



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

Dr. Gary J. Lysik, Chief Financial Officer, 100 Civic Center Way, Calabasas, CA 91302 (818) 224-1600 <http://www.cityofcalabasas.com>

December 23, 2008

The Honorable Mayor Mary Sue Maurer
The Honorable Members of the City Council
Citizens of the City of Calabasas, CA

LETTER OF TRANSMITTAL

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.

THE PRIMARY GOVERNMENT

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.

THE CITY OF CALABASAS

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.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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).

CAPITAL IMPROVEMENTS

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. During this reporting period, the City completed construction of a new Civic Center campus, which includes a City Hall and a new Library. Additionally, the City has highlighted projects to improve transportation in and around Calabasas.

CASH MANAGEMENT

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 5.16%, with total earnings for all funds equaling \$2,569,358.

RISK MANAGEMENT

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.

LOCAL ECONOMIC CONDITION AND OUTLOOK

Calabasas is one of America's wealthiest communities with a current per capita income of \$76,625, which is 1.8 times that of the State of California. At \$115,155 the median household income in Calabasas in 2008



was nearly twice that of the State of California. The median age of Calabasas residents in 2008 is 40.0, while the median age in the United States as a whole remains at 36.7 years.

Unlike that of the greater region, the local area housing market has not demonstrably felt the impact of the housing crunch caused by failing sub-prime loans. According to an on-line source, Yahoo! Real Estate, the median home price in Calabasas during 2008 was \$2,142,900. This figure represents a 36.6% increase from 2007.

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 strong financial future for the City, even in light of current economic challenges.

LONG-TERM FINANCIAL PLANNING

The City of Calabasas has experienced minimal population growth of approximately 1.9% 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 8.2% 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 flattening 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.

ACCOMPLISHMENTS

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. Continuation of 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 2008, the City continued investing in U.S. Government securities and effectively increased the amount of annual interest income received by the City by approximately \$395,000 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.

Further improving the process, 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. 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.

ACKNOWLEDGEMENTS

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 ensures that contracts are complete and not expired, thus reducing the City's liability exposure.

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

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 organizations.

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.

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.

Paola Pino: made contributions in almost every facet of the department. Assisted with the preparation of the Department's Standard Policies & Procedures, maintained a good records retention program, and provided assistance to payroll, AP/AR, and accounting as required. She oversaw all general purchasing aspects for the City.

Sandy Smith: 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.

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



AWARDS

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, 2007. In order to be awarded a 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. The City will be submitting this year's CAFR to the GFOA to determine its eligibility for another certificate.

INDEPENDENT AUDIT

For the fiscal year ended June 30, 2008, the City's financial statements were audited by the certified public accounting firm of Moss, Levy & Hartzheim LLP 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, 2008.



CITY of CALABASAS, CALIFORNIA
INTRODUCTORY SECTION – Letter of Transmittal

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, 2008.

Respectfully submitted,

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



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Calabasas
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Emery

Executive Director



Mission and Value Statements

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

Dr. Gary J. Lysik, Chief Financial Officer, 100 Civic Center Way, Calabasas, CA 91302 (818) 224-1600 <http://www.cityofcalabasas.com>

MEMO

Mission Statement

In a spirit of excellence, integrity, and dedication, the Finance Department is committed to providing timely, accurate, clear, and complete information and support to other City departments, citizens, and the community at large.

* * * * *

Values

Quality

A high standard of excellence drives Finance to provide outstanding levels of support, service, and products. The Department strives to be exemplary in all activities and continuously exceed expectations.

Integrity

The Finance Department commits to conforming to the highest level of ethical standards. The services and decisions we offer will be honest, fair, and impartial.

