NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

   A. Reporting Entity:

The City of Santa Clarita (the City), California was incorporated on December 15, 1987 as a general law city. The City operates under a council-manager form of government and provides its citizens with a full range of municipal services, either directly or under contract with the County of Los Angeles. Such services include public safety (police and fire protection), building permit/plan approval, planning, community development, recreation, animal control and street maintenance.

The Redevelopment Agency of the City of Santa Clarita (the Agency) was established in July 1991, pursuant to the State of California Health and Safety Code, Section 33000. The primary purpose of the Agency is to encourage private redevelopment of property and to rehabilitate areas suffering from economic disuse arising from inadequate street layout and street access, lack of open space, landscaping and other improvements and facilities necessary to establish and maintain the economic growth of the City.

The Santa Clarita Public Financing Authority (the Authority) was established in July 1991, as a joint power of authority between the City and the Agency for the purpose of providing financing and funding of public capital improvements and the acquisition of property.

The criteria used in determining the scope of the reporting entity are based on the provisions of Government Accounting Standards Board (GASB) Statement No. 14. The City of Santa Clarita is the primary government unit. Component units are those entities which are 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. The Agency and the Authority have been accounted for as "blended" component units of the City. Despite being legally separate, these entities are, in substance, part of the City's operations. Accordingly, the balances and transactions of these component units are reported within the funds of the City. The Agency's financial data and activity are reported within the debt service and capital projects fund types and the Authority's financial data and activity are reported within the debt service and capital projects fund types.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Reporting Entity (Continued):

The following specific criteria were used in determining that the Agency and the Authority were blended component units:

- The members of the City Council also act as the governing bodies of the Agency and the Authority.

- The Agency and the Authority are managed by employees of the City.

Financial statements for each of the individual component units may be obtained at the City's administrative offices.

B. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year, which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements imposed by the provider have been met.

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 transit enterprise fund and of the government's internal service funds are charges to customers for services. Operating expenses for the proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences which are recognized as expenditures only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

The accounts of the City are organized and operated on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City reports the following major governmental funds:

The General Fund is the primary operating fund of the City. It is used to account for all financial resources of the City that are not required to be accounted for in another fund.

The Bridge and Thoroughfare Special Revenue Fund is used to account for monies received from developers for street and highway construction through bridge and thoroughfare districts.

The Developer Fees Special Revenue Fund is used to account for monies received from developers for street improvements.

The FAU (Federal Aid Urban) Special Revenue Fund is used to account for receipts and disbursements of Federal grant funds for infrastructure capital improvements.

The Redevelopment Agency Debt Service Fund is used to account for debt service on loans from the City to the Redevelopment Agency.

The City reports the following major enterprise fund:

The Transit Enterprise Fund is used to account for the operation of the City's local public transit bus system.

Additionally, the City reports the following fund types:

The Debt Service Funds are used to account for the accumulation of resources for and payment of, interest and principal on long-term debt.

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Additionally, the City reports the following fund types (Continued):

The Internal Service Funds are used to account for the financing of special activities that provide services within the City. Such activities include self-insurance, computer replacement, vehicle replacement and public facilities replacement.

The Agency Funds are used to account for assets held by the City as an agent related to the debt service activity on no-commitment special assessment debt.

The City has conformed to the pronouncements of the Governmental Accounting Standards Board (GASB), which are acknowledged as the primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments. In accordance with GASB Statement No. 20, the City applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1) The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.

2) The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. Actual expenditures may not exceed budgeted appropriations at the functional or program level. The City Manager is authorized to transfer budgeted amounts at the program level. The City has the following programs accounted for through its governmental funds-general government, public safety, public works, parks and recreation, community development, capital outlay and debt service expenditures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Budgetary Accounting (Continued):

The City follows these procedures in establishing the budgetary data reflected in the financial statements (Continued):

3) Annual budgets for the governmental funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparison is presented for the Redevelopment Agency Debt Service Fund, Aid to Cities Special Revenue Fund, State Transportation Program Special Revenue Fund, Public Financing Authority Debt Service Fund, and Public Financing Authority Capital Projects Fund, as the City did not adopt annual budgets for these funds.

