

CITY of CALABASAS, CALIFORNIA
FINANCIAL SECTION – Basic Financial Statements



**CITY OF CALABASAS
 STATEMENT OF NET ASSETS
 June 30, 2008**

	Primary Government		
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and investments	\$ 23,660,387	\$ 386,120	\$ 24,046,507
Cash and investments with fiscal agents	13,786,148		13,786,148
Accounts and taxes receivable	1,795,713	1,892	1,797,605
Deferred charges	51,768		51,768
Interest receivable	240,850	3,487	244,337
Intergovernmental receivable	2,059,366		2,059,366
Prepaid items		2,975	2,975
Total Current Assets	41,594,232	394,474	41,988,706
Non-current Assets:			
Loans receivable- employees	15,270	548	15,818
Notes receivable	38,780		38,780
Deferred charges	1,171,110		1,171,110
Deferred loss on refunding	483,669		483,669
Capital assets:			
Not being depreciated	55,961,778	837,819	56,799,597
Being depreciated, net of accumulated depreciation	38,369,032	1,301,195	39,670,227
Total Non-current Assets	96,039,639	2,139,562	98,179,201
Total Assets	137,633,871	2,534,036	140,167,907
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	5,450,061	48,303	5,498,364
Interest payable	523,866		523,866
Retention payable	112,221		112,221
Current portion of long-term liabilities	564,666	17,558	582,224
Total Current Liabilities	6,650,814	65,861	6,716,675
Non-current Liabilities			
Bonds premium	162,637		162,637
Long-term liabilities, net of current portion	38,348,017	2,893	38,350,910
Total Non-current Liabilities	38,510,654	2,893	38,513,547
Total Liabilities	45,161,468	68,754	45,230,222
NET ASSETS			
Invested in capital assets, net of related debt	57,394,720	2,139,014	59,533,734
Restricted for:			
Debt service	13,253,422		13,253,422
Streets/roads	4,601,711		4,601,711
Housing	2,133,948		2,133,948
Landscape maintenance	2,224,349		2,224,349
Recycling	1,153,170		1,153,170
Unrestricted	11,711,083	326,268	12,037,351
Total Net Assets	\$ 92,472,403	\$ 2,465,282	\$ 94,937,685

See Accompanying Notes to Basic Financial Statements



CITY of CALABASAS, CALIFORNIA
FINANCIAL SECTION – Basic Financial Statements

**CITY OF CALABASAS
 STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 10,861,438	\$ 433,822	\$ -	\$ -
Public safety	3,960,090	264,409		
Public works	4,081,055	45,690		1,806,667
Community development	1,087,358	928,970	33,896	
Community services	7,502,948	1,480,245	382,711	4,418,506
Interest and fiscal charges	2,141,369			
Total Governmental Activities	29,634,258	3,153,136	416,607	6,225,173
Business-type Activities:				
Tennis & swim center	3,169,277	3,045,535		
Total Business-type Activities	3,169,277	3,045,535		
Total Primary Government	\$ 32,803,535	\$ 6,198,671	\$ 416,607	\$ 6,225,173

General Revenues:
 Taxes:
 Utility users taxes
 Transient occupancy taxes
 Sales taxes
 Property taxes
 Franchise taxes
 Other intergovernmental-motor vehicle in-lieu, unrestricted
 Use of money and property
 Miscellaneous
 Total General Revenues
 Change in Net Assets
 Net Assets - Beginning of Fiscal Year
 Prior Period Adjustments
 Net Assets - Beginning of Fiscal Year, Restated
 Net Assets - End of Fiscal Year

See Accompanying Notes to Basic Financial Statements

CITY of CALABASAS, CALIFORNIA
FINANCIAL SECTION – Basic Financial Statements



Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (10,427,616)	\$ -	\$ (10,427,616)
(3,695,681)		(3,695,681)
(2,228,698)		(2,228,698)
(124,492)		(124,492)
(1,221,486)		(1,221,486)
(2,141,369)		(2,141,369)
(19,839,342)		(19,839,342)
	(123,742)	(123,742)
	(123,742)	(123,742)
(19,839,342)	(123,742)	(19,963,084)
3,665,484		3,665,484
1,342,425		1,342,425
6,813,339		6,813,339
8,814,322		8,814,322
786,351		786,351
1,894,868		1,894,868
2,350,712	21,620	2,372,332
271,681		271,681
25,939,182	21,620	25,960,802
6,099,840	(102,122)	5,997,718
85,531,428	2,568,598	88,100,026
694,548	(1,194)	693,354
86,225,976	2,567,404	88,793,380
\$ 92,325,816	\$ 2,465,282	\$ 94,791,098



