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**City of
Santa Clarita**

December 7, 1990

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

To: City Manager

It is a pleasure to submit for your information the Comprehensive Annual Financial Report of the City of Santa Clarita for the fiscal year ended June 30, 1990. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Organization of This Report

The Comprehensive Annual Financial Report is prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) and includes the report of the independent public accounting firm of KPMG Peat Marwick Main & Co.

Organization of the financial report follows the guidelines set forth by the Government Finance Officers Association of the United States and Canada (GFOA) and the California Society of Municipal Finance Officers (CSMFO). A Certificate of Achievement of Excellence in Financial Reporting is presented by the Government Finance Officers Association and an award for outstanding financial reporting by the CSMFO to those entities whose comprehensive annual financial reports are judged to substantially conform to program standards. In order to receive the awards, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report that conforms to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

The City received both awards for last year's financial report and, in my opinion, the accompanying financial report conforms to the high standards of public financial reporting and will again this year be submitted to both award programs for review.

In accordance with the above-mentioned guidelines, the Comprehensive Annual Financial Report is divided into three sections:

I. Introductory Section

*Letter of transmittal
GFOA Certificate of Achievement for Excellence in Financial Reporting
CSMFO Certificate of Award for Outstanding Financial Reporting Officials of the City of Santa Clarita
City organization chart*

II. Financial Section

*Independent auditors' report
General purpose financial statements
Notes to general purpose financial statements
Supplemental financial statements and schedules*

III. Statistical Section

Pertinent financial and non-financial data that presents historical trends and facts about the City

The Financial Section of this report has been structured so as to represent a "reporting pyramid." The significance of the levels of this pyramid are as follows:

General Purpose Financial Statements - This level includes the Independent Auditors' Report, the General Purpose Financial Statements, and Notes thereto. The Combined Financial Statements provide a summary of the City's financial position at June 30, 1990 and the results of its operations and cash flows for its proprietary fund, for the period then ended by fund type or account group.

Combining, Individual Fund and Account Group Statements and Schedules - Also presented are separate sections for the various financial statements and schedules for each fund type. They reflect financial data on each generic fund type with separate columns for each individual fund. Each separate column serves as a financial statement for that particular fund, and combining financial statements are presented in each instance where the City has more than one fund of a given fund type.

The City's accounting records for general operations are maintained on the modified-accrual basis of accounting. The revenues are recorded when measurable and available, and expenditures, except for accrued interest on long-term debt, which is recorded when due, are recorded when the liability is incurred.

Developing the City's Accounting System

In developing and evaluating the City's accounting system needs, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition; and 2), the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: 1) the cost of a specific control feature should not exceed the benefits likely to be derived; and 2), the evaluation of costs and benefits requires estimates and judgments by management.

All evaluations of the City's system of internal control will continue to occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City of Santa Clarita, as part of its progress in budget development, prepares a modified program budget by department and project. This is done in order to develop a comprehensive management and fiscal system aimed at achieving the objectives of each operating level consistent with those that have been set for the community by the City Council. Each of the City's department directors is directly responsible, not only to accomplish his/her particular goals with each program, but to monitor the use of the budget allocation consistent with the guidelines established by the City Manager. Budgetary control is accomplished at the department or project level on a City-wide basis by the department director.

Budgetary control is maintained through the use of an encumbrance system. As purchase orders are issued, corresponding amounts of appropriations are reserved during the year by the use of encumbrances for later payment so that appropriations will not be overspent.

The Reporting Entity

The City of Santa Clarita was officially incorporated on December 15, 1987, after a ballot measure was passed by the City's residents. The City operates under a Council-Manager form of government and provides, either directly or under contract with the County of Los Angeles, a full range of municipal services including public safety, public works, parks and recreation, community development, etc. This report included all funds and account groups of the City of Santa Clarita.

