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*Office of* **FINANCE**  
**A Leader in “Transparent Accounting”**

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December 21, 2007

The Honorable Mayor James Bozajian  
The Honorable Members of the City Council  
Citizens of the City of Calabasas, CA

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**LETTER OF TRANSMITTAL**

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The Comprehensive Annual Financial Report (CAFR) represents a compilation of financial data that details the City’s financial workings. Information contained in this report was prepared in strict accordance with guidelines set forth by the Government Finance Officers Association (GFOA) and the California Society of Municipal Finance Officers (CSMFO). The CAFR is intended to provide readers with a clearly articulated, user-friendly reporting of the City’s financial affairs. As such, the City assumes responsibility for content accuracy, completeness, and objectivity of the presentation.

The CAFR is presented in three primary sections:

- 1) *Introductory Section* - includes this letter of transmittal, a list of principal officials, an outline of city management staff, an organization chart, and a map of the City.
- 2) *Financial Section* – consists of the Independent Auditor’s Report, Management’s Discussion and Analysis (MD&A), financial statements, notes to the financial statements, and required supplementary information.
- 3) *Statistical Section* – supplies specific financial information on a multi-year basis and provides general demographic data.

Within the CAFR, readers will find reporting on all funds and account groups for the City of Calabasas. In accordance with the criteria established by GASB Statement No. 14, the City of Calabasas Facilities Corporation’s financial data has been included within the City’s general purpose financial statements as a “blended” component unit because the primary government is financially accountable for the Corporation.

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**THE PRIMARY GOVERNMENT**

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The City of Calabasas was incorporated on April 5, 1991. It is classified as a general law city because it is reliant upon California state law to define procedural regulations utilized by City Council. Through a general election process, the five-member council is elected to staggered four year terms. The council serves as the City’s primary governing body.



In April of each year the council selects one of its members to serve as Mayor and one to serve as Mayor Pro Tem. Calabasas City Council retains authority over the management of the City. Additionally, a City manager oversees daily functions and ensures that directions of the council are carried out.

For financial reporting purposes, the primary government consists of all legally joined funds, organizations, agencies, boards, commissions, and authorities that are considered part of the City’s legal domain. Additionally, reporting for contractual services provided by Los Angeles County or private vendors such as law enforcement, fire protection, animal control, public works maintenance, park maintenance, and traffic signal maintenance are also included in the financials. Reporting for other contractual services such as refuse collection, landscape maintenance, street sweeping, crossing guards, parking administration, janitorial services, and major capital projects is included as well. The City provides Planning, Building and Safety, Code Enforcement, Engineering, Traffic and Transportation, Recreation Programs, Media Operations, Financial Support, and Administrative Services with City employees.

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### **THE CITY OF CALABASAS**

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Situated approximately 25 miles west of downtown Los Angeles (8 miles east of the Ventura County line), Calabasas is located in western Los Angeles County in the foothills of the Santa Monica Mountains National Recreation Area and adjacent to the San Fernando Valley. The first recorded occupation in the area was by Chumash Native Americans who settled along the banks of Calabasas Creek during the mid-1800s. Today, neighboring communities include Agoura Hills, Malibu, Westlake Village and Hidden Hills.

The City’s distinctive character is in part derived from its natural environment, oak-studded hillsides, and natural open space. Other notable characteristics include its physical diversity, small town atmosphere, and active population. Primary access to this community is from the 101 Ventura Freeway or by taking Malibu Canyon Road north four miles from Pacific Coast Highway.

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### **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

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Accurate accounting of the City’s assets is essential to safeguard against loss and misrepresentation. Calabasas’ system of accounting establishes solid control of the City’s financial assets and allows for budgeting and reliable performance reporting. It provides for the proper recording of financial transactions and lends itself to the establishment of accurate financial statements.

The City’s recently adopted financial approach includes a two-year budget that is approved on an annual basis. In other words, each year the City Council is presented with a new, rolling two-year budget for approval. One benefit resulting from this approach is that the City always has at least a 12-month (look-



ahead) budget that has not yet been executed. From a budgetary standpoint, providing a longer forward plan better prepares staff to manage future projects. It should be noted that although in its infancy, this approach has already proven beneficial, particularly in regards to the Capital Improvement Program (CIP).

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### **CAPITAL IMPROVEMENTS**

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Calabasas' Capital Improvement Program (CIP) is a component of the budget process and addresses the City's short and long-term capital needs. The CIP includes a plan to effectively maintain existing infrastructure as well as provide new facilities to support population growth and replace older assets that are no longer useful or are unsafe. Among the City's future capital projects is the construction of a new Civic Center campus, which is to include a City Hall and a new Library. Additionally, the City has highlighted projects to improve transportation in and around Calabasas.

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### **CASH MANAGEMENT**

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The City makes investments in accordance with the provisions of Government Code Section 53600, et seq. and of the City's Investment Policy. The standard of prudence used by investment officials of the City is the "prudent person" standard which states that investments shall be made with judgment and care – under circumstances then prevailing – which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The criteria for selecting investments and the absolute order of priority shall be: 1) safety, 2) credit risk, 3) market risk, 4) liquidity, and 5) yield.

The City invests in two different investment vehicles including the State Treasurer's Local Agency Investment Fund (LAIF) and in securities issued by the U.S. Government. The average yield on investment for the year was 5.29%, with total earnings for all funds equaling \$2,782,121.

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### **RISK MANAGEMENT**

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As a California Joint Powers Insurance Authority (CJPIA) member, the City of Calabasas maintains full coverage for all municipal events under its general liability policy. This policy provides for total coverage, including bodily injury, property damage, or personal injury. In addition to general liability, the City maintains coverage for automobiles, workers' compensation, property, environmental, public official bonds, and special events.

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### **LOCAL ECONOMIC CONDITION AND OUTLOOK**

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Calabasas is one of America's wealthiest communities with a current per capita income of \$72,486, which is 1.8 times that of the State of California. At \$114,896, the median household income in Calabasas in 2007



was nearly twice that of the State of California. The median age of Calabasas residents in 2007 was 40, while the median age in the United States as a whole remains at 36.6 years.

Unlike that of the greater region, the local area housing market has not demonstrable felt the impact of the housing crunch caused by fail sub-prime loans. Conversely, according to an on-line source, Yahoo! Real Estate, the median selling price of homes in Calabasas during 2007 was \$1,569,000. This figure represents a 23.8% increase from 2006. Currently underway are plans to develop vacant real estate in the City as well as convert existing commercial property to meet growing housing needs.

Labeled a business friendly city, Calabasas continues to entice companies to relocate to and remain in the City by refraining from charging a business tax. As a result, the City enjoys a strong and diverse business and retail base both of which contribute greatly to revenue received through sales tax. All indicators continue to predict a very strong financial future for the City.

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#### **LONG-TERM FINANCIAL PLANNING**

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The City of Calabasas has experienced minimal population growth of approximately 3.7% per year since 2000, and due to the increase in property values and the expansion of businesses in the City of Calabasas, general fund revenue has increased by approximately 10.3% per year during that same period of time. Property tax and sales tax are the two major contributors to the increase, and current estimates indicate a similar pattern of growth for the upcoming years.

The City has a reserve policy which maintains a general fund balance of at least forty percent (40%) of fiscal year budgeted expenditures. The purpose for this allowance is to provide for various identified contingencies as well as allow for normal operation of regular city services.

The annual budget process includes long-range planning for the spending of money on the City's Capital Improvement Program (CIP). In many cases, unique funds were established to separate monies received for specific programs, and when fund balances reach the level necessary to implement such programs, the City plans, through the budget process, for the maintenance and replacement of infrastructure and capital improvements.

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#### **ACCOMPLISHMENTS**

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The financial state of the City of Calabasas is stronger than in previous years. The City's higher credit ratings (2006) issued by Moody's (Aa2) and Standard & Poor's (AA+) provides a solid testimony to this assertion. The improved positioning of the City's finances is a relational byproduct of clearly defined,



consistent management practices and responsible stewardship of the City's assets. Following are undertakings that have helped to strengthen the City's financial stability.

1. More Aggressive Investment Practices.

Until 2005, the City of Calabasas did not invest its idle cash outside of the Local Agency Investment Fund (LAIF), a voluntary program established as an investment alternative for California's local governments and special districts and administered under the State Treasurer's administration. During FY 2007, the City continued investing in U.S. Government securities and effectively increased the amount of interest income received by the City by approximately \$220,000 per year without any demonstrable change in investment security.

2. Improved Contract Management Oversight

The City established an improved method of tracking financial performance of its numerous contracts. This process was established to:

- a. make certain the City is receiving the highest quality of goods and services available,
- b. ensure that the City is not being overcharged for goods and services offered by outside contractors, and
- c. verify that contractors have required insurance coverage thus minimizing the risk to the City.

Calabasas now tracks all Professional Service Agreements (contracts) and Public Works Contracts to verify that all of the following items are within agreed upon terms and conditions:

- a. Start/stop dates
- b. Not-to-exceed values
- c. Scope of work
- d. Insurance requirements

3. Defined Policies and Procedures Regarding Recoverable Deposit Projects

Special attention was directed towards enhancing and maintaining a system whereby fees were received from project applicants in a timely fashion, and then properly recorded to eliminate negative project balances. The accounts receivable balances for recoverable deposit projects was reduced from \$500,000 to zero. The need for collection efforts effectively eliminated as a result of this newly implemented program.