4) The City Council made several supplemental budget appropriations throughout the year, which increased budgeted appropriations in the General Fund and major Special Revenue Funds by $33,765,654.

5) Formal budgetary integration is employed as a management control device. Commitments for materials and services, such as purchase orders and contracts, are recorded during the year as encumbrances to assist in controlling expenditures. Appropriations at year end lapse, and then re-appropriated amounts are added to the following year's budgeted appropriations. At June 30, 2003, governmental fund balances have been reserved for encumbrances carried forward.

E. Cash and Cash Equivalents:

A substantial portion of the City's investments are in short-term, highly liquid instruments, with original maturities of three months or less, including investments in the California Local Agency Investment Fund and Los Angeles County Pooled Investment Fund totaling $22,557,084. For purposes of the statements of cash flows, all pooled cash and investments held by the enterprise and internal service funds are considered to be short-term and, accordingly, are classified as cash and cash equivalents.

F. Investments:

Investments are stated at fair value (see Note 2).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

G. Restricted Assets:

Certain resources set aside for the repayment of the Authority's 1997 Refunded Certificates of Participation ($53) and the City's lease obligation for sixteen buses with the Los Angeles County Transportation Commission ($567,875) reported in the Transit Fund are considered to be restricted assets because they are maintained in separate accounts and their use is limited by applicable debt covenants. $1,089,799 of unspent loan proceeds reported in the nonmajor CDBG Special Revenue Fund as cash and investments are restricted for a capital improvement project specified in the loan agreement (see Note 4E).

H. Capital Assets:

Capital assets, which include land, site improvements, buildings and improvements, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. General infrastructure assets acquired or placed in service prior to July 1, 2002 have not yet been reported. Such assets consist of roads, bridges, trails, traffic signals and sewer lines. Infrastructure assets under construction as of July 1, 2002 have been reported and are included in construction in progress. Capital assets are defined by the City as assets, which an initial cost of more than $1,000 ($100,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Equipment	5 - 12 years
Site Improvements	5 - 25 years
Buildings and Improvements	5 - 35 years
Infrastructure	26 - 60 years

I. Inventories:

Inventories are accounted for on the purchase (expenditure) method, whereby expenditures for inventory are written off as incurred. There were no significant inventories on hand at June 30, 2003.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

J. Employee Compensated Absences:

It is the government's policy to permit employees to accumulate earned but unused vacation (compensated absences). All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Vacation pay, which is expected to be liquidated in the current period with expendable available resources, is reported in the governmental funds that will pay it (primarily the General Fund).

K. Property Taxes:

Property taxes are an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on November 1 and February 1, which become delinquent on December 10 and April 10, respectively. The County of Los Angeles bills and collects property taxes for the City. Remittance of property taxes to the City is accounted for in the City's General Fund.

L. Claims and Judgments:

When it is probable that a claim liability has been incurred at year end and the amount of the loss can be reasonably estimated, the City records the estimated loss, net of any insurance coverage under its self-insurance program claims payable, which includes an estimate for incurred but not reported claims (IBNR), and is recorded in an Internal Service Fund.

M. Comparative Data:

Comparative total data for the prior year have been presented only for the Transit Enterprise Fund in the fund financial statements in order to provide an understanding of changes in the financial position and operations of this fund. Also, certain reclassifications have been made to the prior year financial data to conform with the current year's presentation.

N. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Specifically, the City has made certain estimates and assumptions related to the collectibility of its receivables (e.g. accounts receivable, intergovernmental receivables, loans receivable, amounts due from other funds and amounts advanced to other funds), the depreciation of its capital assets and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

2. CASH AND INVESTMENTS:

Authorized Investments:

Under provision of the City's investment Policy and bond indentures, and in accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

U.S. Government Securities	California Local Agency Investment Fund (LAIF)
Federal Agency Obligations	Los Angeles County Pooled Investment Fund
Bankers' Acceptances	Mutual Funds Composed Entirely of U. S.
Commercial Paper	Governmental Securities or other allowable investments
Medium Term Corporate Notes	Negotiable Certificates of Deposit

California Local Agency Investment Fund (LAIF):

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. Each City may invest up to $40,000,000 and may also invest without limitation in special bond proceeds accounts. Investments in LAIF are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of interest. 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 prorata 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. The total portfolio fair value of LAIF at June 30, 2003 was $55,709,492,881. The City's proportionate share of that value is $23,055,300 Included in LAIF's investment portfolio are certain derivative securities or similar products such as structured notes totaling $304,000,000 and asset-backed securities totaling $985,676,000. LAIF's and the City's exposure to credit, market or legal risk is not available.

Los Angeles County Pooled Investment Fund (LACPIF):

The LACPIF is a pooled investment fund program governed by the Los Angeles County Board of Supervisors, and administered by the Los Angeles County Treasurer and Tax Collector. Investments in the LACPIF are highly liquid as deposits and withdrawals can be made at anytime without penalty. LACPIF does not impose any maximum investment limit. At June 30, 2003, the total market value of the LACPIF was $14,048,795,566. The City's proportionate share of that value is $1,176,697. Information regarding derivative securities or similar products held by the LACPIF is not available. Also, LACPIF's and the City's exposure to credit, market or legal risk is not available.

2. CASH AND INVESTMENTS (CONTINUED):

Classification of Deposits and Investments By Credit Risk:

Governmental Accounting Standards Board (GASB) Statement No. 3 requires that deposits and investments be classified into three categories of credit risk. These categories are as follows:

Deposits:

Category 1 - Deposits which are insured or collateralized with securities held by the City or the City's agent in the City's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department in the City's name.

Category 3 - Deposits which are uninsured or uncollateralized.

Investments:

Category 1 - Investments which are insured or registered, or where the securities are held by the City or the City's agent in the City's name.

Category 2 - Investments which are uninsured and unregistered with securities held by the purchasing financial institution's trust department or agent in the City's name.

Category 3 - Investments which are uninsured and unregistered, with the securities held by the purchasing financial institution, or by its trust department or agent but not in the City's name.

Investments Not Subject to Categorization:

The California Local Agency Investment Fund (LAIF) and the Los Angeles County Pooled Investment Fund are investment pools managed by another government. Also, investments held by fiscal agents are not categorized because the underlying assets of these investments consist of open-ended mutual funds. All such investments are not required to be categorized under interpretive guidelines issued by the GASB.

2. CASH AND INVESTMENTS (CONTINUED):

The City's deposits and investments were categorized as follows at June 30, 2003:

Pooled Deposits:	Category 1	Category 2	Category 3	Bank Balances	Carrying Amount
Demand Accounts:					
Bank balances	$ 116,119	$ 6,811,683	$ -	$ 6,927,802	$ 4,028,559
Petty cash	2,475	-	-	2,475	2,475
Total Deposits	$ 118,594	$ 6,811,683	$ -	$ 6,930,277	4,031,034

Investments:	Category 1	Category 2	Category 3	Not Required to be Categorized	
Los Angeles County Pooled Investment Fund	$ -	$ -	$ -	$ 1,176,697	1,176,697
California Local Agency Investment Fund	-	-	-	21,380,387	21,380,387
U.S. Treasury Bills	503,898	-		-	503,898
Medium Term Corporate Notes	25,850,440	-	-	-	25,850,440
Federal National Mortgage Association	5,118,530	-	-	-	5,118,530
Federal Home Loan Bank	16,700,291	-	-	-	16,700,291
Federal Farm Credit Bank	3,744,875	-	-	-	3,744,875
Federal Home Loan Mortgage Corporation	5,041,080	-	-	-	5,041,080
Mutual Funds	-	-	-	605,997	605,997
Held By Fiscal Agents:					
California Local Agency Investment Fund	-	-	-	1,674,913	1,674,913
Mutual Funds	-	-	-	146,668	146,668
Total Investments	$ 56,959,114	$ -	$ -	$ 24,984,662	81,943,776
Total Carrying Amount (Fair Value)					$ 85,974,810

See independent auditors' report.