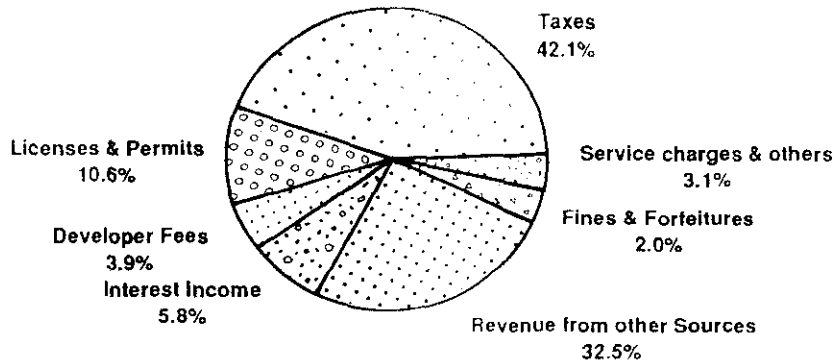
Financial Operating Results

A summary of the general fund, special revenue funds, capital projects, and expendable trust funds overall operating results for the fiscal year ended June 30, 1990, and the amount and percentage of increases and decreases in relation to prior year revenues and expenditures, is presented below. Details of these revenue and expenditure amounts, (all amounts are in thousands), by fund, can be found in the accompanying financial statement.

Fiscal Year '89-90 Revenues

	FY 89-90	PERCENT	INCREASE	PERCENT
REVENUES:	AMOUNT	OF TOTAL	DECREASE	OF INCREASE
			FROM FY 88-89	<DECREASE>
	\$15,128	42.1%	\$3,172	26.5%
TAXES	3,795	10.6	437	13.0
LICENSES AND PERMITS	1,424	3.9	1,182	488.4
DEVELOPER FEES	2,068	5.8	794	62.3
INTEREST INCOME	11,706	32.5	<653>	<5.3>
REVENUE FROM OTHER SOURCES	710	2.0	111	18.5
FINES AND FORFEITURES	1,122	3.1	890	383.6
SERVICE CHARGES AND OTHERS	35,953	100.0%	\$5,933	

Fiscal Year '89-90 Revenues



The most significant increase in actual continued revenue sources was derived from taxes. Tax revenues are a combination of property and sales taxes. A large portion of the tax revenue increase was due to collection of \$1.2 million in sales tax which resulted from sales tax audits performed by Municipal Resource Consultants that determined money was owed to the City versus the County of Los Angeles. Along with sales tax revenue, property taxes, licenses and permits and developers fees have all increased as the influx of people to the Santa Clarita Valley provide a robust and growing economy. Also, fiscal year 1989-90 represents the first year in which both secured and unsecured property taxes were received.

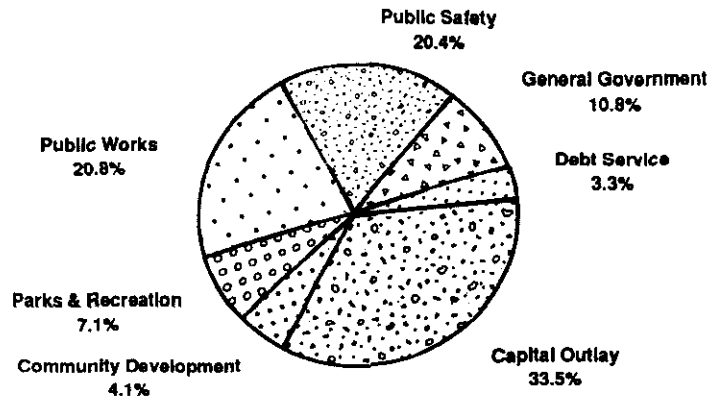
The 62.6% increase in interest income is reflective of a stable revenue flow and being able to maintain an investment portfolio averaging approximately \$21 million for twelve months in fiscal year 1989-90 as compared to approximately \$13 million average during fiscal year 1988-89.

Service charges and other revenues increased dramatically as a result of the City taking over Parks and Recreation activities from the County during fiscal year 1989-90. The City of Santa Clarita expanded its level of service to its residents during fiscal year 1989-90 by offering various Park and Recreation activities in aquatics, adult and youth sports, aerobic, and day camp excursions. The combination of directly receiving revenues for services previously paid to the County and our introducing new services represents the 383.6% increase.

Fiscal Year '89-90 Expenditures

EXPENDITURES:	FY 89-90 AMOUNT	INCREASE	PERCENT	OF INCREASE <DECREASE>
		PERCENT OF TOTAL	DECREASE FROM FY 88-89	
GENERAL GOVERNMENT	53,722	10.8%	\$1,740	87.8%
PUBLIC SAFETY	7,047	20.4	<235>	<3.2>
PUBLIC WORKS	7,174	20.8	4,094	132.9
PARKS AND RECREATION	2,443	7.1	1,365	125.9
COMMUNITY DEVELOPMENT	1,422	4.1	741	108.8
CAPITAL OUTLAY	11,569	33.5	9,692	510.9
DEBT SERVICE	1,150	3.3	297	34.8
TOTAL	34,553	100.0%	\$17,694	

Fiscal Year '89-90 Expenditures



In fiscal year 1989-90, the City experienced tremendous growth which it accommodated by expanding its services. This translates into an increase in overall general governmental expenditures as the City expanded its staffing requirements and services to the public. Public Works also experienced the same growth patterns and incurred additional expenditures in its efforts to commence a public transportation program and emergency preparedness program, create a new Building Safety Division, and coordinate various maintenance programs for the City.

During fiscal year 1989-90 the City's Parks and Recreation expenditures were undergoing a transition phase from County services to City services. This transition phase is reflective of the 125.9% increase in expenditures. The transition required the hiring of staff to continue the aquatics program from the County on January 1, 1990, to provide supervision and substantially improve the recreational programs at all the major parks and to plan for the transition to City services of all park and median maintenance for fiscal year 1990-91. New services provided by Parks and Recreation were the City newsletter and annual calendar, the first programming of a summer concert series, an expansion of the volunteer program, and one mobile recreation unit called the Parkmobile which brings games and recreation to neighborhoods without parks nearby.

Community Development expenditures increased primarily to pay approximately \$461,000 for the preparation of the City's first General Plan. The remaining increase is as a result of additional personnel and related expenditures to coordinate the City's efforts to monitor Los Angeles County's development review and approval activities, to perform work in the area of annexation, ordinance and policy development, and to carry out special studies.

The most significant increase is capital outlay. The two major capital expenditures were \$6.9 million spent to acquire land for the development of the Civic Center and \$1.6 million to construct Canyon Country Park. The remaining increase relates to resurfacing, street median development, and equipment purchases relating to an expanding city.

Gann Limit

Proposition 4, the "Gann" initiative, was passed by California voters in 1978 and is intended to limit government appropriations. According to California law, cities must use the 1978-79 appropriations as a base year and modify that figure by the composite consumer price index and population changes which have accrued in subsequent years. Because Santa Clarita is a newly incorporated city,

the Los Angeles County Local Agency Formation Commission used 1985-86 fiscal year appropriations at incorporation as the base year on which the City will modify each year. The City has since performed a study to increase the limit, and City appropriations remain below the Gann limitation and are expected to continue in that respect in the near future.

Cash Management

The City operates its pooled idle cash investments under the "Prudent Man Rule" and has adopted a formal investment policy. Such policy affords the City a broad spectrum of investment opportunities so long as the investment is deemed prudent and is permissible under current effective legislation of the State of California and other imposed restrictions.

Temporarily idle cash was invested in a variety of investment vehicles, including the State Treasurer's Local Agency Investment Fund, deposits with commercial banking institutions, U.S. government agency instruments, commercial paper and bankers acceptances. This diversification allows for flexibility and safety of the portfolio. The weighted average yield on such investments of the year was 8.6% with total interest earnings for all funds at \$2,071,455.

Debt Administration

At June 30, 1990, the City had no bonded indebtedness; however, at the time of incorporation, the City incurred "start-up" costs for contract municipal services performed by the County of Los Angeles. The amount still remaining at June 30, 1990, totaled \$1,505,302. As a condition of incorporation, such incurred costs are payable over a five-year period ending in 1993. These advanced costs bear interest at an estimated 7% per annum.

Fiduciary Operations

Trust and agency funds are maintained to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and other funds. The City's General Trust Fund is an expendable trust fund which accounts for assets and activities restricted to a specific purpose in accordance with a formal intent. An Agency fund is custodial in nature and is used to receive and disburse funds which do not belong to the City. The City's agency fund is the Deferred Compensation Plan which represents employee contributions invested in accounts with ICMA Retirement Corporation.

General Fixed Assets

The City's general fixed assets represent those fixed assets used in the performance of general governmental functions. At June 30, 1990, the City's general fixed assets aggregated \$26,015,679. This amount represents the original cost of the assets or fair market value at the date of contribution to the City. No depreciation of general fixed assets is recognized in the City's accounting system.

The General Fixed Assets Account Group does not include those assets defined as "infrastructure assets" (i.e. roads, curbs, gutters, sidewalks, etc.) Such assets are generally immovable and are deemed to be of value only to the City.

Economic Condition and Outlook

The City of Santa Clarita is moving rapidly towards the 21st century. The fourth largest city in Los Angeles County, Santa Clarita is the largest city ever to incorporate in California. It is our ambitious goal to evolve into a self-sustained city, encompassing over 200 square miles with a population of over 170,000 by the turn of the century.

The accompanying financial statements reflect an excellent financial condition for a city beginning to emerge from its infancy. Santa Clarita is widely diversified in housing, service needs and maintenance requirements. Nothing better illustrates this point than the major infrastructure needs which Santa Clarita inherited from the County. Already, substantial improvements are evident to combat the major traffic congestion problem in Santa Clarita. The Public Works Department has initiated a series of both innovative "quick fix" and long range programs to insure the necessary roads to manage future transportation needs.

On June 30, 1990, the City was two-and-one-half years old. Presently, a City staff of 99 permanent full-time employees provides a full range of services to its residents. New services enacted during the 1989-90 fiscal year includes our transit program. This program provides local, handicap, commuter and dial-a-ride programs to the community. In conjunction with City's own staff, contractual arrangements for major services, such as engineering, building and safety, police and fire protection and street sweeping are provided. On the horizon, Santa Clarita is preparing to enter into an agreement to franchise the City's local refuse haulers and begin a city-wide recycling program. In keeping with our expressed goal of becoming a self-sufficient city by the 21st century, a concerted effort is underway towards assuming all functions needed to provide efficient, effective and quality services to our populace.

During fiscal year 1989-90, the performance of the General Plan study neared completion, a geobase computer software system was installed allowing staff to identify any parcel of land within Santa Clarita, the City hired an economic development coordinator, and the City's first 5-year capital improvement plan identifying and prioritizing capital projects was completed. Additionally, a civic center site was acquired.

On the horizon for the city are many new projects to be accomplished. Currently, the city is researching the feasibility of building a city-owned, county-ran library to alleviate the increasing service demands placed upon the current county library system and moving towards acquiring a corporation yard to house the city's emerging vehicle fleet. Additionally, other projects to be accomplished include a planned regional mall operational in 1992 and a development impact fee study.

Risk Management

The city has a limited risk management program for general liability claims. As part of this comprehensive plan, resources are being accumulated in the self-insurance internal service fund, which represents estimates of amounts to be paid for reported claims and incurred but unreported claims based upon past experience, modified for current trends and information. Third party coverage is currently maintained for general liability claims greater than \$100,000 and all workers' compensation claims.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of KPMG Peat Marwick has been selected by the City Council to perform this service. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

Awards

I am pleased to report that CSMFO awarded its Outstanding Financial Reporting award and GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Clarita for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1989. Based on the latest available data from GFOA, the City of Santa Clarita was one of 106 cities in California that received this award. Nationwide, only 707 of approximately 16,086 municipal governments received this award.

A GFOA Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to GFOA Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In keeping with past practice, a copy of this Comprehensive Annual Financial Report will be placed on file in the City library and sent to City Management personnel, bond rating agencies, and other agencies (such as financial institutions and governments), which have expressed an interest in the financial affairs of the City of Santa Clarita.

Acknowledgements

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I should like to express my appreciation to all members of the department who assisted and contributed to its preparation, in particular, Susie LaSoya, Accounting Manager, Kevin Tonoian, Marilyn Creighton, Executive Secretary, and Nina Giangreco, the City's graphic artist. I should also like to thank the Mayor, members of the City Council and the City Manager, George Carvalho, for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



*Andrea Daroca
Director of Finance and General Services / City Treasurer*

Certificate of Achievement for Excellence in Financial Reporting

Presented to
City of Santa Clarita,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1989

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 (CAFR's) achieve the highest standards in government accounting and financial reporting.



Gary R. Nordhem

President

Jeffrey L. Esall

Executive Director

CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS
DEDICATED TO THE PROFESSIONAL ADVANCEMENT OF MUNICIPAL FINANCE ADMINISTRATION

Certificate of Award

FOR

OUTSTANDING FINANCIAL REPORTING

PRESENTED TO THE

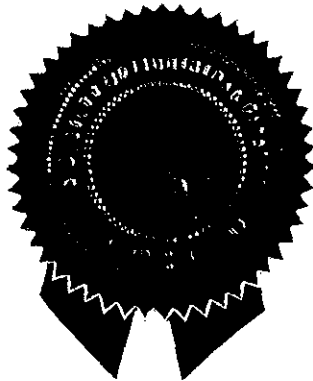
City of Santa Clarita

This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared for the fiscal year **1988-1989**

