



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 1 **Summary of Significant Accounting Policies**

The financial statements of the City of Calabasas (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City of Calabasas was incorporated on April 5, 1991 as a "General Law" City covering approximately eleven square miles. The City operates under a council-city manager form of government.

The City of Calabasas Facilities Corporation (the Corporation) was established on December 17, 1998 for the purpose of providing financing and funding for property acquisition and public capital improvements.

The criteria used in determining the scope of the reporting entity is based on the provisions of GASB Statement 14 as amended by GASB Statement No. 39. The City of Calabasas is the primary government unit. A component unit is an entity which is financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. Despite being legally separate, this entity is, in substance, part of the City's operations. Accordingly, the balances and transactions of this component unit are reported within a debt service fund of the City.

The following specific criteria were used in determining that the Corporation was a blended component unit:

- The members of the City Council also act as the governing body of the Corporation.
- The Corporation is managed by employees of the City.

There are no entities which meet the Governmental Accounting Standards Board Statement No. 14 as amended by GASB Statement No. 39, criteria for discrete disclosure within these financial statements.

B. Government-wide and Fund Financial Statement

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) 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 and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 1 **Summary of Significant Accounting Policies (Continued)**

B. Government-wide and Fund Financial Statement (Continued)

normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which reply to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, the proprietary fund, 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, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, including property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes 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. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after fiscal year-end. Expenditures generally are recorded when the liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures when due. Capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 1 **Summary of Significant Accounting Policies (Continued)**

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

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 City has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to members, 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.

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 Tennis and Swim Center are charges to customers for sales and services. Operating expenses for enterprise 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 City's policy to use restricted resources first, and then use unrestricted resources as needed.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

Landscape District Maintenance Special Revenue Fund – used to account for receipts and expenditures relating to the benefit assessment district for landscape maintenance.

Storm Damage Special Revenue Fund – used to account for expenditures of funds made available from the Federal Emergency Management Agency and the State of California Office of Emergency Services for disaster relief necessitated by 1993 Winter Storms.

Capital Improvement Capital Projects Fund – used to account for the acquisition and construction of major capital projects not being financed by proprietary funds.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 1 **Summary of Significant Accounting Policies (Continued)**

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

Civic Center Capital Projects Fund – used to account for the construction of new city hall.

Debt Service Fund – used to account for the accumulation of resources for and the payment of principal and interest on long-term debt.

The City reports the following major proprietary fund:

Tennis and Swim Center – used to account for operations of the Tennis and Swim Center that are financed and operated in a manner similar to private business enterprise. Costs are financed or recovered primarily through user charges.

Additionally, the City reports the following fund types:

Governmental Funds:

Special Revenue Funds – used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

Fiduciary Funds:

Agency Funds - used to account for assets held by the City as an agent. This fund is custodial in nature and does not involve measurement of results of operations.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Liabilities, Net Assets, or Equity

Cash and Investments

The City pools idle cash from all funds for the purpose of increasing income through investment. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balances of each fund.

In compliance with the applicable State statute, the Statement of Investment Policy is adopted annually by the City Council. Investments authorized under the Investment Policy included:

- Local Agency Investment Fund (LAIF) – State of California Investment Pool
- U.S. Treasury Obligations
- Federal Agency Securities
- Certificates of Deposit
- Savings Accounts

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, “Accounting and Financial Reporting for Certain Investments and External Pools”, which require governmental entities to report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

The City’s investments are carried at fair value which equal cost. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF determines the fair value of its portfolio quarterly and reports a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows for the proprietary fund, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered cash equivalents.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Liabilities, Net Assets, or Equity (Continued)

Receivables and Payables (Continued)

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

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

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes:

Property Valuations – are established by the Assessor of the County of Los Angeles for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by the voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

Tax Levies – are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections – are the responsibility of the county tax collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: the first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

Tax Levy Apportionments – Due to the nature of the City-wide maximum levy, it is not possible to identify general purpose tax rates for specific entities. Under state legislation adopted subsequent to the passage of Proposition 13, apportionments to local agencies



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Liabilities, Net Assets, or Equity (Continued)

Receivables and Payables (Continued)

are made by the county auditor-controller based primarily on the ratio that each agency represented of the total City-wide levy for the three years prior to fiscal year 1979.