2. CASH AND INVESTMENTS (CONTINUED):

Total cash and investments at June 30, 2003 consisted of the following:

Government-wide:	
Cash and investments	$ 84,037,069
Cash and investments held by fiscal agent	53
Fiduciary Funds:	
Cash and investments	116,208
Cash and investments held by fiscal agents	1,821,480
Total Cash and Investments	$ 85,974,810

Allocation of Interest Income Among Funds:

Interest income from pooled investments is allocated to those funds which are required by law or administrative action to receive interest and to the proprietary funds. Interest is allocated monthly based on the cash balances in each fund receiving interest. Investments from bond proceeds are maintained separately and interest on these investments are allocated specifically to the capital projects fund that received the bond proceeds.

3. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2003 was as follows:

Governmental Activities:

	Balance at July 1, 2002	Additions	Deletions	Balance at June 30, 2003
Capital assets, not being depreciated:				
Land	$ 41,750,451	$ 775,600	$ -	$ 42,526,051
Construction in progress	29,996,812	17,616,746	(6,732,199)	40,881,359
Total capital assets, not being depreciated	71,747,263	18,392,346	(6,732,199)	83,407,410
Capital assets, being depreciated:				
Site improvements	5,785,364	1,325,750	-	7,111,114
Building and improvements	23,926,869	354,047	-	24,280,916
Equipment	7,099,681	1,458,695	(805,434)	7,752,942
Infrastructure (See Note 1H)	-	8,344,442	-	8,344,442
Total capital assets, being depreciated	36,811,914	11,482,934	(805,434)	47,489,414
Less accumulated depreciation for:				
Site improvements	(2,102,128)	(260,421)	-	(2,362,549)
Building and improvements	(5,745,539)	(714,540)	-	(6,460,079)
Equipment	(4,330,698)	(809,662)	741,103	(4,399,257)
Infrastructure	-	(82,564)	-	(82,564)
Total accumulated depreciation	(12,178,365)	(1,867,187)	741,103	(13,304,449)
Total capital assets, being depreciated, net	24,633,549	9,615,747	(64,331)	34,184,965
Total governmental activities capital, net	$ 96,380,812	$ 28,008,093	$ (6,796,530)	$ 117,592,375

See independent auditors' report.

3. CAPITAL ASSETS (CONTINUED):

Capital asset activity for the year ended June 30, 2003 was as follows (Continued):

Business-type Activities:

	Balance at July 1, 2002	Additions	Deletions	Balance at June 30, 2003
Capital assets, not being depreciated				
Land	$ 10,787,880	$ -	$ -	$ 10,787,880
Construction in progress	160,454	1,764,542	-	1,924,996
Total capital assets, not being depreciated	10,948,334	1,764,542	-	12,712,876
Capital assets, being depreciated:				
Building and improvements	13,429,485	6,799	-	13,436,284
Equipment	18,241,361	-	-	18,241,361
Total capital assets, being depreciated	31,670,846	6,799	-	31,677,645
Less accumulated depreciation for:				
Building and improvements	(1,827,235)	(425,275)	-	(2,252,510)
Equipment	(8,574,374)	(1,794,766)	-	(10,369,140)
Total accumulated depreciation	(10,401,609)	(2,220,041)	-	(12,621,650)
Total capital assets, being depreciated, net	21,269,237	(2,213,242)	-	19,055,995
Total business-type activity, capital assets, net	$ 32,217,571	$ (448,700)	$ -	$ 31,768,871

See independent auditors' report.