Sel Mir

Chair, Professional Standards Committee

February 23, 1990
Date



John A. DeBruin

President

February 23, 1990
Date

Officials of the City of Santa Clarita

City Council

Jo Anne Darcy *MAYOR*
Carl Boyer III *Mayor Pro-Tem*
Jan Heidt *COUNCILMEMBER*
Howard "Buck" McKeon *COUNCILMEMBER*
Jill Klajic *COUNCILMEMBER*

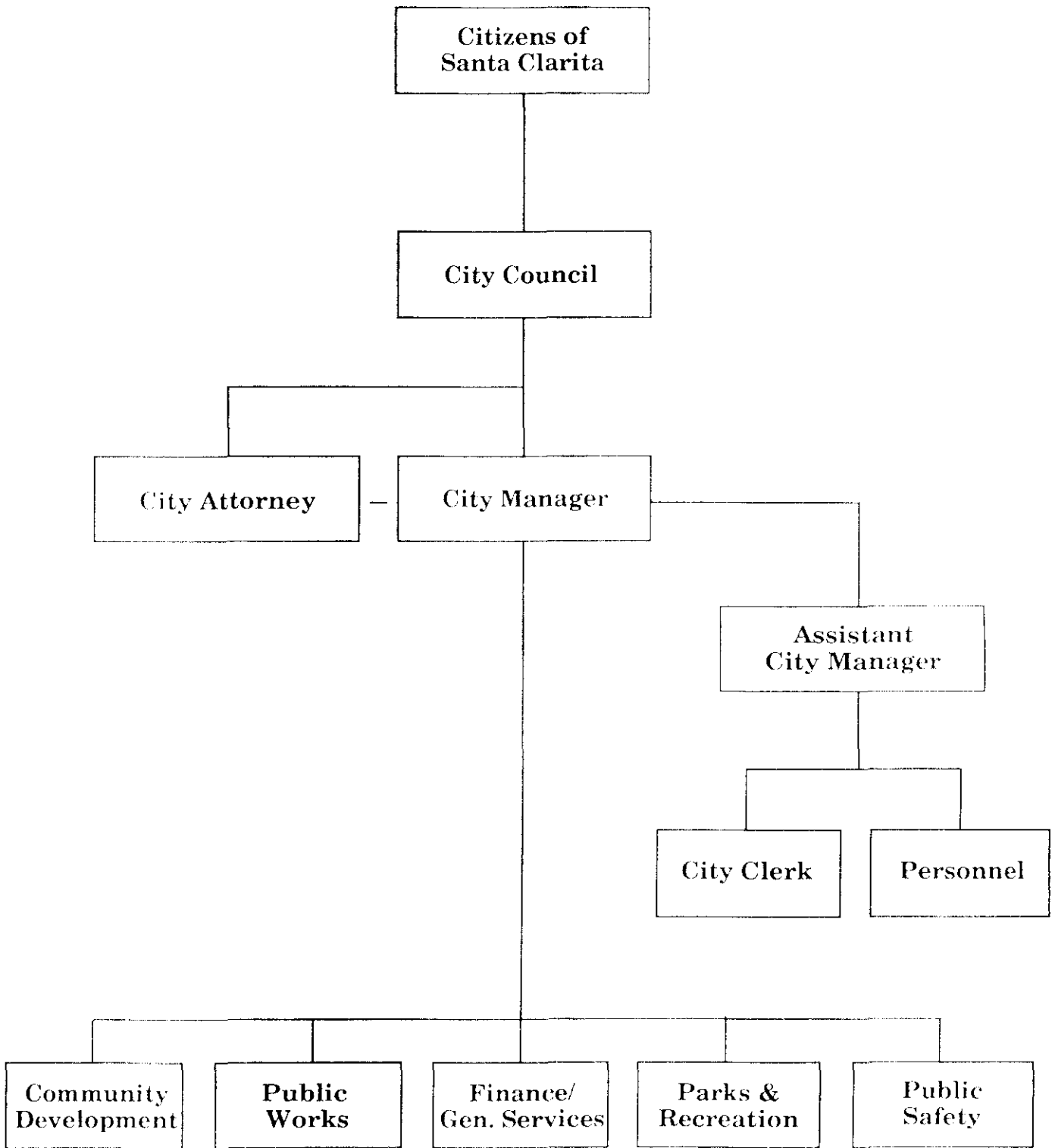
City Officials

George Carvalho *CITY MANAGER*
