CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010

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, 2010

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.

Affordable Housing Special Revenue Fund – used to account for activities related to the City's affordable housing program.

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

Grants Special Revenue Fund – used to account for other grants requiring segregated fund accounting. Financing is provided by federal, state, and county agencies.

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 the new city hall.

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 Summary of Significant Accounting Policies (Continued)

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

Governmental Funds:

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

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

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.

Las Virgenes Parking Authority Fund – used for the Las Virgenes Parking Authority.

Community Facilities District 98-1 Fund – used for debt service requirements of Community Facilities District No. 98-1.

Community Facilities District 2001-1 Fund – used for debt service requirements of Community Facilities District No. 2001-1.

Community Facilities District 2006-1 Fund – used for the refunding of CFD 2001-1 for debt service requirements of Community Facilities District No. 2006.

Deposits Fund – used for developer projects such as new construction, building improvement, and addition, etc.

LVUSD Fund – used to segregate funds for future development of a new school within the City limits.

Calabasas Education Fund – provides funds to partially finance education related activities.

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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 approximates 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, 2010

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 XIIIA 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, 2010

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	15-50 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, 2010

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

The City has implemented the requirements of GASB Statements No. 51, No. 53, No. 57, and No. 58 during the fiscal year ended June 30, 2010.

GASB Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This Statement is effective for financial statements for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this Statement did not have an effect on these financial statements.

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 Summary of Significant Accounting Policies (Continued)

F. New Accounting Pronouncements (Continued)

GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This Statement is effective for financial statements for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*". This Statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate. The implementation of this Statement did not have an effect on these financial statements.

GASB Statement No. 58 – *Accounting and Financial Reporting for Chapter 9 Bankruptcies*

For the fiscal year ended June 30, 2010, the City implemented GASB Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*". This Statement is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The implementation of this Statement did not have an effect on these financial statements.

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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 individual funds are as follows:

	Final Budget	Expenditures	Excess
Major Funds:			
General	$ 20,090,574	$ 20,160,771	$ 70,197
Affordable Housing Special Revenue		1,000,000	1,000,000
Grants Special Revenue		71,121	71,121
Civic Center Capital Projects		6,476	6,476
Nonmajor Funds:			
Proposition C	511,900	724,190	212,290
COPS - AB3229	100,000	143,292	43,292
Library District	1,000,444	1,100,730	100,286
Oak Tree Mitigation		2,431	2,431

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

The Storm Damage Special Revenue Fund (Major) has a deficit fund balance of $1,607,323 that should be alleviated as additional revenues are received. The Grants Special Revenue Fund (Major) has a deficit fund balance of $1,218,909 that should be alleviated as additional revenues are received. The Proposition C Special Revenue Fund has a deficit fund balance of $253,468 that should be alleviated as additional revenues are received. The Community Development Block Grant Special Revenue has a deficit fund balance of $9,702 that should be alleviated as additional revenues are received. The Used Oil Grant Special Revenue Fund has a deficit fund balance of $35,451 that should be alleviated as additional revenues are received. The COPS AB3229 Special Revenue Fund has a deficit fund balance of $63,840 that should be alleviated as additional revenues are received.

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 3 Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:		
Cash and investments	$	29,684,696
Restricted cash and investments with fiscal agents		402,502
Fiduciary funds:		
Cash and investments		10,951,308
Restricted cash and investments with fiscal agents		1,717,271
Total cash and investments	$	42,755,777

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	$	2,268
Deposits with financial institutions		7,139,564
Investments		35,613,945
Total cash and investments	$	42,755,777

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	$50 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, 2010

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	$50 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

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:

Investment Type	Totals	12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool	$ 15,433,701	$ 15,433,701	$ -	$ -	$ -
Federal Agency Securities	18,063,935			7,015,345	11,048,590
Money Market Funds	19	19			
Held by Debt Trustee:					
Money Market Funds	2,116,290	2,116,290			
	$ 35,613,945	$ 17,550,010	$ -	$ 7,015,345	$ 11,048,590

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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.

				Rating as of Fiscal Year End			
Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A	Not Rated
State Investment Pool	$ 15,433,701	N/A	$ -	$ -	$ -	$ -	$ 15,433,701
Federal Agency Securities	18,063,935	N/A		18,063,935			
Money Market Funds	19	N/A		19			
Held by Debt Trustee:							
Money Market Funds	2,116,290	N/A		2,116,290			
Total	$ 35,613,945		$ -	$ 20,180,244	$ -	$ -	$ 15,433,701

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
Federal National Mortgage Association	Federal Agency Securities	$ 4,010,823
Federal Home Loan Bank	Federal Agency Securities	3,006,785
Federal Home Loan Mortgage Corp	Federal Agency Securities	11,046,327

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:

$18,063,935 of the cash and investments (including amounts held by bond trustee) reported in the governmental activities are held in federal agency securities, $4,010,823 (Federal National Mortgage Association), $3,006,785 (Federal Home Loan Bank), and $11,046,327 (Federal Home Loan Mortgage Corp).