Property Tax Administration Fees – The State of California FY 1990-91 Budget Act authorized counties to collect an administrative fee for collection and distribution of property taxes. Property taxes are recorded as net of administrative fees withheld during the fiscal year.

Prepaid Items

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

Capital Assets

Capital assets, which include property, improvements, equipment, and infrastructure assets 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 and individual cost of \$1,000. Such capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible assets used by the governmental and business-type activities is charged as an expense against their operations. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 years
Buildings	15 years
Improvements other than buildings	10 years
Infrastructure	20-50 years

Compensated Absences

It is the City’s policy to permit employees to accumulate earned, but unused vacation benefits, which will be paid to employees upon separation from City service. Under current City policy, sick leave does not vest with the employee; therefore, a liability has not been accrued. Governmental fund types recognize the cost of vacation benefits when payments are made to employees. Since these unused vacation benefits will not be



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Liabilities, Net Assets, or Equity (Continued)

Compensated Absences (Continued)

liquidated with available financial resources, a long-term liability for accrued vacation benefits is recorded. Proprietary fund types accrue vacation benefits in the period they are earned.

Long-Term Obligations

In the government-wide financial statements, and proprietary type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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. Amortization of bond premiums or discounts, and issuance costs are included in interest expense.

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

Net Assets and Fund Equity

In the government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, and laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

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

E. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 1 **Summary of Significant Accounting Policies (Continued)**

E. Estimates (Continued)

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 **Stewardship, Compliance, and Accountability**

A. Budgetary Control and Accounting

General Budget Policies:

The City Council reviews and adopts an annual budget for the General, Special Revenue, Debt Service, and Capital Projects Funds. The City Council holds public hearings and may modify the appropriations by general approval. Budgeted amounts may be transferred between departments with the City Manager’s approval. The legal level of expenditure control is at the fund level. Operating appropriations lapse at the end of each fiscal year.

The budget is reported on the same basis as the fund types and on a basis consistent with accounting principles generally accepted in the United States of America. Additional appropriations or other changes during the fiscal year may be submitted by the department for Council review and approval.

B. Excess Expenditures over Appropriations

Excess of expenditures over appropriations in departments/cost centers of individual funds are as follows:

	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Major Funds:			
Landscape District Maintenance	3,122,950	3,948,473	825,523
Debt Service	404,106	2,288,646	1,884,540
Civic Center		13,013,559	13,013,559
Nonmajor Funds:			
Proposition A	304,700	491,540	186,840
South Coast Air Quality Management	24,500	61,952	37,452
Community Development Block Grant	44,100	87,165	43,065
COPS - AB 3229	100,000	115,795	15,795
Library District	1,062,950	1,129,660	66,710
Grants		307,883	307,883



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 2 **Stewardship, Compliance, and Accountability**

C. Deficit Fund Balances, Retained Earnings, and Net Assets

The Storm Damage Special Revenue Fund (Major) has a deficit fund balance of \$594,369 that due to expenditures being incurred but grant revenue is not available. The Civic Center Capital Project Fund (Major) has a deficit fund balance of \$6,338,418 that due to expenditures being incurred but grant revenue is not available. The Community Development Block Grant Special Revenue Fund has a deficit fund balance of \$2,009 that should be alleviated as additional revenues are received. The Used Oil Grant Special Revenue Fund has a deficit fund balance of \$14,782 that should be alleviated as additional revenues are received. The Grants Special Revenue Fund has a deficit fund balance of \$399,111 that due to expenditures being incurred but grant revenue is not available.

Note 3 **Cash and Investments**

Cash and investments as of June 30, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 33,061,360
Restricted cash and investments with fiscal agents	33,956,780
Fiduciary funds:	
Cash and investments	11,599,621
Restricted cash and investments with fiscal agents	2,143,324
Total cash and investments	\$ 80,761,085

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	\$ 2,550
Deposits with financial institutions	2,332,428
Investments	78,426,107
Total cash and investments	\$ 80,761,085

A. Investments Authorized by the California Government Code and the City’s Investment Policy

The table below identifies the investment types that are authorized for the City of Calabasas (City) by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 3 **Cash and Investments (Continued)**

A. Investments Authorized by the California Government Code and the City’s Investment Policy (Continued)

debt agreements of the City, rather than the general provisions of the California government Code or the City’s investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (State Pool)	N/A	None	\$40 million
U.S. Treasury Obligations	N/A	None	None
U.S. Government Agency Issues	5 years	None	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	None	\$100,000
Certificates of Deposit	2 years	None	\$100,000
Bankers Acceptances			
Commercial Paper	N/A	None	None
Mutual Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the City.