Kenneth Pulskamp *ASSISTANT CITY MANAGER*

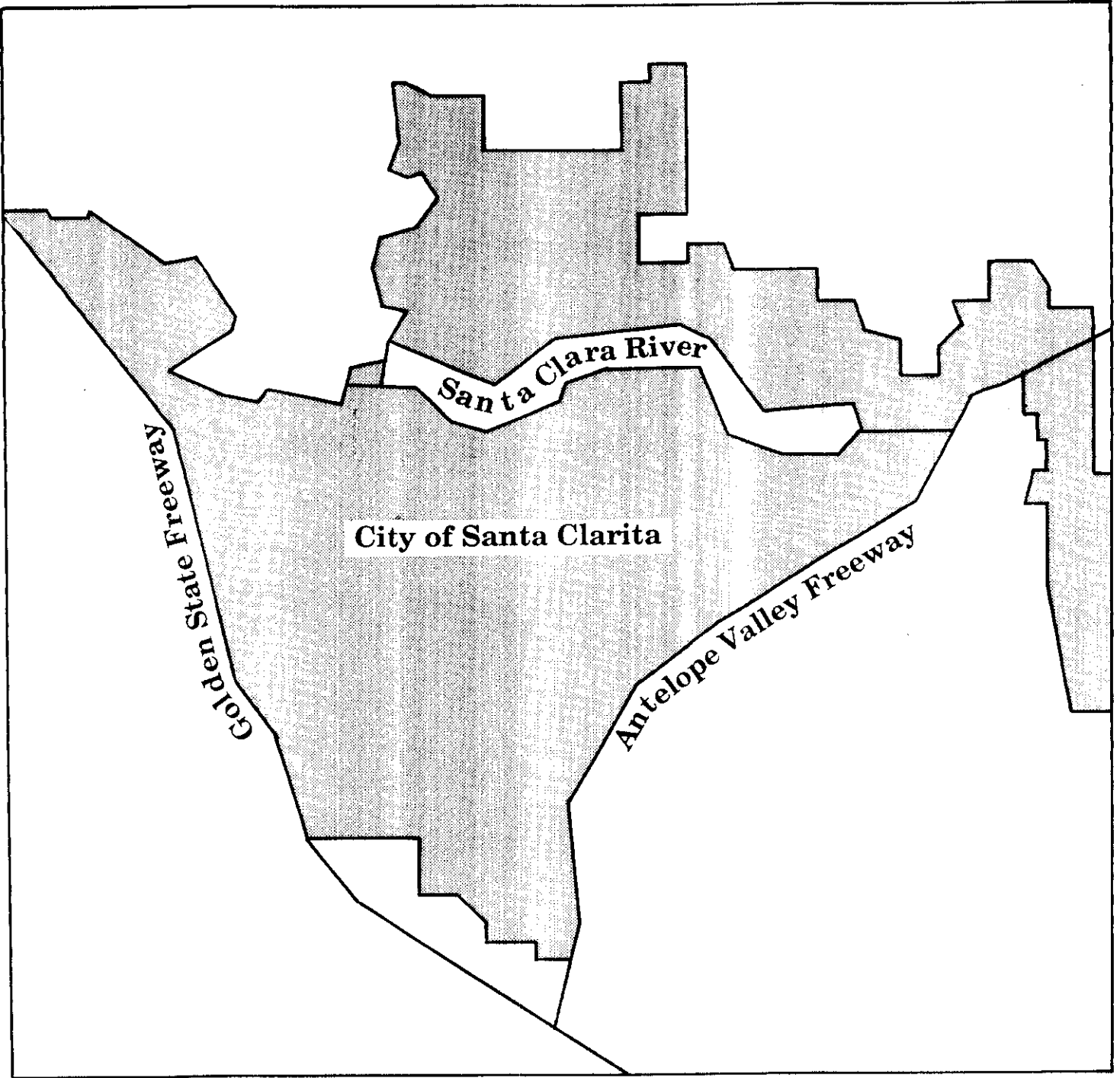
Carl Newton *CITY ATTORNEY*
Donna Grindey *CITY CLERK*
Andrea Daroca *DIRECTOR OF FINANCE /*
 GENERAL SERVICES /
 CITY TREASURER

John Medina *DIRECTOR OF PUBLIC WORKS*
Jeff Kolin *DIRECTOR OF PARKS AND*
 RECREATION
Lynn M. Harris *DIRECTOR OF COMMUNITY*
 DEVELOPMENT

City of Santa Clarita Organizational Chart



City of Santa Clarita



Scale-1"=1 3/4