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010, $7,346,039 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2010, 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:

Investment Type	Reported Amount
Federal agency securities	$ 18,063,935
Money market funds	2,116,290

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, 2010:

	Receivable	Allowance	Net
Governmental Activities -			
Accounts and taxes	$ 3,675,221	$ -	$ 3,675,221
Intergovernmental	19,975		19,975
	$ 3,695,196	$ -	$ 3,695,196
Fiduciary Funds:			
Special taxes	$ 105,924	$ -	$ 105,924
	$ 105,924	$ -	$ 105,924

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010, seven new loans were given totaling $5,872 and principal on loans was paid in the amount of $11,902 leaving an outstanding balance as of June 30, 2010 of $6,812.

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. The outstanding balance of the notes as of June 30, 2010 was $47,920.

C. The City has loaned $1,000,000 to Canyon Creek Seniors, L.P., in connection with the predevelopment and construction of affordable apartment units for senior households located in the City of Calabasas. Interest is being charged at a rate of 3% per annum. The outstanding balance of the note as of June 30, 2010 was $1,000,000.

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, 2010:

	Amortization Period	Deferred Charges	Current Amortization	Accumulated Amortization	Balance at 6/30/2010
2005 Refunding Certificates of Participation	132 months	$ 223,042	$ 20,280	$ 92,950	$ 130,092
2006 Certificates of Participation	420 months	1,102,082	31,488	112,832	989,250
		$ 1,325,124	$ 51,768	$ 205,782	$ 1,119,342

Note 7 Interfund Activity

The following represents the interfund activity of the City for the fiscal year ended June 30, 2010.

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.

Due to/Due from		Interfund Receivables	Interfund Payables
Major Funds			
To:	General	$ 3,507,200	$ -
From:	Storm Damage		1,802,583
	Grants		1,366,054
Nonmajor Funds			
From:	Proposition C		234,959
	Community Development Block Grant		7,326
	Used Oil Grant		35,898
	TDA		363
	COPS AB3229		60,017
		$ 3,507,200	$ 3,507,200

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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	$ 177,198	$ 2,284,666
Landscape District Maintenance		255,992
Storm Damage		551,187
Grants	551,187	1,302,060
Capital Improvement	3,279,296	
Civic Center		427,642
Nonmajor Funds:		
Proposition A	59,821	
Proposition C		163,621
Community Development Block Grant	22,131	22,131
Park and Recreation Improvement		151,663
AB 939		53,129
B & T Lost Hills District		692,282
Used Oil Grant		2,668
Developer Impact Fees		858,464
Library District		610,960
Management Reserve	386,664	
Oak Tree Mitigation	143,267	
Debt Service	2,756,901	
Totals	$ 7,376,465	$ 7,376,465

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010 is as follows:

	Balance at July 1, 2009	Additions	Deletions	Transfers	Adjustments	Balance at June 30, 2010
Governmental Activities:						
Capital assets, not being depreciated:						
Land	$ 5,088,559	$ 4,783	$ -	$ -	$ -	$ 5,093,342
Construction in progress	2,177,896	3,178,734		(2,122,314)		3,234,316
Total capital assets, not being depreciated	7,266,455	3,183,517		(2,122,314)		8,327,658
Capital assets, being depreciated:						
Buildings	48,389,701					48,389,701
Equipment	6,077,479	123,993		61,798	(99,894)	6,163,376
Investment in joint venture - community center	2,813,060					2,813,060
Infrastructure	58,346,724			2,060,516		60,407,240
Library Collection	128,617	93,870			99,894	322,381
Total capital assets, being depreciated	115,755,581	217,863		2,122,314		118,095,758
Less accumulated depreciation for:						
Buildings	(1,087,686)	(1,040,306)				(2,127,992)
Equipment	(1,926,277)	(293,688)			9,989	(2,209,976)
Investment in joint venture - community center	(1,900,479)	(187,537)				(2,088,016)
Infrastructure	(19,466,740)	(1,486,640)				(20,953,380)
Library Collection		(32,841)			(9,989)	(42,830)
Total accumulated depreciation	(24,381,182)	(3,041,012)				(27,422,194)
Total capital assets, being depreciated, net	91,374,399	(2,823,149)		2,122,314		90,673,564
Governmental activities capital assets, net	$ 98,640,854	$ 360,368	$ -	$ -	$ -	$ 99,001,222

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010 is as follows:

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010
Business type activities:				
Capital assets, not being depreciated:				
Land	$ 837,819	$ -	$ -	$ 837,819
Total capital assets, not being depreciated	837,819			837,819
Capital assets, being depreciated:				
Improvements	777,502			777,502
Buildings	2,389,249			2,389,249
Machinery and equipment	497,774	40,468		538,242
Total capital assets, being depreciated	3,664,525	40,468		3,704,993
Less accumulated depreciation for:				
Improvements	(339,983)	(54,200)		(394,183)
Buildings	(1,824,611)	(105,011)		(1,929,622)
Machinery and equipment	(384,519)	(29,946)		(414,465)
Total accumulated depreciation	(2,549,113)	(189,157)		(2,738,270)
Total capital assets, being depreciated, net	1,115,412	(148,689)		966,723
Business-type activities capital assets, net	$ 1,953,231	$ (148,689)	$ -	$ 1,804,542

Depreciation expense was charged to the following functions:

	Governmental Activities	Business-type Activities
General government	$ 671,624	$ -
Public works	1,535,090	
Community services	834,298	
Tennis and swim center		189,157
Total	$ 3,041,012	$ 189,157

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 9 Long-Term Debt

A. Changes in Long-term Debt

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

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010	Due Within One Year
Governmental activities:					
2005 Refunding Certificates of Participation	$ 3,175,000	$ -	$ (325,000)	$ 2,850,000	$ 350,000
2006 Certificates of Participation	35,000,000		(230,000)	34,770,000	240,000
Compensated absences payable	515,482	444,428	(410,030)	549,880	410,030
Capital leases payable		53,731	(896)	52,835	10,746
Other post-employment benefits	100,006	144,101	(40,240)	203,867	
Total governmental long-term debt	$ 38,790,488	$ 642,260	$ (1,006,166)	$ 38,426,582	$ 1,010,776

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

	Balance at July 1, 2009	Additions	Deletions	Balance at June 30, 2010	Due Withtin One Year
Business-type activities					
Compensated absences payable	$ 20,763	$ 21,750	$ (21,792)	$ 20,721	$ 20,721

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. The entire principal balance of $5,535,000 of the defeased bonds was paid in December 2009.

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2006. 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, 2010, were $2,850,000.

D. 2006 Certificates of Participation

On November 15, 2006, the City issued $35,000,000 Certificates of Participation (COPs) bearing interest of 3.625% and 5.0%, payable semi-annually on June 1 and December 1 commencing June 1, 2007. The certificates mature annually at various amounts through December 1, 2041. The Facilities Corporation will receive lease rental amounts sufficient to satisfy debt service on the COPs from the City. The debt proceeds were used to finance the construction of a city hall, library and civic center facility and related infrastructure, equipment and furnishings. Certificates outstanding at June 30, 2010, were $34,770,000.

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.	$ 549,880

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

F. Capital Leases Payable:

The City has entered into various lease agreements for photocopiers which qualify as capital leases. The City accounts for capitalized leases in the governmental activities by recording the lease/asset at the present value of the lease obligation $53,731. The present value of minimum lease payments at June 30, 2010 is $52,835. The implicit rate of the lease cannot be determined. The amount representing interest is based on the City's incremental borrowing rate and the amount is immaterial.

Ending	Leases
2011	$ 10,746
2012	10,746
2013	10,746
2014	10,746
2015	9,851
Total minimum lease payments	52,835
Less: Amount representing interest	-
Present value of future minimum lease payments	$ 52,835

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010, excluding compensated absences and other post-employment benefits obligation are as follows:

2005 Refunding Certificates of Participation

Fiscal Year	Principal	Interest	Total
2011	$ 350,000	$ 98,738	$ 448,738
2012	380,000	86,638	466,638
2013	395,000	73,313	468,313
2014	410,000	58,969	468,969
2015	425,000	43,569	468,569
2016-2017	890,000	36,000	926,000
Totals	$ 2,850,000	$ 397,227	$ 3,247,227

2006 Certificates of Participation

Fiscal Year	Principal	Interest	Total
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	275,000	1,454,286	1,729,286
2015	285,000	1,443,086	1,728,086
2016-2020	3,025,000	6,958,151	9,983,151
2021-2025	4,690,000	6,166,921	10,856,921
2026-2030	5,740,000	5,086,498	10,826,498
2031-2035	7,095,000	3,695,361	10,790,361
2036-2040	8,800,000	1,946,370	10,746,370
2041-2042	4,100,000	186,526	4,286,526
Totals	$ 34,770,000	$ 31,368,182	$ 66,138,182

Capital Leases Payable

Fiscal Year	Principal	Interest	Total
2011	$ 10,746	$ -	$ 10,746
2012	10,746		10,746
2013	10,746		10,746
2014	10,746		10,746
2015	9,851		9,851
Totals	$ 52,835	$ -	$ 52,835

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10 Operating Lease

The City has entered into an operating lease agreement with Honda for automobiles in March, 2009. Any operating leases with scheduled rent increases are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when incurred. For the fiscal year ended June 30, 2010, total operating lease expenditures were $33,378. Future minimum lease commitments for non-cancelable operating leases as of June 30, 2010 are as follows:

Fiscal Year Ended June 30,	Total
2011	$ 32,921
2012	24,691
Total future minimum lease payments	$ 57,612

Note 11 Defined Benefit Plan

A. Plan Description

The City of Calabasas contributes to the California Public Employees Retirement System (PERS), an agent cost-sharing 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 9.38% 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, 2010, 2009, and 2008 were $601,688, $584,968, and $505,624 respectively and were equal to the required contribution.

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 12 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 5-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 $10,000,000 for the 3-year period from July 1, 2007 through June 30, 2010.

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 $53,915,389. 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, 2010

Note 12 Risk Management (Continued)

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 13 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, 2010. A copy of the Authority financial statements can be obtained at: 100 Civic Center Way, Calabasas, CA 91302.

Note 14 Contingencies

The City has been named as a defendant in water intrusion and waste discharge complaints, construction complaints and lawsuits and claims with unpermitted grading. Such claims arise primarily from violation of waste discharge requirements for the storm water system that serves the City, complaints of the Civic Center construction by sub-contractor, violation for conducting unpermitted grading on petitioners property and damaged of property owned and maintained by the City. Management believes that the ultimate result of the pending lawsuits and claims will not have a material adverse affect upon the City's basic financial statements taken as a whole.

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 15 Post-Employment Benefits Other Than Pensions

Plan Description

Pursuant to Government Code Sections 22850 and 22857 and City Resolution 2005-966, the City administers a single-employer defined benefit healthcare plan and provides post-employment medical benefits to all retired employees in the amount of $105 per month for fiscal year 2009-10. 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. The City reports the financial activity of the plan in this financial report, and no separate financial report is prepared.

Funding Policy

The City's adopted policy is to contribute an amount sufficient to pay the current fiscal year's premium. For fiscal year 2009-10, the City contributed $40,240, which consisted of current premiums, but did not include any additional prefunding of benefits.

Annual OPEB and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and an amount actuarially determined in accordance with the parameters of GASB Statement No.45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	$ 142,435
Interest on net OPEB obligation	5,000
ARC Adjustment	(3,334)
Annual OPEB cost (expense)	144,101
Contributions made	(40,240)
Increase in net OPEB obligation	103,861
Net OPEB obligation - beginning of fiscal year	100,006
Net OPEB obligation - end of fiscal year	$ 203,867

The City 's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and 2009 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	OPEB Obligation (Asset)
6/30/2009	$ 42,429	29.8%	$ 100,006
6/30/2010	40,240	28.3%	203,867

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 15 Post-Employment Benefits Other Than Pensions (Continued)

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $881,806, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $881,806.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5 percent investment rate of return, which is the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 4 percent. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at July 1, 2009 was twenty nine years.

Note 16 Special Assessment Districts (AD) Bonds

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

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

AD#	Special Assessment Bonds	Amount of Issue	Outstanding June 30, 2010
98-1	Community Facilities District	$ 12,515,000	$ 7,780,000
2001-1 Series 2006	Community Facilities District	26,535,000	24,585,000

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, 2010, the unpaid principal balance for the defeased bonds was $24,585,000.

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 17 Net Assets and Fund Balances

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

a. Net Assets

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

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

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

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

The government-wide statement of net assets reports $13,946,912 of restricted net assets, of which $9,744,260 is restricted by enabling legislation.

b. Fund Balances

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

Note 18 Prior Period Adjustments/Restatements

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

Major Governmental Funds:

General Fund
A prior period adjustment of ($62,743) due to overstatement of accounts receivable.

Storm Damage Special Revenue Fund
A prior period adjustment of 3,918 due to understatement of accounts receivable.

Government-wide Governmental Activities:

A prior period adjustment of ($58,825) due to overstatement of accounts receivable.

Government-wide Business-type Activities:

A prior period adjustment of ($2,975) was made to the Tennis and Swim Center Fund due to an overstatement of prepaid items in the previous year.

CITY OF CALABASAS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 19 Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City of Calabasas was $752,975.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.