3. CAPITAL ASSETS (CONTINUED):

Depreciation expense:

Depreciation expense was charged to City functions/programs as follows:

Governmental activities:	
General government	$ 549,796
Public safety	10,209
Public works	248,850
Parks and recreation	740,085
Community development	40,197
Internal service funds depreciation charged to programs	195,486
Allocated depreciation	1,784,623
Unallocated infrastructure depreciation	82,564
Total depreciation expense - governmental activities	$ 1,867,187
Business-type activity:	
Transit	$ 2,220,041

Construction Commitments:

The City has active construction projects as of June 30, 2003. The projects include road projects, such as Via Princessa and Golden Valley, bridge widening projects, traffic signals and trails.

At year end, the City's commitments with contractors are as follows:

Project	Remaining Commitment
Streets	$ 3,657,409
Bridges	336,852
Sewer	113,096
Traffic Signals	427,566
Trails	176,145
Total	$ 4,711,068

4. LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2003, was as follows:

	Balance at July 1, 2002	Additions	Deletions	Balance at June 30, 2003	Due Within One Year
Governmental activities:					
Refunded Certificates of Participation - Series 1997	$ 19,475,000	$ -	$ 500,000	$ 18,975,000	$ 640,000
Certificates of Participation - Series 2001	3,200,000	-	535,000	2,665,000	625,000
Note payable	2,665,846	-	158,475	2,507,371	-
Capital leases payable (1)	202,337	58,097	76,525	183,909	80,633
Loans payable	2,940,000	1,500,000	226,087	4,213,913	330,745
Compensated absences	1,054,305	92,028	-	1,146,333	-
Total governmental activities long-term liabilities	$ 29,537,488	$ 1,650,125	$ 1,496,087	$ 29,691,526	$ 1,676,378
Business-type activity:					
Capital leases payable	$ 3,897,133	$ -	$ 808,137	$ 3,088,996	$ 852,373

(1) The beginning balance of capital leases payable has been decreased by $59,719 to agree to the actual balance as of July 1, 2002.

A. Refunded Certificates of Participation - Series 1997:

On August 1, 1997, the Santa Clarita Public Financing Authority issued $19,670,000 in Certificates of Participation with an average interest rate of 4.9% to advance refund $18,800,000 of outstanding 1991 Series certificates with an average interest rate of 6.8%. These securities were all deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 series certificates. As a result, the 1991 Series certificates are considered to be defeased and the liability for those certificates has been removed from the long-term liabilities. The defeased 1991 Series certificates have been retired. The Authority amended and restated the lease agreement that was entered into simultaneously with the refunded certificate issue with the City.

4. LONG-TERM LIABILITIES (CONTINUED):

A. Refunded Certificates of Participation - Series 1997 (Continued):

Principal amounts on $12,195,000 of serial certificates mature annually each October 1, in the years 2001 through 2015 and bear interest at rates ranging from 4.5% to 5.0%. Term certificates in the amounts of $2,370,000 and $5,105,000 are due October 1, 2017 and 2021, respectively, and each bear interest at 5%. Interest is payable semiannually on April 1 and October 1.

The certificates are subject to optional redemption on or after October 1, 2005, and on any interest payment date thereafter at a price equal to the principal amount plus accrued interest to the redemption date, plus a premium ranging from 0.0% to 2.00%. The term certificates are subject to mandatory redemption on any October 1, from 2016 to 2021, in amounts ranging from $920,000 to $1,435,000, at a price equal to the principal amount plus accrued interest to the redemption date. In addition, the certificates are subject to mandatory redemption under various other circumstances as described in the official statement dated August 1, 1997.