CITY of CALABASAS, CALIFORNIA
FINANCIAL SECTION – Basic Financial Statements

**CITY OF CALABASAS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2008**

	General	Special Revenue Funds	
		Landscape District Maintenance	Developer Impact Fees
ASSETS:			
Cash and investments	\$ 7,538,906	\$ 2,496,384	\$ 4,038,058
Cash and investments with fiscal agents			
Receivables:			
Accounts and taxes	1,583,300	102,212	
Interest	113,095	20,228	35,761
Intergovernmental			
Due from other funds	12,793,249		
Loans receivable, employees	15,270		
Notes receivable			
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 22,043,820</u>	<u>\$ 2,618,824</u>	<u>\$ 4,073,819</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,045,012	\$ 355,157	\$ -
Due to other funds		39,318	
Deferred revenue			
Retention payable			
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>1,045,012</u>	<u>394,475</u>	
Fund balances			
Reserved:			
Long-term receivables	15,270		
Debt service			
Unreserved:			
General fund	20,983,538		
Special revenue funds		2,224,349	4,073,819
Capital projects funds			
	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>20,998,808</u>	<u>2,224,349</u>	<u>4,073,819</u>
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 22,043,820</u>	<u>\$ 2,618,824</u>	<u>\$ 4,073,819</u>

See Accompanying Notes to Basic Financial Statements

CITY of CALABASAS, CALIFORNIA
FINANCIAL SECTION – Basic Financial Statements



<u>Capital Projects Funds</u>				
<u>Capital Improvement</u>	<u>Civic Center</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 560,344	\$ -	\$ - 13,786,148	\$ 9,026,695	\$ 23,660,387 13,786,148
	8,447	(67)	110,201 63,386 2,059,366	1,795,713 240,850 2,059,366 12,793,249 15,270 38,780
<u>560,344</u>	<u>8,447</u>	<u>13,786,081</u>	<u>11,298,428</u>	<u>54,389,763</u>
\$ 560,344	\$ 3,260,015 7,980,673	\$ - 8,793	\$ 229,533 4,764,465 38,780	\$ 5,450,061 12,793,249 38,780
86,485	22,002		3,734	112,221
<u>646,829</u>	<u>11,262,690</u>	<u>8,793</u>	<u>5,036,512</u>	<u>18,394,311</u>
		13,777,288		15,270 13,777,288
<u>(86,485)</u>	<u>(11,254,243)</u>		6,261,916	20,983,538 12,560,084 (11,340,728)
<u>(86,485)</u>	<u>(11,254,243)</u>	<u>13,777,288</u>	<u>6,261,916</u>	<u>35,995,452</u>
<u>\$ 560,344</u>	<u>\$ 8,447</u>	<u>\$ 13,786,081</u>	<u>\$ 11,298,428</u>	<u>\$ 54,389,763</u>



CITY of CALABASAS, CALIFORNIA
FINANCIAL SECTION – Basic Financial Statements

CITY OF CALABASAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Fund balances for governmental funds		\$	35,995,452
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the amount net of accumulated depreciation.			
			94,330,810
Long-term debt liabilities, including bonds payable and interest payable, are not due and payable in the current period and therefore are not reported in the funds.			
Certificates of participations	\$	(38,480,000)	
Compensated absences		(432,683)	
Interest payable		<u>(523,866)</u>	
			(39,436,549)
The following are recorded as expenditures or other financing sources in the governmental funds, but which are capitalized and amortized in the statement of net assets. These amounts are net of accumulated amortization.			
Deferred charges	\$	1,222,878	
Deferred loss on refunding		483,669	
Bonds premium		<u>(162,637)</u>	
			1,543,910
Long-term notes receivable are offset by deferred revenue in the governmental funds as they do not represent financial resources.			
			<u>38,780</u>
Net assets of governmental activities		\$	<u>92,472,403</u>