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the **Investment types** that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk, credit risk, and concentration of credit risk.**



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 3 **Cash and Investments (Continued)**

B. Investments Authorized by Debt Agreements (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (State Pool)	N/A	None	\$40 million
U.S. Treasury Obligations	N/A	None	None
U.S. Government Agency Issues	5 years	None	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	None	\$100,000
Certificates of Deposit	2 years	None	\$100,000
Bankers Acceptances			
Commercial Paper	N/A	None	None
Mutual Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Investment Agreements	N/A	None	None

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the City.

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 3 **Cash and Investments (Continued)**

C. Disclosures Relating to Interest Rate Risk

Investment Type	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool	\$ 19,144,742	\$ 19,144,742	\$ -	\$ -	\$ -
Certificates of Deposit	7,057,823	7,057,823			
Federal Agency Securities	16,118,923	16,118,923			
Money Market Funds	4,513	4,513			
Held by Bond Trustees:					
Federal Agency Securities	15,530,709	14,783,747	746,962		
Money Market Funds	20,569,397	20,569,397			
	<u>\$ 78,426,107</u>	<u>\$ 77,679,145</u>	<u>\$ 746,962</u>	<u>\$ -</u>	<u>\$ -</u>

D. Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

E. Disclosures Relating to Credit Risk

Generally, 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. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool	\$ 19,144,742	N/A	\$ -	\$ -	\$ -	\$ -	\$ 19,144,742
Certificates of Deposit	7,057,823	N/A	7,057,823				
Federal Agency Securities	16,118,923	N/A		9,997,751			6,121,172
Money Market Funds	4,513	N/A					4,513
Held by Bond Trustee:							
Federal Agency Securities	15,530,709						15,530,709
Money Market Funds	20,569,397	N/A					20,569,397
Total	<u>\$ 78,426,107</u>		<u>\$ 7,057,823</u>	<u>\$ 9,997,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,370,533</u>



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 3 **Cash and Investments (Continued)**

F. Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of **total City investments** are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Certificates of Deposit	Certificated of Deposit	\$ 7,057,823
Federal Home Loan Bank	Federal Agency Securities	17,607,673
Federal Home Loan Mortgage Corp	Federal Agency Securities	14,041,959

Investments in any one issuer that represent 5% or more of total investments by reporting unit (primary government, governmental activities, business type activities, fiduciary funds, major funds, nonmajor funds in the aggregate, etc.) are as follows:

\$38,707,455 of the cash and investments (including amounts held by bond trustee) reported in the Governmental Activities Statement of Net Assets are held in certificates of deposit, \$7,057,823 (Certificates of Deposit); and federal agency securities, \$17,607,673 (FHLB) and \$14,041,959 (Federal Home Loan Mortgage Corp).

The Debt Service Fund (Major Fund) holds investment (including amounts held by bond trustees) in the amount of \$15,530,709 which are federal agency securities. These securities are \$1,488,750 (FHLB) and \$14,041,959 (FHLMC).

G. Custodial Credit Risk

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 its 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 (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another 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 (unless so waived by the government unit). The fair 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 the City’s deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 3 **Cash and Investments (Continued)**

G. Custodial Credit Risk (Continued)

As of June 30, 2007, \$2,802,583 of the City’s deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2007, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Reported Amount</u>
Federal agency securities	\$ 15,530,709
Money market funds	20,569,397

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 under the oversight of the Treasurer of the State of California. The fair value of the City’s investment in this pool is reported in the accompanying financial statements at amounts based upon the City’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 4 **Accounts Receivable**

The following is a list of accounts receivable at June 30, 2007:

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities -			
Accounts and taxes	\$ 1,711,186	\$ -	\$ 1,711,186
Intergovernmental	1,947,053		1,947,053
	<u>\$ 3,658,239</u>	<u>\$ -</u>	<u>\$ 3,658,239</u>
Business-type Activities -			
Accounts and taxes	<u>\$ 1,892</u>	<u>\$ -</u>	<u>\$ 1,892</u>
Fiduciary Funds:			
Special taxes	\$ 390,553	\$ -	\$ 390,553
	<u>\$ 390,553</u>	<u>\$ -</u>	<u>\$ 390,553</u>

Note 5 **Notes and Loans Receivable**

A. The City has established a program whereby employees can receive an interest free loan to purchase computers. This allows employees access to technology which is compatible to that of the City. Loans are repaid through payroll deductions. During the fiscal year



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 5 **Notes and Loans Receivable (Continued)**

ended June 30, 2007, fourteen new loans were given totaling \$25,330 and principal on loans was paid in the amount of \$18,393 leaving an outstanding balance as of June 30, 2007 of \$19,770.

- B. The City through the Community Development Block Grant Program has given funds to residents in the form of rehabilitation assistance to assist low income residents in fixing up their residences. These notes can be either amortized or deferred and two notes amounting to \$20,000 will be forgiven if outstanding for 10 years on a graduated schedule. The outstanding balance of the notes as of June 30, 2007 was \$88,595.

Note 6 **Deferred Charges**

Deferred charges consist of issuance costs and discounts for debt issues. The following is the list of deferred charges at June 30, 2007:

	<u>Amortization Period</u>	<u>Deferred Charges</u>	<u>Accumulated Amortization</u>	<u>Amortization Balance at 6/30/2007</u>
2005 Refunding Certificates of Participation	132 months	\$ 223,042	\$ 32,110	\$ 20,280
2006 Certificates of Participation	420 months	\$ 1,102,082	\$ 18,368	\$ 18,368

Note 7 **Interfund Activity**

The following represents the interfund activity of the City for the fiscal year ended June 30, 2007.

A. Due To/ From Other Funds

Current interfund balances arise in the normal course of business and to assist funds with negative cash balance at the fiscal year end. They are expected to be repaid shortly after the end of the fiscal year.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Due to/Due from		
Major Funds		
To: General	\$ 6,108,112	\$ -
From: Landscape District Maintenance		4,868
Storm Damage		1,867,784
Civic Center		3,126,551
Debt Service		18,818
Nonmajor Funds		
From: Community Development Block Grant		21,394
Used Oil		14,782
Grants		1,050,987
Proprietary Fund		
From: Tennis & Swim Center Operation		2,928
	<u>\$ 6,108,112</u>	<u>\$ 6,108,112</u>



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 7 **Interfund Activity (Continued)**

B. Transfers

With council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made an expenditure on behalf of another fund.

<u>Fund</u>	<u>Transfers-in</u>	<u>Transfers-out</u>
Major Funds:		
General	\$ 124,338	\$ 2,695,727
Storm Damage		665,834
Capital Improvement	4,541,597	
Civic Center	4,858,450	
Debt Service	3,993,793	4,365,300
Nonmajor Funds:		
Proposition A		54,632
Highway Users Tax		1,555,131
Proposition C		59,464
Community Development Block Grant		55,250
AB 939		14,456
B & T Lost Hills District		25,961
Developer Impact Fees		2,507,579
Library District		1,300,000
Grants		218,844
Totals	<u>\$ 13,518,178</u>	<u>\$ 13,518,178</u>



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 8 **Capital Assets**

The City has reported all capital assets including infrastructure in the government-wide Statement of Net Assets. The City elected to use the basic approach as defined by GASB Statement No. 34 for all infrastructure reporting, whereby depreciation expense and accumulated depreciation has been recorded.

A summary of changes in capital assets for the City’s governmental activities for the fiscal year ended June 30, 2007 is as follows:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,024,770	\$ 43,289	\$ -	\$ 5,068,059
Construction in progress	12,300,966	11,948,770		24,249,736
	17,325,736	11,992,059	-	29,317,795
Capital assets, being depreciated:				
Buildings	1,553,838			1,553,838
Equipment	2,279,559	203,158		2,482,717
Investment in joint venture - community center	2,813,060			2,813,060
Infrastructure	43,566,534			43,566,534
	50,212,991	203,158		50,416,149
Less accumulated depreciation for:				
Buildings	(776,918)	(103,590)		(880,508)
Equipment	(1,406,673)	(145,815)		(1,552,488)
Investment in joint venture - community center	(1,337,867)	(187,538)		(1,525,405)
Infrastructure	(15,678,768)	(1,111,873)		(16,790,641)
	(19,200,226)	(1,548,816)		(20,749,042)
	31,012,765	(1,345,658)		29,667,107
	\$ 48,338,501	\$ 10,646,401	\$ -	\$ 58,984,902



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 8 **Capital Assets (Continued)**

A summary of changes in property, improvements, and equipment in the Enterprise Fund – Tennis and Swim Center for the fiscal year ended June 30, 2007 is as follows:

	<u>Balance at</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2007</u>
Business type activities:				
Capital assets, not being depreciated:				
Land	\$ 837,819	\$ -	\$ -	\$ 837,819
Total capital assets, not being depreciated	<u>837,819</u>			<u>837,819</u>
Capital assets, being depreciated:				
Improvements	595,474	6,228		601,702
Buildings	2,180,996	37,164		2,218,160
Machinery and equipment	401,442	79,188		480,630
Total capital assets, being depreciated	<u>3,177,912</u>	<u>122,580</u>		<u>3,300,492</u>
Less accumulated depreciation for:				
Improvements	(165,999)	(59,153)		(225,152)
Buildings	(1,392,265)	(141,279)		(1,533,544)
Machinery and equipment	(322,069)	(11,447)		(333,516)
Total accumulated depreciation	<u>(1,880,333)</u>	<u>(211,879)</u>		<u>(2,092,212)</u>
Total capital assets, being depreciated, net	<u>1,297,579</u>	<u>(89,299)</u>		<u>1,208,280</u>
Business-type activities capital assets, net	<u>\$ 2,135,398</u>	<u>\$ (89,299)</u>	<u>\$ -</u>	<u>\$ 2,046,099</u>

Depreciation expense was charged to the following functions:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
General government	\$ 114,055	\$ -
Public safety	1,736	
Public works	1,111,873	
Community services	321,152	
Tennis and swim center		211,879
Total	<u>\$ 1,548,816</u>	<u>\$ 211,879</u>



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 9 **Long-Term Debt**

A. Changes in Long-term Debt

Summary of changes in long-term liabilities for governmental activities is as follows:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007	Due Within One Year
Governmental activities:					
2005 Refunding Certificates of Participation	\$ 4,025,000	\$ -	\$ (265,000)	\$ 3,760,000	\$ 280,000
2006 Certificates of Participation		35,000,000		35,000,000	
Compensated absences payable	320,512	521,795	(466,543)	375,764	
Total governmental long-term debt	\$ 4,345,512	\$ 35,521,795	\$ (731,543)	\$ 39,135,764	\$ 280,000

Summary of changes in long-term liabilities for business-type activities is as follows:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Business-type activities				
Compensated absences payable	\$ 13,583	\$ 25,367	\$ (19,375)	\$ 19,575

B. Facilities Corporation Certificates of Participation – 1999

On February 1, 1999, the City of Calabasas Facilities Corporation issued \$6,345,000 in Certificates of Participation (COPs) with rates ranging from 3.1% to 5.0%. The net proceeds of \$5,674,897 (after payment of \$670,103 in underwriting and other issuance costs) became a lump sum lease payment to the City for the lease of two properties. These included the Creekside Park Community Center and the “Kilroy” land which is located in the Los Angeles County CFD 98-1. Part of the lease payment, \$2,424,897, was used to prepay all future special taxes on the Kilroy land which will be used for a new City Hall and Library.

The City and the Facilities Corporation entered into a concurrent sublease of the Creekside and Kilroy properties by which the Corporation will receive lease rental amounts sufficient to satisfy debt service on the COPs.

Principal amounts on \$2,025,000 of serial certificates mature annually on each December 1 in the fiscal years 2000 through 2015. Term certificates in the amounts of \$1,335,000 and \$2,985,000 are due December 1, 2020 and 2028 respectively. Interest is payable semiannually on June 1 and December 1. The Certificates of Participation have been defeased by placing the proceeds of \$3,863,304 from the new debts and contribution from the City of \$2,684,977 in irrevocable trust accounts to provide for all future debt service payments on the old debts. Accordingly, the liabilities for the defeased debt and their related trust accounts assets are not required to be included in the Government-wide



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 9 **Long-Term Debt (Continued)**

B. Facilities Corporation Certificates of Participation – 1999 (Continued)

Statement of Net Assets. As of June 2007, the unpaid principal balance for the defeased bonds was \$5,915,000.

C. 2005 Refunding Certificates of Participation

On November 1, 2005, the City issued \$4,025,000 Certificates of Participation (COPs) bearing interest of 3.0% and 4.0%, payable semi-annually on June 1 and December 1 commencing June 1, 2007. The certificates mature annually at various amounts through December 1, 2016. The Facilities Corporation will receive lease rental amounts sufficient to satisfy debt service on the COPs from the City. The debt proceeds were used to refund the 1999 Certificates of Participation which were due on December 1, 2028. Bonds certificates outstanding at June 30, 2007, were \$3,760,000.

D. 2006 Certificates of Participation

On November 15, 2006, the City issued \$35,000,000 Certificates of Participation (COPs) bearing interest of 3.625% and 5.0%, payable semi-annually on June 1 and December 1 commencing June 1, 2007. The certificates mature annually at various amounts through December 1, 2041. The Facilities Corporation will receive lease rental amounts sufficient to satisfy debt service on the COPs from the City. The debt proceeds were used to finance the construction of a city hall, library and civic center facility and related infrastructure, equipment and furnishings. Bonds certificates outstanding at June 30, 2007, were \$35,000,000.

E. Compensated Absences:

The City's policies relating to compensated absences are described in Note 1 of the Notes to Financial Statements.

This liability will be paid in future fiscal years from future resources. \$ 375,764

Compensated absences in governmental activities have been liquidated in the past fiscal year in the general fund and landscape maintenance district (Special Revenue Fund).

F. Minimum Requirement Future Payments

The annual requirements to amortize outstanding long-term debt of the City's Governmental Activities as of June 30, 2007, excluding compensated absences are as follows:



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 9 **Long-Term Debt (Continued)**

F. Minimum Requirement Future Payments (Continued)

2005 Refunding Certificates of Participation

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 280,000	\$ 127,931	\$ 407,931
2009	305,000	119,156	424,156
2010	325,000	109,503	434,503
2011	350,000	98,738	448,738
2012	380,000	86,638	466,638
2013-2017	<u>2,120,000</u>	<u>211,850</u>	<u>2,331,850</u>
Totals	<u>\$ 3,760,000</u>	<u>\$ 753,816</u>	<u>\$ 4,513,816</u>

2006 Certificates of Participation

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 1,506,636	\$ 1,506,636
2009		1,506,636	1,506,636
2010	230,000	1,500,886	1,730,886
2011	240,000	1,489,136	1,729,136
2012	255,000	1,476,761	1,731,761
2013-2017	1,435,000	7,213,031	8,648,031
2018-2022	4,180,000	6,685,700	10,865,700
2023-2027	5,080,000	5,769,691	10,849,691
2028-2032	6,240,000	4,568,441	10,808,441
2033-2037	7,730,000	3,046,044	10,776,044
2038-2042	<u>9,610,000</u>	<u>1,119,375</u>	<u>10,729,375</u>
Totals	<u>\$ 35,000,000</u>	<u>\$ 35,882,338</u>	<u>\$ 70,882,338</u>

G. Defeased Debt – 1999 Certificates of Participation

The 1999 Certificates of Participation have been defeased by placing the proceeds of \$3,863,304 from the 2005 Certificates of Participation and a contribution from the City of \$2,684,977 in irrevocable trust accounts to provide for all future debt service payments of the 1999 Certificates of Participation. Accordingly, the liabilities for the defeased debt and their related trust account assets are not required to be included in the Government-wide Statement of Net Assets. As of June 2007, the unpaid principal balance for the defeased bonds was \$5,915,000.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 10 **Defined Benefit Plan**

A. Plan Description

The City of Calabasas contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, 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.

B. 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 9.535% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

C. Annual Pension Costs

For 2007, the City’s annual pension cost of \$466,444 for PERS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 0.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfounded 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 16 years.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	\$ 335,071	100%	\$ -
6/30/2006	\$ 423,961	100%	\$ -
6/30/2007	\$ 466,444	100%	\$ -



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 10 **Defined Benefit Plan**

C. Annual Pension Costs (Continued)

Schedule of Funding Progress for PERS – Miscellaneous Plan (Risk Pool)

Actuarial Valuation Date	Normal Accrued Liability (A)	Actuarial Value of Assets (B)	(Excess Assets) (A-B)	Funded Status (B/A)	Annual Covered Payroll (C)	* UAAL as a % of Covered Payroll (A-B/C)
6/30/2004	2,746,095,668	2,460,944,656	285,151,012	89.6%	743,691,970	38.3%
6/30/2005	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%
6/30/2006	2,754,396,608	2,492,226,176	262,170,432	90.5%	699,897,835	37.5%

*UAAL – Unfunded actuarial accrued liability

Note 11 **Risk Management**

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 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 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 9-member Executive Committee.

Self-Insurance Programs of the Authority in which the City Participates

General Liability – Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims 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. Costs are spread to members as follows: the first \$20,000 of each occurrence is charged directly to the member; costs from \$20,001 to \$500,000 are pooled, based on a member’s share of costs under \$20,000; costs from \$500,001 to \$5,000,000 are pooled based on payroll. Costs of covered claims above \$10,000,000 are currently paid by reinsurance. The protection for each member is \$50,000,000 per occurrence with a \$50,000,000 annual aggregate.

Workers Compensation – The City also participates in the workers’ compensation pool administered by the Authority. Pool deposits and retrospective adjustments are valued in a manner similar to the General Liability Pool. The City is charged for the first \$25,000 of each claim. Costs are pooled above that level to \$50,000. Costs from \$50,001 to \$100,000 per claim are pooled based on the member’s losses under its retention level. Costs between \$100,001 to \$2,000,000 per claim are pooled based on payroll. Costs in excess of \$2,000,000 are paid by excess insurance purchased by the Authority. The excess insurance provides coverage to statutory limits.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 11 **Risk Management (Continued)**

Purchased Insurance

Environmental Insurance – The City 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. 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 June 30, 2008. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Property Insurance – The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured according to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is \$6,364,242. 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 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. The City's property currently has earthquake protection in the amount of \$1,557,938. There is a deductible of 5% of the 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 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.

Special Event Tenant User Liability Insurance – The City further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant user liability insurance for certain activities on City property. The insurance premium is paid by the tenant user and is paid to the City according to a schedule. The City then pays for the insurance. The insurance is arranged by the Authority.

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 fiscal year.

Note 12 **Joint Venture**

On November 24, 1997, the Agoura Hills and Calabasas Community Center Authority (Authority) was created under a joint exercise of powers agreement between the Cities of Agoura Hills and Calabasas. It was formed for the operation and maintenance of a Joint recreation Center. The governing Board of Directors consists of one City Council Member



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 12 **Joint Venture (Continued)**

from each City, two residents of each City appointed by the City Council, and the president or a member of the Executive Board of the Alliance (a non-profit organization formed for the sole purpose of raising funds for the Community Center). Each City contributed money towards the construction of the Community Center, which was completed in March 2000. The Authority now oversees the operations and maintenance of the Community Center. The Cities of Agoura Hills and Calabasas will equally share in any profit or loss from operation of the Community Center. Results of operations are included in the City of Calabasas' financial statements for the fiscal year ending June 30, 2007. A copy of the Authority financial statements can be obtained at: 27040 Malibu Hills Rd, Calabasas, CA 91301.

Note 13 **Contingencies**

The City has been named as a defendant in various general damage and personal injury lawsuits and claims. Such claims arise primarily from injuries or damages sustained by claimants while on property owned and maintained by the City. Management believes that the ultimate result of the pending lawsuits and claims will not have a material adverse affect upon the City's basic financial statements taken as a whole.

Note 14 **Commitments**

The City is obligated under operating lease agreements for the rental of space for the city hall, city library, and parking lot. Future minimum lease payments under these operating leases are as follows:

<u>Fiscal Year</u>	
2008	\$ 146,968
	<u>\$ 146,968</u>

Note 15 **Post-Employment Medical Benefits**

Pursuant to Government Code Sections 22850 and 22857 and City Resolution 2005-966, the City provides post-employment medical benefits to all retired employees in the amount of \$80.80 per month for fiscal year 2006-07. This amount is paid on the employees' behalf to the Public Employees Retirement System for health benefits. In addition, certain management employees and City Council who have retired with at least 8 years of PERS service credit with the City and who have reached age 55 are reimbursed for PERS health benefit payments up to \$688.50 per month. The reimbursement is reduced by the amount of eligible Medicare benefits. This benefit is funded on a pay-as-you-go basis. For fiscal year 2006-07, the City paid \$40,258 for post-employment medical benefits covering 10 participants.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 16 **Special Assessment Districts (AD) Bonds**

Bonds issued for improvements in certain special assessment districts in accordance with the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, are liabilities of the property owners and are secured by liens against the assessed property. The City Treasurer acts as an agent for collection of principal and interest payments by the property owners and remittance of such moneys to the bondholders.

Neither the faith and credit nor the general taxing power of the City of Calabasas have been pledged to the payment of the bonds. Therefore none of the following special assessment bonds have been included in the accompanying financial statements.

<u>AD#</u>	<u>Special Assessment Bonds</u>	<u>Amount of Issue</u>	<u>Outstanding June 30, 2007</u>
98-1	Community Facilities District	\$ 12,515,000	\$ 9,150,000
2001-1 Series 2006	Community Facilities District	26,535,000	25,665,000

In May 2006, the Community Facilities District No. 2001-1 Special Tax Refunding Bonds Series 2001 were defeased by placing the proceeds from Community Facilities District No. 2001-1 Special Tax Refunding Bonds Series 2006 in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account and the defeased bonds are not included in the financial statements. As of June 30, 2007, the unpaid principal balance for the defeased bonds was \$25,665,000.

Note 17 **Net Assets and Fund Balances**

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

a. Net Assets

Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets as determined at the government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of net assets which is represented by the current net book value of the City’s capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes.

Unrestricted describes the portion of net assets which is not restricted as to use.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 17 **Net Assets and Fund Balances (Continued)**

a. Net Assets (Continued)

The government-wide statement of net assets reports \$43,379,948 of restricted net assets, of which \$8,474,879 is restricted by enabling legislation.

b. Fund Balances

Fund Balances consist of reserved and unreserved amounts. Reserved fund balances represent that portion of fund balance which is legally segregated.

Note 18 **Prior Period Adjustments/Restatements**

The following list is an explanation of prior period adjustments and restatements made to the fund financial statements.

Major Governmental Funds:

General Fund

A prior period adjustment of \$52,689 due to overstatement of accounts payable.
A prior period adjustment of \$26,158 due to overstatement of accrued liabilities.

Landscape District Maintenance Special Revenue

A prior period adjustment of (\$3,830) due to understatement of accounts payable.

Capital Improvement Capital Projects Fund

A prior period adjustment of \$65,372 due to overstatement of accounts payable.

Nonmajor Governmental Funds:

Proposition A Special Revenue Fund

A prior period adjustment of \$18,187 due to overstatement of accounts payable.

Proposition C Special Revenue Fund

A prior period adjustment of \$6,936 due to overstatement of accounts payable.

Community Development Block Grant Special Revenue Fund

A prior period adjustment of \$2,125 due to overstatement of accounts payable.

Used Oil Grant Special Revenue Fund

A prior period adjustment of \$1,572 due to overstatement of deferred revenue.

Library District Special Revenue Fund

A prior period adjustment of \$13,179 due to overstatement of accounts payable.

Grants Special Revenue Fund

A prior period adjustment of (\$35,668) due to overstatement of accounts receivable.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Note 18 **Prior Period Adjustments/Restatements (Continued)**

Proprietary Fund:

Tennis and Swim Center

A prior period adjustment of \$329,340 due to overstatement of accounts payable.

Government-wide Governmental Activities:

A prior period adjustment of \$154,658 due to overstatement of accounts payable.

A prior period adjustment of \$26,158 due to overstatement of accrued liabilities.

A prior period adjustment of (\$35,668) due to overstatement of accounts receivable.