,897,054	5,682,452	96.4%	94,532	5,776,984	98.0%
2001	6,930,360	7,216,622	104.1%	175,373	7,391,995	106.7%
2002	8,482,027	8,124,063	95.8%	285,735	8,409,798	99.1%
2003	8,678,757	8,389,163	96.7%	(205,225)	8,183,937	94.3%
2004	9,406,397	9,394,507	99.9%	572,073	9,966,580	106.0%
2005	10,449,634	10,163,361	97.3%	1,007,929	11,171,290	106.9%
2006	12,398,968	11,924,543	96.2%	2,043,054	13,967,597	112.7%

Notes: Includes secured property taxes and unsecured taxes of the Redevelopment Agency.

Source: Los Angeles County Auditor-Controller.

TABLE 10

RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities		Business-type Activities				
Fiscal Year	Tax Allocation Bonds (1)	Certificates of Participation (2)	General Obligation	Certificates of Participation	Total Primary Government	Percentage of Personal Income (3)	Debt Per Capita
1997	0	29,185,000	0	0	29,185,000	3.1%	832.67
1998	0	32,465,000	0	0	32,465,000	3.2%	924.93
1999	0	33,215,000	0	0	33,215,000	3.2%	940.93
2000	0	32,490,000	0	0	32,490,000	2.9%	907.69
2001	0	31,735,000	0	0	31,735,000	2.7%	876.22
2002	0	31,050,000	0	0	31,050,000	2.6%	841.58
2003	0	29,165,000	0	0	29,165,000	2.3%	782.01
2004	11,500,000	28,440,000	0	0	39,940,000	3.0%	1,059.42
2005	11,265,000	23,255,000	0	0	34,520,000	2.5%	912.96
2006	11,070,000	22,605,000	0	0	33,675,000	NA	896.85

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Issued 11,500,000 Tax Allocation Bonds in fiscal year 2003-04.

(2) Issued $9,940,000 General Fund Certificate of Participation in fiscal year 1994-95.
Issued $19,745,000 General Fund Certificate of in fiscal year 1995-96.
Redeemed 1995 General Fund Certificate of Participation in full for $9,655,000 in fiscal year 1997-98.
Redeemed 1996 General Fund Certificate of Participation in full for $17,555,000 in fiscal year 1997-98.

(3) Personal Income information not available for 2006 at this time.

Source: City of West Hollywood

TABLE 11

DIRECT AND OVERLAPPING DEBT
JUNE 30, 2006
(UNAUDITED)

Jurisdiction	Net General Obligation Debt Outstanding	Percentage Applicable to City of West Hollywood	Amount Applicable to City of West Hollywood June 30, 2006
Overlapping General Fund Debt:			
Los Angeles County	$ 8,395,000	0.662%	$ 55,571
Los Angeles County Flood Control District	1,080,000	0.672%	7,261
Metropolitan Water District	182,369,156	0.714%	1,302,618
Los Angeles County Community College District	699,205,000	1.170%	8,181,132
Los Angeles Unified School District	5,476,465,000	1.448%	79,312,442
Subtotal, overlapping debt			88,859,024
City direct governmental debt			23,120,000
Total direct and overlapping governmental debt:			$ 111,979,024

Source: HdL Coren & Cone.
LA County Assessor and Auditor Combined Lien Date Tax Rolls

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TABLE 12

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year			
	1997	**1998**	**1999**	**2000**
Debt limit	$ 446,330,941	$ 440,051,083	$ 454,335,094	$ 471,852,527
Total net debt applicable to limit	29,685,000	34,235,000	34,235,000	34,235,000
Legal debt margin	$ 416,645,941	$ 405,816,083	$ 420,100,094	$ 437,617,527
Total net debt applicable to the limit as percentage of debt limit	6.65%	7.78%	7.54%	7.26%

TABLE 12

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(CONTINUED)