See Accompanying Notes to Basic Financial Statements



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CITY of CALABASAS, CALIFORNIA
FINANCIAL SECTION – Basic Financial Statements

CITY OF CALABASAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008

	General	Special Revenue Funds	
		Landscape District Maintenance	Developer Impact Fees
REVENUES			
Taxes	\$ 15,459,141	\$ 4,208,929	\$ -
Licenses and fees	928,970		
Intergovernmental	1,894,868		
Fines and forfeitures	158,210		
Developer fees			45,690
Use of money and property	978,589		203,640
Charges for services	1,590,214		
Other, donations, and reimbursements	365,786		
	<u>21,375,778</u>	<u>4,208,929</u>	<u>249,330</u>
Total Revenues			
	<u>21,375,778</u>	<u>4,208,929</u>	<u>249,330</u>
EXPENDITURES			
Current:			
General government	10,696,865		
Public safety	3,823,409		
Public works	2,695,840		
Community development	990,500		
Community services	1,303,328	3,637,547	
Transfers out to agency fund			
Capital outlay	231,378		
Debt service:			
Principal retirement			
Interest and fiscal charges			
	<u>19,741,320</u>	<u>3,637,547</u>	
Total Expenditures			
	<u>19,741,320</u>	<u>3,637,547</u>	
Excess of Revenues over (under) Expenditures	<u>1,634,458</u>	<u>571,382</u>	<u>249,330</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	82,182		
Transfers out	(3,021,920)	(8,751)	(877,975)
	<u>(2,939,738)</u>	<u>(8,751)</u>	<u>(877,975)</u>
Total Other Financing Sources (Uses)			
	<u>(2,939,738)</u>	<u>(8,751)</u>	<u>(877,975)</u>
Net Change in Fund Balances	<u>(1,305,280)</u>	<u>562,631</u>	<u>(628,645)</u>
Fund Balances (deficit), Beginning of Fiscal Year	22,351,344	1,669,772	4,702,464
Prior Period Adjustments	(47,256)	(8,054)	
Fund Balances (deficit), Beginning of Fiscal Year (restated)	<u>22,304,088</u>	<u>1,661,718</u>	<u>4,702,464</u>
Fund Balances (deficit), End of Fiscal Year	<u>\$ 20,998,808</u>	<u>\$ 2,224,349</u>	<u>\$ 4,073,819</u>

See Accompanying Notes to Basic Financial Statements

CITY of CALABASAS, CALIFORNIA
FINANCIAL SECTION – Basic Financial Statements



Capital Projects Funds				
Capital Improvement	Civic Center	Debt Service	Nonmajor Governmental Funds	Total Governmentals Funds
\$ -	\$ -	\$ -	\$ 1,753,849	\$ 21,421,919
	4,356,407		2,385,373	928,970
			16,324	8,636,648
	47,357	951,392	388,380	174,534
			979	45,690
				2,569,358
				1,590,214
				366,765
	4,403,764	951,392	4,544,905	35,734,098
				10,696,865
			135,869	3,959,278
				2,695,840
			39,644	1,030,144
			2,094,883	7,035,758
6,593,373	28,927,994		166,157	35,918,902
		280,000		280,000
		1,646,824		1,646,824
6,593,373	28,927,994	1,926,824	2,436,553	63,263,611
(6,593,373)	(24,524,230)	(975,432)	2,108,352	(27,529,513)
6,452,644	19,608,405	416,274	1,718,171	28,277,676
		(19,608,405)	(4,760,625)	(28,277,676)
6,452,644	19,608,405	(19,192,131)	(3,042,454)	
(140,729)	(4,915,825)	(20,167,563)	(934,102)	(27,529,513)
62,799	(6,338,418)	33,938,001	7,693,148	64,079,110
(8,555)		6,850	(497,130)	(554,145)
54,244	(6,338,418)	33,944,851	7,196,018	63,524,965
\$ (86,485)	\$ (11,254,243)	\$ 13,777,288	\$ 6,261,916	\$ 35,995,452



CITY of CALABASAS, CALIFORNIA
FINANCIAL SECTION – Basic Financial Statements

CITY OF CALABASAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

Net change in fund balances - total governmental funds		\$	(27,529,513)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period as follows:			
Capital outlay	\$	35,789,018	
Depreciation		<u>(1,691,803)</u>	34,097,215
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.			
			280,000
Interest is not accrued in the governmental funds. However, it is to be accrued in the statement of activities. This is the net change.			
			(387,302)
Changes in compensated absences which are not recognized due to timing issues in the governmental funds are charged to expenses in the statement of activities.			
			(56,919)
Amortization of deferred charges is not an expense of the governmental funds, but under the full accrual method is a component of interest expense.			
			(49,771)
Amortization of deferred loss on refunding is not an expense of the governmental funds, but under the full accrual method is a component of interest expense.			
			(57,468)
Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise when the note is collected it is reflected in revenue. This is the net change between notes receivable collected and issued. (Collected \$49,815) (Issued \$0)			
			(49,815)
Change in net assets of governmental activities		\$	<u>6,246,427</u>

See Accompanying Notes to Basic Financial Statements



**CITY OF CALABASAS
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 June 30, 2008**

	<u>Tennis and Swim Center</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 386,120
Accounts and taxes receivable	1,892
Interest receivable	3,487
Loan receivable, employees	548
Prepaid items	<u>2,975</u>
Total Current Assets	<u>395,022</u>
Noncurrent assets:	
Capital assets	
Land	837,819
Depreciable buildings and improvements, net	1,177,283
Depreciable equipment, net	<u>123,912</u>
Total Noncurrent Assets	<u>2,139,014</u>
Total Assets	<u>2,534,036</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	48,303
Compensated absences	<u>17,558</u>
Total Current Liabilities	<u>65,861</u>
Noncurrent Liabilities	
Compensated absences	<u>2,893</u>
Total Noncurrent Liabilities	<u>2,893</u>
Total Liabilities	<u>68,754</u>
NET ASSETS	
Invested in capital assets	2,139,014
Unrestricted	<u>326,268</u>
Total Net Assets	<u>\$ 2,465,282</u>

See Accompanying Notes to Basic Financial Statements



CITY of CALABASAS, CALIFORNIA
FINANCIAL SECTION – Basic Financial Statements

CITY OF CALABASAS
STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2008

	<u>Tennis and Swim Center</u>
OPERATING REVENUES	
Tennis and swim fees	\$ 2,976,988
Other	68,547
Total Operating Revenues	<u>3,045,535</u>
OPERATING EXPENSES	
Administration	136,505
Salaries and benefits	527,491
Outside services	174,303
Materials, supplies, and other operating expenses	371,930
Utilities	166,502
Top Seed	1,565,183
Depreciation	227,363
Total Operating Expenses	<u>3,169,277</u>
Operating Income (Loss)	(123,742)
NON-OPERATING REVENUES	
Interest	<u>21,620</u>
Change in Net Assets	<u>(102,122)</u>
Net Assets, Beginning of Fiscal Year	2,568,598
Prior Period Adjustments	<u>(1,194)</u>
Net Assets, Beginning of Fiscal Year, restated	<u>2,567,404</u>
Net Assets, End of Fiscal Year	<u>\$ 2,465,282</u>

See Accompanying Notes to Basic Financial Statements



**CITY OF CALABASAS
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Fiscal Year Ended June 30, 2008**

	Tennis and Swim Center
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tennis and swim fees	\$ 2,976,988
Receipts from other operating activities	68,547
Payments to suppliers	(2,438,168)
Payments to employees	(528,357)
Net Cash Provided by Operating Activities	79,010
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(320,278)
Net Cash Used by Capital and Related Financing Activities	(320,278)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	20,280
Net Cash Provided by Investing Activities	20,280
Increase (decrease) in cash and cash equivalents	(220,988)
Cash and Cash Equivalents, Beginning of Fiscal Year	607,108
Cash and Cash Equivalents, End of Fiscal Year	\$ 386,120
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (123,742)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	227,363
Changes in assets and liabilities:	
Increase (decrease) in loan receivables	(548)
Increase (decrease) in compensated absences	876
Increase (decrease) in due to other funds	(2,928)
Increase (decrease) in account payable and accrued liabilities	(22,011)
Net Cash Provided by Operating Activities	\$ 79,010