Future debt service requirements on the certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 640,000	$ 907,275	$ 1,547,275
2005	695,000	876,570	1,571,570
2006	730,000	843,795	1,573,795
2007	760,000	809,525	1,569,525
2008	800,000	773,645	1,573,645
2009 - 2013	4,570,000	3,262,343	7,832,343
2014 - 2018	5,675,000	2,002,125	7,677,125
2019 - 2022	5,105,000	479,625	5,584,625
Total	$ 18,975,000	$ 9,954,903	$ 28,929,903

4. LONG-TERM LIABILITIES (CONTINUED):

B. Certificates of Participation - Series 2001:

On November 16, 2001, the Santa Clarita Public Financing Authority issued $3,200,000 in Certificates of Participation for the purpose of acquiring parkland. The certificates represent direct undivided fractional interests in the lease payments to be made by the City under a lease agreement with the Authority for the use of the acquired parkland. The certificates bear interest at a rate of 4.2% through November 1, 2006. From November 2, 2006 to November 1, 2016 the interest rate will be 85% of the five year advance rate as quoted by the Seattle Federal Home Loan Bank. Interest is payable semiannually on May 1 and November 1. Principal is payable on November 1 in annual installments ranging from $100,000 to $285,000.

The certificates are subject to annual prepayment in part in cumulative maximum prepayment amounts ranging from $460,000 to $500,000 on November 1 through 2005. On November 1, 2006 and November 1, 2011, the remaining principal is subject to prepayment, in whole or in part, without premium. The Authority and City intend to prepay the certificates in full by November 1, 2006.

Future payment requirements based on the intention to prepay are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 625,000	$ 98,805	$ 723,805
2005	650,000	72,030	722,030
2006	680,000	44,100	724,100
2007	710,000	14,910	724,910
Total	$ 2,665,000	$ 229,845	$ 2,894,845

C. Note Payable:

The City entered into an agreement whereby the Price Enterprise, Inc. loaned the City $2,557,436 for the acquisition of certain public improvements. Interest on the note accrues at the rate of 10% per year. Payments are due quarterly and will equal 70% of the sales tax revenue generated from the operation of the Price Club Center (owned by the Price Enterprise, Inc.). The payments will be made for a period of 30 years or until the accrued interest and principal are paid in full, beginning October 1, 1993. In the event that payments are insufficient to fully discharge the note in 30 years, the unpaid balance of principal and interest will be forgiven. At June 30, 2003, the balance outstanding was $2,507,371.

4. LONG-TERM LIABILITIES (CONTINUED):

C. Note Payable (Continued):

On October 3, 2003, the City entered into a seven year fixed rate lease/leaseback transaction for certain capital transfer facilities with the Santa Clarita Public Financing Authority in order to pay off this note. The Authority assigned all of its rights under the leaseback transaction to Zions First National Bank. In consideration of this assignment, Zions First National Bank loaned the Authority $2,590,955, which the Authority used to pay the up-front rental payment due to the City. $2,515,603 of this amount was used to prepay in full the note payable to Price Enterprise, Inc. on October 3, 2003. The balance of the proceeds were used to pay for delivery costs. The lease/leaseback transaction calls for the City to make semiannual payments of principal and interest to Zions First National Bank on November 1 and May 1, commencing May 1, 2004. Interest is fixed at a rate of 3.64%.

D. Capital Leases Payable:

Governmental Activities:

(1) In September 1998, the City entered into a lease with an option to purchase agreement in the amount of $420,000 for the lease of a phone system through Leasing Innovations, Incorporated. Such agreement carries interest at the rate of 4.97% per annum on the unpaid principal balance. Principal and interest are payable annually from July 1 through 2005.

Future lease payment requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 62,687	$ 6,386	$ 69,073
2005	65,798	3,275	69,073
Total	$ 128,485	$ 9,661	$ 138,146

(2) In September 1999, the City entered into a lease with an option to purchase agreement in the amount of $31,892 for the lease of a two (2) copiers through Ricoh Corporation. Such agreement carries interest at the rate of 10.51% per annum on the unpaid principal balance. Principal and interest are payable monthly through October 2004.

4. LONG-TERM LIABILITIES (CONTINUED):

D. Capital Leases Payable (Continued):

Governmental Activities (Continued):

Future lease payment requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 7,511	$ 717	$ 8,228
2005	2,684	59	2,743
Total	$ 10,195	$ 776	$ 10,971

(3) In September 2002, the City entered into a lease with an option to purchase agreement in the amount of $58,097 for the lease of a tractor through John Deere Credit. Such agreement carries an interest rate of 5.25% per annum on the unpaid principal balance. The first payment of $12,868 was due with the signing of the agreement. Subsequent payments of principal and interest are due annually on September 1 through 2006.

Future lease payment requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 10,435	$ 2,433	$ 12,868
2005	10,996	1,871	12,867
2006	11,587	1,280	12,867
2007	12,211	657	12,868
Total	$ 45,229	$ 6,241	$ 51,470

4. LONG-TERM LIABILITIES (CONTINUED):

D. Capital Leases Payable (Continued):

Business-type Activities:

(1) In October 1991, the City entered into a lease with an option to purchase agreement in the amount of $4,895,000 for the lease of sixteen buses from the Los Angeles County Transportation Commission. Such agreement carries interest rates ranging from 4.9% to 6.5%, payable semiannually from July 1, 1992 through January 1, 2004.

Future lease payment requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 550,000	$ 17,875	$ 567,875

(2) In January 1998, the City entered into a lease with an option to purchase agreement in the amount of $1,539,232 for the lease of four buses. Such agreement carries interest rate at 5.2%, payable annually on January 22, 1999 through January 22, 2009.

Future lease payment requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 123,178	$ 43,692	$ 166,870
2005	129,570	37,300	166,870
2006	136,295	30,575	166,870
2007	143,369	23,501	166,870
2008	150,810	16,060	166,870
2009	158,636	8,234	166,870
	$ 841,858	$ 159,362	$ 1,001,220

(3) In December 1998, the City entered into a lease with an option to purchase agreement in the amount of $2,335,964 for the lease of six buses. Such agreement carries interest rate at 4.77%, payable annually on December 31, 1999 through December 31, 2010.

4. LONG-TERM LIABILITIES (CONTINUED):

D. Capital Leases Payable (Continued):

Business-type Activities (Continued):

Future lease payment requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 179,195	$ 80,953	$ 260,148
2005	187,742	72,406	260,148
2006	196,698	63,450	260,148
2007	206,080	54,068	260,148
2008	215,910	44,238	260,148
2009 - 2011	711,513	68,930	780,443
	$ 1,697,138	$ 384,045	$ 2,081,183

The remaining assets acquired through existing capital leases are as follows:

	Governmental Activities	Business-type Activity
Asset:		
Equipment	$ 509,989	$ 8,027,400
Less: accumulated depreciation	(267,422)	(7,096,456)
Total assets, net	$ 242,567	$ 930,944

E. Loans Payable:

In December 1999, the City entered into a loan agreement with the Secretary of Housing and Urban Development for the amount of $2,000,000. The purpose of this loan was to provide financing for the installation of curbs, gutters and sidewalks in the West Newhall area. Payments are due semi-annually, commence on August 1, 2001 and continue through August 1, 2014. Future CDBG grant funding will be used to repay the loan. Consistent with its election to prospectively report infrastructure assets beginning July 1, 2002 (see Note 1H), the City is not currently reporting the infrastructure assets constructed with the use of the proceeds of this loan prior to July 1, 2002.

In August 2002, the City entered into a loan agreement with the Secretary of Housing and Urban Development for the amount of $1,150,000. The purpose of this loan was to provide financing for the construction of improvements to Scherzinger Lane. Payments are due semiannually, commencing on February 1, 2003 and continue through August 1, 2017. Future CDBG grant funding will be used to repay the loan.