Fiscal Year					
2001	**2002**	**2003**	**2004**	**2005**	**2006**
$ 534,446,400	$ 601,330,601	$ 632,879,805	$ 669,881,700	$ 724,258,134	$ 786,253,106
34,235,000	33,765,000	32,465,000	43,965,000	38,605,000	38,605,000
$ 500,211,400	$ 567,565,601	$ 600,414,805	$ 625,916,700	$ 685,653,134	$ 747,648,106
6.41%	5.62%	5.13%	6.56%	5.33%	4.91%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value		$ 5,241,687,374
Debt limit (1)		786,253,106
Debt applicable to limit:		
Certificates of participation	$ 27,105,000	
Tax allocation bonds	$ 11,500,000	
Net amount of debt applicable to debt limit		38,605,000
Legal debt margin		$ 747,648,106

Notes:

(1) Section 43605 of the Government Code of the State of California limits the amount of indebtedness for public improvements to 15% of the assessed valuation of all real and personal property of the City.

Sources: Los Angeles County Auditor-Controller.
City of West Hollywood.

TABLE 13

EAST SIDE PROJECT AREA BONDS COVERAGE
LAST THREE FISCAL YEARS

Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2004	1,549,207	279,908	1,269,299	235,000	549,938	784,938	1.62
2005	2,187,395	353,917	1,833,478	195,000	591,070	786,070	2.33
2006	4,394,355	641,987	3,752,368	200,000	585,220	785,220	4.78

Note: East Side Redevelopment Agency Bonds of $11,500,000 were issued in fiscal year 2003-04.

Source: City of West Hollywood.

TABLE 14

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS

Calendar Year	Population (1)	Personal Income (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
1997	35,050	929,490,950	26,519	6.5%
1998	35,100	999,261,900	28,469	6.3%
1999	35,300	1,037,890,600	29,402	5.6%
2000	35,794	1,111,224,730	31,045	4.4%
2001	36,218	1,164,481,136	32,152	4.6%
2002	36,895	1,199,899,190	32,522	5.5%
2003	37,295	1,242,594,810	33,318	5.7%
2004	37,700	1,326,587,600	35,188	5.3%
2005	37,811	1,395,868,687	36,917	4.3%
2006	37,548	N/A	N/A	N/A

Notes: Annual income and unemployment figures for 2006 was not available at time of publication of this CAFR.

Sources: (1) California Department of Finance.

(2) City of West Hollywood.
Note: Personal income is estimated based on Bureau of Economic Analysis data for the Metropolitan Statistical Area of Los Angeles-Long Beach-Santa Ana.

(3) Bureau of Economic Analysis.
Note: Data shown is the Metropolitan Statistical Area of Los Angeles-Long Beach-Santa Ana.
Data by City is not available. 2005 is a preliminary estimate.

(4) State of California, Employment Development Department.

TABLE 15

PRINCIPAL EMPLOYERS
CURRENT YEAR AND THREE YEARS AGO

	2006		2003	
	Employees	Percent of Total City Employment	Employees	Percent of Total City Employment
Ticketmaster	1,300	5.0%	-	0.0%
Target Corp.	411	1.6%	-	0.0%
Wyndham Bel Age Hotel LP	230	0.9%	200	0.8%
Dailey & Associates	209	0.8%	260	1.1%
City of West Hollywood	200	0.8%	200	0.8%
Hollywood Standard LLC (The Standard Hotel)	189	0.7%	-	0.0%
Sunset Restaurant LLC (Asia de Cuba Restaurant)	180	0.7%	-	0.0%
Hyatt Corp (Hyatt West Hollywood Hotel)	165	0.6%	165	0.7%
House of Blues Concerts Inc	150	0.6%	150	0.6%
Mondrian Holdings LLC (Mondrian Hotel)	150	0.6%	500	2.0%
HMBL LLC (Best Western Sunset Plaza)	125	0.5%	-	0.0%
Outrigger Lodging Services LLP (La Parc Suite Hotel)	105	0.4%	105	0.4%
KKHG Management LLC (Argyle Hotel)	100	0.4%	150	0.6%
SC Club LP (Key Club)	100	0.4%	60	0.2%
Suissa Miller Advertising LLC	100	0.4%	-	0.0%
New Line Cinema Corp	100	0.4%	100	0.4%
Total Jobs By Principal Employers	3,814	14.7%	1,890	7.7%
Total Jobs in City of West Hollywood	25900	100%	24,600	100%