See Accompanying Notes to Basic Financial Statements



**CITY OF CALABASAS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008**

	Agency Funds
ASSETS	
Cash and investments	\$ 12,024,957
Cash and investments with fiscal agents	2,641,027
Interest receivable	95,659
Special taxes receivable	279,319
	<hr/>
Total Assets	15,040,962
	<hr/>
LIABILITIES	
Accounts payable and accrued liabilities	8,600,398
Deposits	818,590
Due to bondholders	5,621,974
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Total Liabilities	15,040,962
	<hr/>
NET ASSETS	<hr/> <hr/> \$ -

See Accompanying Notes to Basic Financial Statements



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CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 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.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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

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

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.

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.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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

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

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.

Developer Impact Fees Fund – used to account for fees collected from developers for future projects necessitated by new development.

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

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.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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

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

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, 2008

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.

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.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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

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

Receivables and Payables (Continued)

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 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.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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

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

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 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.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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

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

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 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.

F. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 48

For the fiscal year ended June 30, 2008, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". The Statement is effective for periods beginning after December 15, 2006. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also contains provisions that apply to certain situations in which a government does not receive resources but, nevertheless, pledges or commits future cash flows generated by collecting specific future revenues. In addition, this statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues. Implementation of GASB Statement No. 48 did not have an impact on the City's basic financial statements for the fiscal year ended June 30, 2008.

Governmental Accounting Standards Board Statement No. 50

For the fiscal year ended June 30, 2008, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 50, "Pension Disclosures – an Amendment of GASB No. 25 and No. 27". The Statement is effective for periods beginning after June 15, 2007. This Statement established and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pensions.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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:

	Final Budget	Expenditures	Excess
Major Fund:			
Debt Service	\$ 410,131	\$ 1,926,824	\$ 1,516,693
Nonmajor Funds:			
Proposition A	429,200	715,033	285,833
Proposition C	88,500	109,692	21,192
AB 939	135,000	164,171	29,171
Used Oil	20,000	26,891	6,891
TDA		3,847	3,847
COPS - AB 3229	122,900	135,869	12,969

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

The Capital Improvement Capital Projects Fund (Major) has a deficit fund balance of \$86,485 due to expenditures being incurred but grant revenue is not available. The Civic Center Capital Project Fund (Major) has a deficit fund balance of \$11,254,243 due to expenditures being incurred but grant revenue is not available. The Proposition A Special Revenue Fund has a deficit fund balance of \$179,746 that should be alleviated as additional revenues are received. The Community Development Block Grant Special Revenue Fund has a deficit fund balance of \$27,752 that should be alleviated as additional revenues are received. The Used Oil Grant Special Revenue Fund has a deficit fund balance of \$39,614 that should be alleviated as additional revenues are received. The TDA Special Revenue Fund has a deficit fund balance of \$6,017 that should be alleviated as additional revenues are received. The Storm Damage Special Revenue Fund has a deficit fund balance of \$685,001 that should be alleviated as additional revenues are received. The COPS AB3229 Special Revenue Fund has a deficit fund balance of \$13,088 that should be alleviated as additional revenues are received. The Grants Special Revenue Fund has a deficit fund balance of \$2,000,802 due to expenditures being incurred but grant revenue is not available.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

Note 3 Cash and Investments

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 24,046,507
Restricted cash and investments with fiscal agents	13,786,148
Fiduciary funds:	
Cash and investments	12,024,957
Restricted cash and investments with fiscal agents	2,641,027
Total cash and investments	\$ 52,498,639

Cash and investments as of June 30, 2008 consist of the following:

Cash on hand	\$ 497,766
Deposits with financial institutions	(35,689)
Investments	52,036,562
Total cash and investments	\$ 52,498,639

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 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.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

Note 3 Cash and Investments (Continued)

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.**

<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:

<u>Investment Type</u>	<u>Totals</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
State Investment Pool	\$ 31,609,387	\$ 31,609,387	\$ -	\$ -	\$ -
Certificates of Deposit	4,000,000	4,000,000			
Held by Debt Trustee:					
Federal Agency Securities	748,553	748,553			
Money Market Funds	15,678,622	15,678,622			
	<u>\$ 52,036,562</u>	<u>\$ 52,036,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

Note 3 Cash and Investments (Continued)

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	\$ 31,609,387	N/A	\$ -	\$ -	\$ -	\$ -	\$ 31,609,387
Certificates of Deposit	4,000,000	N/A					4,000,000
Held by Debt Trustee:							
Federal Agency Securities	748,553			748,553			
Money Market Funds	15,678,622	N/A					15,678,622
Total	\$ 52,036,562		\$ -	\$ 748,553	\$ -	\$ -	\$ 51,288,009

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:

Issuer	Investment Type	Reported Amount
Bear Stearns	Certificates of Deposit	\$ 4,000,000

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:

\$4,000,000 of the cash and investments (including amounts held by debt trustee) reported in the Governmental Activities Statement of Net Assets are held in certificates of deposit, \$4,000,000 (Certificates of Deposit) issued by Bear Stearns.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

Note 3 Cash and Investments (Continued)

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.

As of June 30, 2008, \$0 of the City’s deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2008, 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>
Certificates of Deposit	\$ 4,000,000
Federal agency securities	748,553
Money market funds	15,678,622

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, 2008:

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities -			
Accounts and taxes	\$ 1,795,713	\$ -	\$ 1,795,713
Intergovernmental	2,059,366		2,059,366
	<u>\$ 3,855,079</u>	<u>\$ -</u>	<u>\$ 3,855,079</u>
Business-type Activities -			
Accounts and taxes	<u>\$ 1,892</u>	<u>\$ -</u>	<u>\$ 1,892</u>
Fiduciary Funds:			
Special taxes	\$ 279,319	\$ -	\$ 279,319
	<u>\$ 279,319</u>	<u>\$ -</u>	<u>\$ 279,319</u>



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 ended June 30, 2008, ten new loans were given totaling \$17,310 and principal on loans was paid in the amount of \$21,641 leaving an outstanding balance as of June 30, 2008 of \$15,818.
- 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 that are outstanding for 10 years on a graduated schedule were forgiven during the fiscal year ended June 30, 2008. The outstanding balance of the notes as of June 30, 2008 was \$38,780.

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, 2008:

	Amortization Period	Deferred Charges	Current Amortization	Accumulated Amortization	Balance at 6/30/2008
2005 Refunding Certificates of Participation	132 months	\$ 223,042	\$ 20,280	\$ 52,390	\$ 170,652
2006 Certificates of Participation	420 months	1,102,082	31,488	49,856	1,052,226
		\$ 1,325,124	\$ 51,768	\$ 102,246	\$ 1,222,878

Note 7 **Interfund Activity**

The following represents the interfund activity of the City for the fiscal year ended June 2008.

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.

	Interfund Receivables	Interfund Payables
Due to/Due from		
Major Funds		
To: General	\$ 12,793,249	\$ -
From: Landscape District Maintenance		39,318
Civic Center		7,980,673
Debt Service		8,793
Nonmajor Funds		
From: Proposition A		175,019
Community Development Block Grant		29,582
Used Oil		28,491
TDA		6,013
Storm Damage		1,762,591
COPS AB3229		1,738
Grants		2,761,031
	\$ 12,793,249	\$ 12,793,249



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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.

Fund	Transfers-in	Transfers-out
Major Funds:		
General	\$ 82,182	\$ 3,021,920
Landscape District Maintenance		8,751
Developer Impact Fees		877,975
Capital Improvement	6,452,644	
Civic Center	19,608,405	
Debt Service	416,274	19,608,405
Nonmajor Funds:		
Highway Users Tax	1,718,171	2,238,853
Proposition C		196,361
AB 939		29,788
TDA		6,152
Storm Damage		2,633
Grants		2,286,838
Totals	\$ 28,277,676	\$ 28,277,676



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 infrastructures 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, 2008 is as follows:

	Balance at July 1, 2007	Additions	Deletions	Transfers	Prior Period Adjustments	Balance at June 30, 2008
Governmental Activities:						
Capital assets, not being depreciated:						
Land	\$ 5,068,059	\$ -	\$ -	\$ -	\$ -	\$ 5,068,059
Construction in progress	24,249,736	35,516,674		(10,251,331)	1,378,640	50,893,719
Total capital assets, not being depreciated	29,317,795	35,516,674		(10,251,331)	1,378,640	55,961,778
Capital assets, being depreciated:						
Buildings	1,553,838					1,553,838
Equipment	2,482,717	272,344		3,104,883		5,859,944
Investment in joint venture - community center	2,813,060					2,813,060
Infrastructure	43,566,534			7,146,448	(129,947)	50,583,035
Total capital assets, being depreciated	50,416,149	272,344		10,251,331	(129,947)	60,809,877
Less accumulated depreciation for:						
Buildings	(880,508)	(103,589)				(984,097)
Equipment	(1,552,488)	(160,145)				(1,712,633)
Investment in joint venture - community center	(1,525,405)	(187,537)				(1,712,942)
Infrastructure	(16,790,641)	(1,240,532)				(18,031,173)
Total accumulated depreciation	(20,749,042)	(1,691,803)				(22,440,845)
Total capital assets, being depreciated, net	29,667,107	(1,419,459)		10,251,331	(129,947)	38,369,032
Governmental activities capital assets, net	<u>\$ 58,984,902</u>	<u>\$ 34,097,215</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,248,693</u>	<u>\$ 94,330,810</u>



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008 is as follows:

	<u>Balance at</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2008</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	601,702	167,796		769,498
Buildings	2,218,160	152,482		2,370,642
Machinery and equipment	<u>480,630</u>			<u>480,630</u>
Total capital assets, being depreciated	<u>3,300,492</u>	<u>320,278</u>		<u>3,620,770</u>
Less accumulated depreciation for:				
Improvements	(225,152)	(59,153)		(284,305)
Buildings	(1,533,544)	(145,007)		(1,678,551)
Machinery and equipment	<u>(333,516)</u>	<u>(23,203)</u>		<u>(356,719)</u>
Total accumulated depreciation	<u>(2,092,212)</u>	<u>(227,363)</u>		<u>(2,319,575)</u>
Total capital assets, being depreciated, net	<u>1,208,280</u>	<u>92,915</u>		<u>1,301,195</u>
Business-type activities capital assets, net	<u>\$ 2,046,099</u>	<u>\$ 92,915</u>	<u>\$ -</u>	<u>\$ 2,139,014</u>

Depreciation expense was charged to the following functions:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
General government	\$ 149,208	\$ -
Public safety	812	
Public works	1,240,532	
Community services	301,251	
Tennis and swim center		<u>227,363</u>
Total	<u>\$ 1,691,803</u>	<u>\$ 227,363</u>



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

Note 9 **Long-Term Debt**

A. Changes in Long-term Debt

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

	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>	<u>Due Within One Year</u>
Governmental activities:					
2005 Refunding Certificates of Participation	\$ 3,760,000	\$ -	\$ (280,000)	\$ 3,480,000	\$ 305,000
2006 Certificates of Participation	35,000,000			35,000,000	
Compensated absences payable	<u>375,764</u>	<u>316,585</u>	<u>(259,666)</u>	<u>432,683</u>	<u>259,666</u>
Total governmental long-term debt	<u>\$ 39,135,764</u>	<u>\$ 316,585</u>	<u>\$ (539,666)</u>	<u>\$ 38,912,683</u>	<u>\$ 564,666</u>

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

	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>	<u>Due Within One Year</u>
Business-type activities					
Compensated absences payable	<u>\$ 19,575</u>	<u>\$ 18,434</u>	<u>\$ (17,558)</u>	<u>\$ 20,451</u>	<u>\$ 17,558</u>

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 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 2005 Refunding 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 on the old debts. 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 2008, the unpaid principal balance for the defeased bonds was \$5,805,000.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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

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, 2008. 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. Certificates outstanding at June 30, 2008, were \$3,480,000.

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, 2008. 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. Certificates outstanding at June 30, 2008, 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.