Leadership

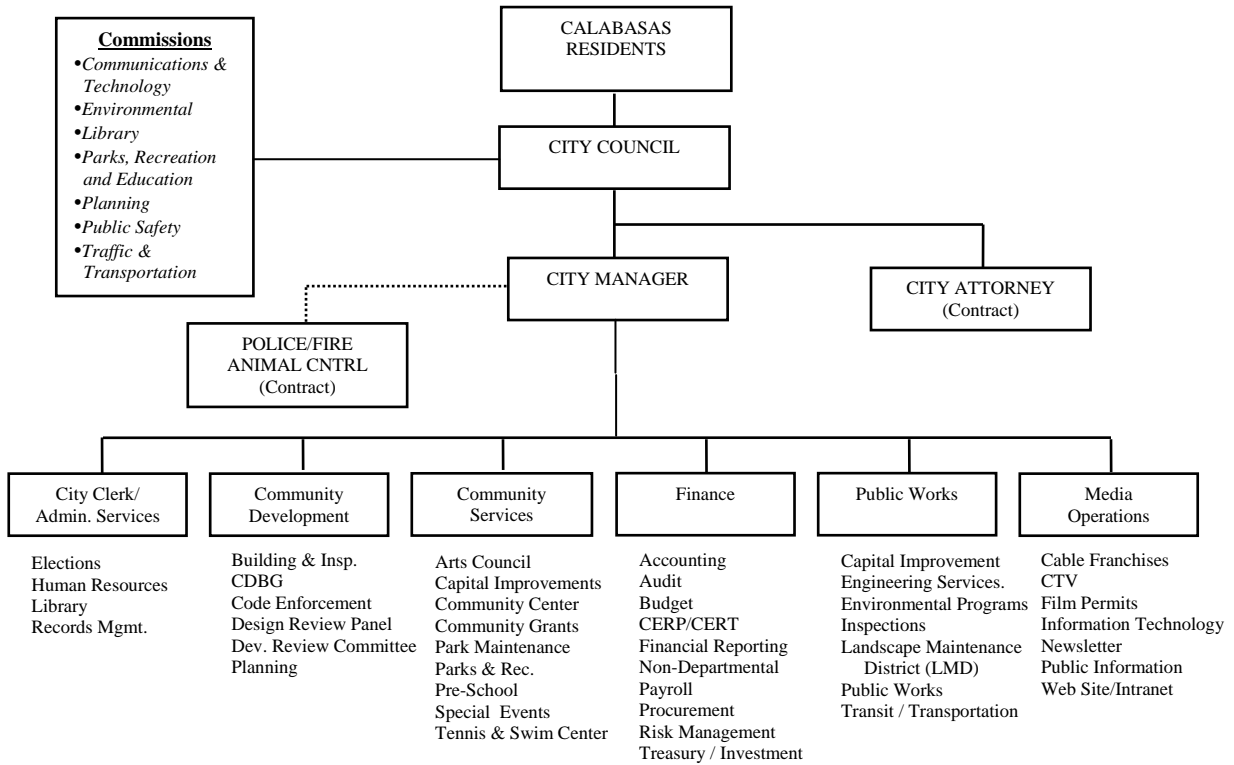
The Department leads by example while encouraging growth and advancement in the organization. Finance provides direction through experience and desires to be acknowledged as the “Go-To Organization” for critical decision making needs.

Teamwork

Finance aims to make the best decisions collectively and in the best interest of the City. As a team, we capitalize on the strengths of each member. In this way, we “Advance the Flame” and provide superior support for staff members and residents.



City Organization Chart



Commissions

- Communications and Technology Commission** – Michael Brockman, Chair
- Environmental Commission** – Stuart Cohen, Chair
- Historic Preservation Commission** – Taryn Wayne, Chair
- Library Commission** – Fred Gaines, President
- Parks, Recreation and Education Commission** – Jennifer Bercy, Chair
- Planning Commission** – Mark Sikand, Chair
- Public Safety Commission** – Diana Brenke, Chair
- Traffic and Transportation Commission** – Robert Friedman, Chair



City Officials



Mary Sue Maurer
Mayor

Year First Elected: 2005

Biographical Information:

- Mayor, City of Calabasas
- Member, Santa Monica Mountains Conservancy Advisory Committee
- Board Member, Big Sunday
- Board Co-Chair, Headwaters Corner at Calabasas
- Member, Calabasas Rotary Club
- Teacher, LAUSD
- Former Deputy, Assembly member Fran Pavley
- Former Deputy Press Secretary, John Garamendi



Jonathon Wolfson
Mayor Pro Tem

Year First Elected: 2005

Biographical Information:

- Commissioner, Planning Commission – City of Calabasas
- Lawyer, Cinmark Company
- Juris Doctorate (J.D.), George Washington University
- Master of Arts Degree (M.A.), Boston College
- Bachelor of Arts Degree (B.A.), George Washington University
- Member, California Bar Association
- Executive Vice President, Congregation Or Ami
- Member, Calabasas Hills Homeowners Association
- Member, Mountain Park Homeowners Association



James Bozajian
Councilmember

First Elected: 1997

Biographical Information:

- Currently in his third term on the Calabasas City Council
- Past Mayor of Calabasas in 1998-99, 2003-04, and 2007-08
- Chairman of the Agoura Hills/Calabasas Community Center Joint Powers Authority
- Serves on the Board of Directors of the Calabasas Historical Society and the California Contract Cities Association
- Past member of the Calabasas Community Policing Commission (1993-97)
- Bachelor of Arts (B.A.) Degree, History, UCLA
- Juris Doctorate (J.D.) Degree, USC School of Law
- Deputy District Attorney for the County of Los Angeles for 19 years
- Served on the Board of Directors of the Los Angeles County Association of Deputy District Attorneys for 17 years, including two terms as President



Barry Groveman
Councilmember

First Elected: 2003

Biographical Information:

- Mayor and Councilmember, City of Calabasas
- Environmental lawyer
- Former Prosecutor
- Co-Author, Proposition 65 – Safe Drinking Water Act
- Head, Public law and Environment Practice, Musick, Peeler LLP
- Chair, Inland Empire Water Quality Task Force
- Special Assistant District Attorney, Environmental Crime
- Board Member, Boy's Home
- Member, Mountain Park Homeowners Association



Dennis Washburn
Councilmember

First Elected: 1991

Biographical Information:

- CLVFF Future Foundation Trustee since 1992
- Executive Director, Foundation for Pierce College
- Founding Mayor and Councilmember, City of Calabasas
- Founder / President, Las Virgenes-Malibu-Conejo Council of Governments
- Director, VP, Resource Conservation District of the Santa Monica Mountains since 1986
- Served for the past 17 years on the Calabasas City Council, and served four terms as Mayor
- Regional Council Member of the Southern California Association of Governments (SCAG)
- Vice President and elected Director of the Santa Monica Mountains Resource Conservation District
- Commissioner of the Santa Monica Bay Restoration Commission
- President of the Santa Monica Mountains Fund
- Chairman of both the SCAG Energy & Environment Policy Committee and Water Policy Task Force
- Chairman of the Malibu Creek Watershed Council
- Served as President of the Las Virgenes Homeowners Federation and the Greater Mulwood Homeowners Association
- Served as Executive Vice President of the Calabasas Cityhood Committee
- Received the following awards: The Goodyear Conservation Award (1994); the Calabasas Chamber of Commerce – Bill Van Giesen – “Man of the Year” Award (2000), “Living History” Award (2003), Outstanding Achievement Award (2007) from the US EPA
- Bachelor of Arts (B.A.) Degree, International Relations/Political Science, UC Berkeley
- Master of Business Administration (MBA) Degree, Marketing/Finance, San Diego State University
- Lecturer/assistant professor in Business Management at SDSU
- Certified Mediator