4. Continued Delivery of Accurate and Comprehensible Financial Statements

Budget Performance Reports indicating financial performance relative to budget and Financial Statements for each Homeowners Association for Landscape Maintenance District 22 are prepared monthly. These reports are essential for identifying any problem areas requiring attention and were a contributing factor associated with the improved credit ratings for the City.

Additionally, the Department of Finance initiated the creation of a quarterly Financial Management Review which was designed to place meaning to the numbers so non-financial types can understand the current financial standing of the City.



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## ACKNOWLEDGEMENTS

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The City of Calabasas' Department of Finance has a team of committed individuals, each contributing to the sound financial standing of the City. Within the Department of Finance, I am particularly proud to remain at the helm of a committed team of individuals, each contributing to the soundness of the numbers and to the accuracy in which they are reported.

*Luisa Barancik:* initiated postings of all accounting transactions, maintained the accuracy and integrity of the General Ledger, and performed various special assignments. Provided back-up support to accounts payable.

*Paul Chung:* enhanced and maintained the new grant/contract tracking and recording system which continues to lead to the reimbursement of numerous grants and administered payroll for all City employees (including those from the Community Center), in an accurate and timely fashion. Provided back-up support to payroll.

*Lesley Pelka:* identified and gathered data required for GASB 44 compliance. Throughout the year, she was also responsible for the reconciliation of the bank account statements which ensured that the City's financial records were accurate and free from material misrepresentation, and handled special financial studies and analyses. Provided back-up and general assistance to every aspect within the Finance Department.

*Debbie Larson:* provided risk management activities, minimizing the City's exposure to potential financial hardships. Served as a liaison to the Public Safety Commission and provided City interface with Calabasas' safety/emergency response volunteer organization.

*Michael Montgomery:* provided excellent payroll coverage for employees of the City and the Agoura Hills/Calabasas Community Center. Also handled all issues related to Las Virgenes Parking Administration.

*Sandy Smith:* improved and maintained a tracking method for Recoverable Deposit Projects minimizing the need for outside collection services. She managed the receipt and handling of cash in an efficient fashion and prepared cash availability reports on a regular basis.

*Christine Suarez:* prior to making payment of vendor invoices, made certain that (a) valid contracts were filed with the City, (b) proper general ledger account numbers were used to track expenditures, (c) invoices were not double paid, (d) valid invoices were paid accurately and on time, and (e) proper authorization was presented.

*Marty Zardarian:* made contributions in almost every facet of the department. Assisted with gathering data for the preparation of the CAFR, maintained a good records retention program, and provided assistance to payroll, AP/AR, and accounting as required. He oversaw all general purchasing aspects for the City.



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Certainly the Mayor (James Bozajian), Mayor Pro Tem (Mary Sue Maurer), council members (Barry Groveman, Dennis Washburn, and Jonathon Wolfson), and the city manager (Tony Coroalles) must be acknowledged for providing a design template for cultivating a strong finance organization.

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## **AWARDS**

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The California Society of Municipal Finance Officers (CSMFO) awarded a Certificate of Award for Outstanding Financial Reporting, and the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial reporting to the City of Calabasas for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement or Certificate of Award for Outstanding Financial Reporting, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

The Department of Finance for the City of Calabasas feels the current CAFR continues to meet the requirements of both the GFOA Certificate of Achievement Program and the CSMFO Outstanding Financial Reporting Award. Due to a change in the application process for these awards, only one certificate could be awarded each year. As such, the City will be submitting this year's CAFR to the GFOA to determine its eligibility for another certificate.

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## **INDEPENDENT AUDIT**

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For the fiscal year ended June 30, 2007, the City's financial statements were audited by the certified public accounting firm of Moss, Levy & Hartzheim to ensure that the financial statements of the City were free of material misstatement. The audit a) examined activities, documents, and disclosures used to create the financial statements, b) assessed the accounting principles used by management, and c) evaluated the overall financial statement presentation. The results of the audit are as follows:

- The City's financial statements are free of material misstatement and are presented in accordance with Generally Accepted Accounting Principles (GAAP).
- Internal control over financial reporting and its operation was considered free from material weaknesses.
- Financial statements fairly depict the respective financial position of governmental activities, business-type activities, and each major fund as of June 30, 2006.



CITY of CALABASAS, CALIFORNIA  
**INTRODUCTORY SECTION – Letter of Transmittal**

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In this, it is my goal to provide readers and citizens an accurate depiction of the financial standing and activities regarding the City of Calabasas. Please reference the Management’s Discussion and Analysis (MD&A) section of this report for a more complete and detailed accounting of financial performance for the fiscal year ended June 30, 2007.

Respectfully submitted,

Dr. Gary J. Lysik, Chief Financial Officer  
City of Calabasas