\$ 432,683

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



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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

F. Minimum Requirement Future Payments

The annual requirements to amortize outstanding long-term debt of the City's Governmental Activities as of June 30, 2008, excluding compensated absences are as follows:

2005 Refunding Certificates of Participation			
Fiscal Year	Principal	Interest	Total
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	395,000	73,313	468,313
2014-2017	1,725,000	138,537	1,863,537
Totals	\$ 3,480,000	\$ 625,885	\$ 4,105,885

2006 Certificates of Participation			
Fiscal Year	Principal	Interest	Total
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	265,000	1,465,086	1,730,086
2014-2018	1,945,000	7,146,884	9,091,884
2019-2023	4,340,000	6,522,417	10,862,417
2024-2028	5,290,000	5,554,010	10,844,010
2029-2033	6,510,000	4,290,250	10,800,250
2034-2038	9,905,000	2,697,222	12,602,222
2039-2042	6,020,000	726,413	6,746,413
Totals	\$ 35,000,000	\$ 34,375,701	\$ 69,375,701



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 9.319% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by CalPERS. The City's contribution to CalPERS for the fiscal year ending June 30, 2008, 2007, and 2006 were \$505,624, \$466,444, and \$423,961 respectively and were equal to the required contribution.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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.

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.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

Note 11 **Risk Management (Continued)**

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 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, 2008. A copy of the Authority financial statements can be obtained at: 100 Civic Center Way, Calabasas, CA 91302.

Note 13 **Contingencies**

The City has been named as a defendant in various general damage, water intrusion and waste discharge complaints, and former employee lawsuits and claims. Such claims arise primarily from damages sustained by claimants while on property owned, maintained and constructed by the City, and termination of the former employee. 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.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

Note 14 **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 \$97 per month for fiscal year 2007-08. 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 2007-08, the City paid \$36,003 for post-employment medical benefits covering 10 participants.

Note 15 **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.

AD#	Special Assessment Bonds	Amount of Issue	Outstanding June 30, 2008
98-1	Community Facilities District	\$ 12,515,000	\$ 8,575,000
2001-1 Series 2006	Community Facilities District	26,535,000	25,185,000

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, 2008, the unpaid principal balance for the defeased bonds was \$25,185,000.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

Note 16 **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.

The government-wide statement of net assets reports \$23,366,600 of restricted net assets, of which \$8,880,697 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 17 **Subsequent Event**

Upon consensus of the Council, the City adopted Resolution No. 2008-1139, approving the issuance of the California Statewide Communities Development Authority Revenue Bonds (Viewpoint School), Series 2008 in an aggregate principal amount not to exceed \$20,000,000 for the purpose of financing the acquisition, design, approval, construction, installation and development of certain educational facilities, furnishings and equipment, and certain other matters relating thereto.



CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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 (\$47,256) due to understatement of accounts payable

Landscape District Maintenance Special Revenue

A prior period adjustment of (\$8,054) due to understatement of accounts payable

Capital Improvement Capital Projects Fund

A prior period adjustment of (\$8,555) due to understatement of accounts payable

Debt Service Fund

A prior period adjustment of \$6,850 due to understatement of accounts receivable

Nonmajor Governmental Funds:

Proposition C Special Revenue Fund

A prior period adjustment of (\$477) due to understatement of accounts payable

Community Development Block Grant Special Revenue Fund

A prior period adjustment of (\$10,000) due to overstatement of accounts receivable

COPS – AB3229 Special Revenue Fund

A prior period adjustment of (\$10,526) due to understatement of accounts payable

Library District Special Revenue Fund

A prior period adjustment of (\$9,742) due to understatement of accounts payable

Grants Special Revenue Fund

A prior period adjustment of (\$466,385) due to overstatement of accounts receivable

Proprietary Fund:

Tennis and Swim Center

A prior period adjustment of (\$1,194) due to understatement of accounts payable

Government-wide Governmental Activities:

A prior period adjustment of (\$84,610) due to understatement of accounts payable
A prior period adjustment of \$6,850 due to understatement of accounts receivable
A prior period adjustment of (\$476,385) due to overstatement of accounts receivable
A prior period adjustment of \$1,248,693 due to understatement of capital assets