Notes: Employer information from 1997 is not available; The first available information is 2003.

Sources: City of West Hollywood.
California Employment Development Department.

TABLE 16

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST NINE FISCAL YEARS

	Fiscal Year								
	1998	1999	2000	2001	2002	2003	2004	2005	2006
Function									
General Government									
Legislative & Executive	26.3	26.8	26.8	27.0	27.0	21.5	21.5	22.5	22.5
Administration	13.0	14.0	17.3	18.8	18.8	26.8	26.8	27.8	27.8
Finance & Information Technology	21.0	21.0	21.0	21.0	21.0	22.0	22.0	22.0	22.0
Public Information (1)	-	-	-	-	-	8.7	8.7	8.7	8.7
Community Services									
Human Services	35.6	39.9	39.9	42.2	43.7	49.2	46.5	47.2	47.2
Housing & Rent Stabilization	20.0	20.0	20.0	21.0	21.0	17.8	16.8	18.0	17.0
Community Development	28.5	32.5	32.5	33.0	33.0	29.0	30.0	33.0	33.0
Transportation	22.0	22.0	22.0	24.0	24.0	23.0	23.0	23.0	23.0
Total	166.4	176.2	179.5	186.9	188.4	197.8	195.1	202.1	201.1

Notes:
(1) The Public Information Division was created in 2003.

Source: City of West Hollywood.

TABLE 17

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Function										
Police (1)										
Incidents	7,835	7,066	7,328	7,493	7,667	7,274	7,338	7,353	7,591	7,650
Arrests	3,525	2,803	2,686	2,893	2,271	2,268	2,406	2,464	2,715	2,800
Sewers										
Miles of system	39	39	39	39	39	39	39	39	39	39
Percent inspected	10	10	10	10	10	10	10	10	10	10
Parks and Recreation										
Number of parks	4	4	4	4	4	4	5	5	5	5
Community Development										
Commercial development permits	137	146	148	292	210	113	142	321	307	254
Residential development permits	439	455	504	316	735	480	467	401	460	493
Parking										
Citations issued	177,119	191,881	195,794	202,220	191,177	216,718	198,076	197,370	181,337	187,854

Notes:
(1) Police statistics are base on calendar year; Information for 2006 is an estimate.

Source: City of West Hollywood.

TABLE 18

CAPITAL ASSETS BY FUNCTION
LAST TEN FISCAL YEARS

	Fiscal Year									
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Function/ program										
Public Safety										
This a contracted service	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Parking:										
Parking Structures	1	1	1	1	1	1	1	1	1	1
Parking Lots	1	1	1	1	1	1	1	4	4	4
Cultural & Recreation:										
Parks	4	4	4	4	4	4	5	5	5	5
General Services:										
Sidewalks (length/feet)	237,600	237,600	237,600	237,600	275,638	275,638	275,638	275,638	275,638	275,638
Streets (miles)	51	51	51	51	54	54	54	54	54	54
Traffic signals	49	49	49	52	54	56	56	56	56	56
Wastewater:										
Sanitary sewers (miles)	39	39	39	39	39	39	39	39	39	39
Manholes	114	114	114	114	114	114	114	114	114	114
City-Line:										
Number of Buses	5	5	5	5	5	5	5	5	5	5

Source: City of West Hollywood

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City of West Hollywood
California 1984