City Management



Tony Coroalles
City Manager



Dr. Gary J. Lysik
Chief Financial Officer



Michael Colantuono
City Attorney

Robin Parker, *Director of Administrative Services*

Jeff Rubin, *Community Services Director*

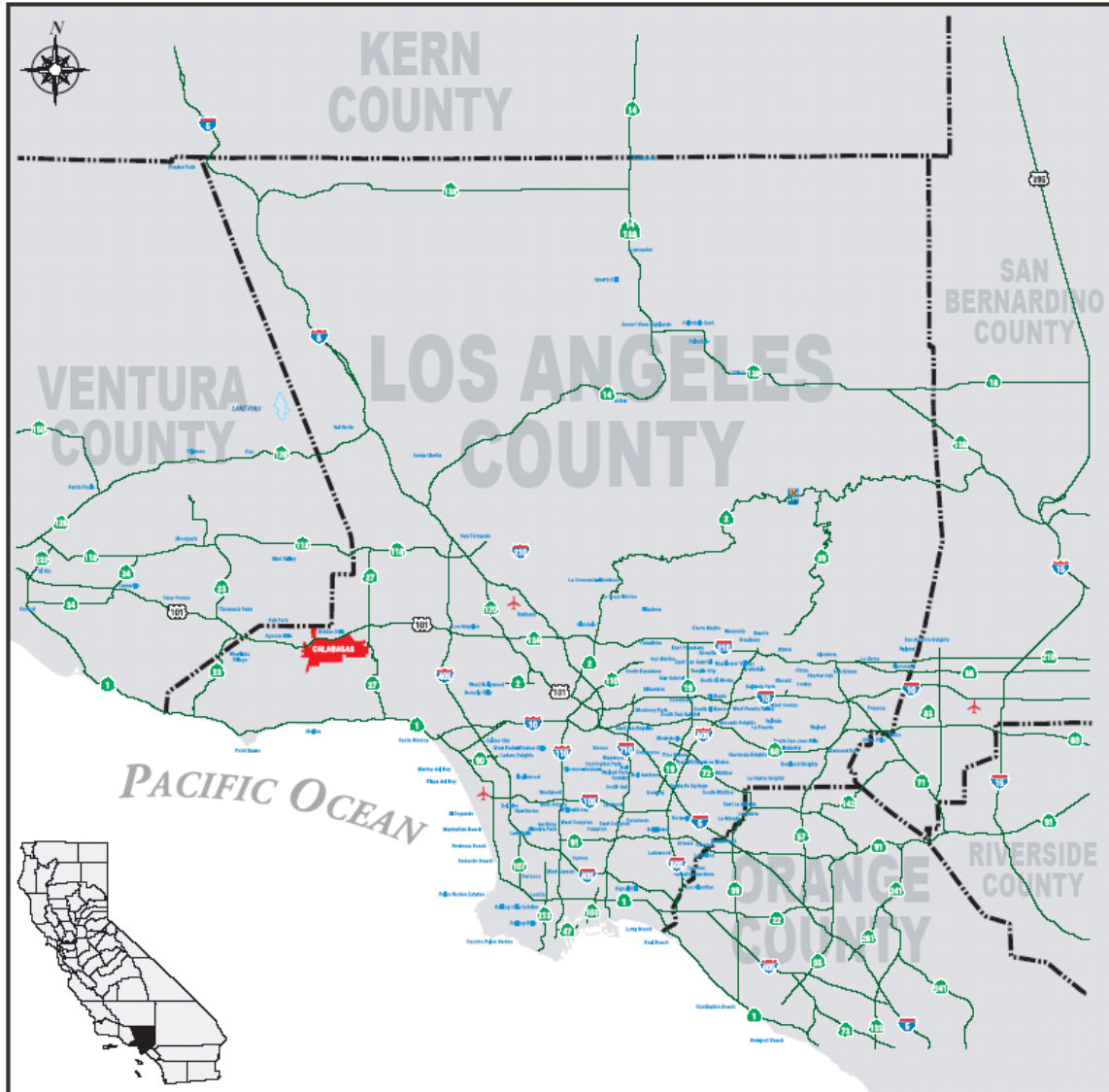
Deborah Steller, *Media Operations Director*

Maureen Tamuri, *Community Development Director*

Robert Yalda, *Public Works Director/City Engineer*



Map of the City





CITY *of* CALABASAS, CALIFORNIA
INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK