

**Open Space Preservation District
Special Revenue Fund
of the City of Santa Clarita**

Santa Clarita, California

**Financial Statements
and Independent Auditors' Reports**

For the Year Ended June 30, 2022



**Open Space Preservation District Special Revenue Fund
of the City of Santa Clarita
For the Year Ended June 30, 2022**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and the Members of City Council
of the City of Santa Clarita
Santa Clarita, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Open Space Preservation District Special Revenue Fund (the "Fund") of the City of Santa Clarita, California (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2022, and the change in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2022, the changes in its financial position, or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the Fund 's financial statements. The Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Honorable Mayor and the Members of City Council
of the City of Santa Clarita
Santa Clarita, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 21, 2022

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FINANCIAL STATEMENTS

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**Open Space Preservation District Special Revenue Fund
of the City of Santa Clarita
Balance Sheet
June 30, 2022**

ASSETS

Cash and investments	\$ 6,848,562
Receivables	
Interest	12,593
Taxes	108,627
Total assets	<u><u>\$ 6,969,782</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable and accrued liabilities	\$ 134,569
Total liabilities	<u>134,569</u>

Fund Balance:

Restricted for Open Space Preservation	<u>6,835,213</u>
Total fund balance	<u>6,835,213</u>
Total liabilities and fund balance	<u><u>\$ 6,969,782</u></u>

**Open Space Preservation District Special Revenue Fund
of the City of Santa Clarita**
Statement of Revenues, Expenditures, and Change in Fund Balance
For the Year Ended June 30, 2022

Revenues:

Special assessments	\$ 3,051,349
Charges for services	12,272
Investment (loss)	(158,772)
Other revenue	4,271
Total revenues	2,909,120

Expenditures:

Current:	
Open Space Preservation	801,171
Capital Outlay	1,047,423
Total expenditures	1,848,594
Excess of revenues over expenditures	1,060,526

Other Financing (Uses):

Transfers to the City	(803,341)
Net change in fund balance	257,185

Fund Balance:

Beginning of year	6,578,028
End of year	\$ 6,835,213

**Open Space Preservation District Special Revenue Fund
of the City of Santa Clarita
Notes to the Financial Statements
For the Year Ended June 30, 2022**

Note 1 – Organization and Summary of Significant Accounting Policies

A. Financial Reporting Entity

On July 17, 2007, the City of Santa Clarita (the “City”) established the Santa Clarita Open Space Preservation District (the “District”) pursuant to the provisions of the Landscape and Lighting Act of 1972, being Part 2 of Division 15 of the California Street and Highway Code. The purpose of the District is to fund a portion of the City’s open space, park and parkland program consisting of the acquisition, preservation, improvement, servicing, financing and maintenance of open-space land, parks and parkland, and appurtenant equipment and facilities, including the payment of debt service, of benefit to the property within the District. Facilities include, but are not limited to, open-space land, parks, parklands, the Santa Clarita River Watershed, trail systems and wildlife corridors. These are financed by special assessments levied on parcels within the City boundaries. The boundaries of the District are the same as the boundaries of the City. The City established the Open Space Preservation District Special Revenue Fund (the “Fund”) to account for the activities of the District. The City has title of the constructed assets within the boundaries of the District. Any debt issued for activities of the District are issued in the name of the City. The financial statements were prepared from only the accounts of the Fund and, therefore, do not present the financial position or results of operations of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

B. Fund Accounting

The Fund’s statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Fund is presented as a Special Revenue Fund of the City. The Governmental Accounting Standards Board (“GASB”) is the acknowledged standard-setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

C. Financial Statements Presentation, Basis of Accounting and Measurement Focus

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balance.

The Fund is accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in the fund balance. The primary revenue sources are special assessments and interest revenue. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered available if they are collected within 90 days of the end of the current fiscal period, except for special assessments, which are within 60 days.

Expenditures are recorded in the accounting period in which the related fund liability is incurred.

D. Cash and Investments

The Fund’s cash balance was pooled with various other City funds for deposit and investment purposes. The City’s treasurer is responsible for the cash management of the Fund’s cash balance, which pools available cash for investment purposes. The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Each City fund owns a share of pooled cash and investments, which are separately maintained, and interest income was apportioned based on its average month-end cash balances to the total of the pooled cash and investments.

**Open Space Preservation District Special Revenue Fund
of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022**

Note 1 – Organization and Summary of Significant Accounting Policies (Continued)

E. Special Assessments

Special assessment taxes are attached as enforceable liens on real property on July 1, the beginning of the fiscal year, and are due in two installments on November 1 and February 1; however, no penalties or interest are assessed until December 10 and April 10, respectively. These taxes are determined annually based on property values, subject to limits based on Proposition 13, as of January 1 of the levy year, which is prior to the end of the previous fiscal year. The County of Los Angeles bills and collects these taxes for the District and are remitted on a monthly basis.

F. Fund Balance

In the Fund's financial statements, fund balance is classified as follows:

Restricted - Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation. Expenditures as they are incurred are applied against these restricted net resources.

G. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates and assumptions.

Note 2 – Cash and Investments

The Fund's share of the City's pooled cash and investments at June 30, 2022 was in the amount of \$6,848,562.

Cash is deposited in the City's internal investment pool, which is reported at the amortized cost. The Fund does not own specifically identifiable securities in the City's pool. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the Fund are those of the City and are included in the City's basic financial statements. Please refer to the City's Annual Comprehensive Financial Report for related disclosures for cash and investments.

**Open Space Preservation District Special Revenue Fund
of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2022**

Note 3 – Transfers to Other Funds of the City of Santa Clarita

The Fund made transfers to the City's Public Financing Authority Debt Service Fund in the amount of \$785,706 for current year debt service payments for the Lease Revenue Bond Series 2016B. As of June 30, 2022, \$12,020,000 was outstanding. Revenues from the Fund are pledged for repayment of the bonds, but the City is not obligated to require additional amounts from the Fund in event the revenues of the fund are insufficient for bond repayment. Additional information regarding the Lease Revenue Bond Series 2016B is presented in the City's Annual Comprehensive Financial Report.

The Fund also made transfers to the City's General Fund in the amount of \$17,635 toward the Fund's share of pension contribution.

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SUPPLEMENTARY INFORMATION

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**Open Space Preservation District Special Revenue Fund
of the City of Santa Clarita**
Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Special assessments	\$ 3,024,693	\$ 3,024,693	\$ 3,051,349	\$ 26,656
Charges for services	85,627	85,627	12,272	(73,355)
Investment income	100,443	100,443	(158,772)	(259,215)
Other revenue	-	-	4,271	4,271
Total revenues	<u>3,210,763</u>	<u>3,210,763</u>	<u>2,909,120</u>	<u>(301,643)</u>
Expenditures:				
Operating:				
Personnel	333,386	341,942	312,443	29,499
Operations and maintenance	439,288	550,088	488,728	61,360
Capital outlay	-	2,765,445	1,047,423	1,718,022
Total expenditures	<u>772,674</u>	<u>3,657,475</u>	<u>1,848,594</u>	<u>1,808,881</u>
Excess of revenues over expenditures	<u>2,438,089</u>	<u>(446,712)</u>	<u>1,060,526</u>	<u>1,507,238</u>
Other Financing Uses:				
Transfers out	(803,341)	(803,341)	(803,341)	-
Net change in fund balance	<u>\$ 1,634,748</u>	<u>\$ (1,250,053)</u>	<u>257,185</u>	<u>\$ 1,507,238</u>
Fund Balance:				
Beginning of year			<u>6,578,028</u>	
End of year			<u>\$ 6,835,213</u>	

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