4. LONG-TERM LIABILITIES (CONTINUED):

E. Loans Payable (Continued):

In August 2002, the City entered into a loan agreement with the Secretary of Housing and Urban Development for the amount of $350,000. The purpose of this loan was to assist the Boys and Girls Club in financing the construction of a new gymnasium. Payments are due semiannually, commencing on February 1, 2003 and continue through August 1, 2017. Future CDBG grant funding will be used to repay the loan.

Future loan payment requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 230,000	$ 178,270	$ 408,270
2005	230,000	166,935	396,935
2006	230,000	154,972	384,972
2007	230,000	142,476	372,476
2008	230,000	129,524	359,524
2009 - 2013	1,150,000	440,210	1,590,210
2014 - 2018	810,000	96,463	906,463
Total	$ 3,110,000	$ 1,308,850	$ 4,418,850

On April 8, 2002, the City entered into a lease purchase agreement with the Santa Clarita Public Financing Authority to finance the purchase of real property that will be developed as an employee parking lot for the City. The Authority assigned all of its rights under the lease purchase agreement to Zions First National Bank. In consideration of this assignment, Zions First National Bank advanced the City $1,200,000. The lease purchase agreement calls for interest at a rate of 4.79% per annum on the unpaid balance. Principal and interest are payable to Zions First National Bank semiannually on October 8 and April 8 from October 8, 2002 through April 8, 2012. The asset acquired with the loan proceeds is reported in the governmental activities' capital assets as land (not being depreciated).

See independent auditors' report.

4. LONG-TERM LIABILITIES (CONTINUED):

E. Loans Payable (Continued):

Future payment requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 100,745	$ 51,685	$ 152,430
2005	105,629	46,801	152,430
2006	110,749	41,681	152,430
2007	116,117	36,313	152,430
2008	121,745	30,685	152,430
2009 - 2012	548,928	60,793	609,721
Total	$ 1,103,913	$ 267,958	$ 1,371,871

F. Compensated Absences:

There is no fixed payment schedule for earned but unpaid compensated absences.

5. LOANS RECEIVABLE:

The City has provided deferred-payment rehabilitation loans to qualified homeowners in connection with its CDBG and HOME rehabilitation programs. The loan receivable balances totaling $324,277 at June 30, 2003 have been offset by deferred revenue in the other governmental funds, since these loans are not available to finance current expenditures.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of June 30, 2003, is as follows:

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General	FAU	$ 2,542,206
	Transit	1,090,966
	Other Governmental Funds	1,558,870
		$ 5,192,042

The interfund payable balances represent routine and temporary cash flow assistance from the General Fund until the amounts receivable from other governments are collected to reimburse eligible expenditures.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED):

Advances From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Redevelopment Agency Debt Service	$ 4,031,813
	Bridge and Thoroughfare	4,925,904
Developer Fees	Redevelopment Agency Debt Service	50,313
		$ 9,008,030

Advances between the funds are to fund capital projects. Amounts will be reimbursed to the receivable fund through future developer fees and tax increment revenues.

The composition of interfund balances as of June 30, 2003, is as follows (Continued):

Interfund Transfers:

Transfer In to Fund	Transfers Out of Fund	Amount
General Fund	Developer Fees	$ 80,000
	Transit	250,000
	Other Governmental Funds	3,241,277
Developer Fees	Bridge and Thoroughfare	500,000
Redevelopment Agency Debt Service	Other Governmental Funds	187,439
Transit	Other Governmental Funds	8,471,162
Other Governmental Funds	General	3,285,968
	Redevelopment Agency Debt Service	50,000
	Transit	24,356
	Other Governmental Funds	43,167
Internal Service Funds	General	2,562,500
		18,695,869
	Internal Service Funds	42,716
		$ 18,738,585

See independent auditors' report.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED):

In the fund financial statements, total transfers out are greater than total transfers in because of the treatment of the transfer of capital assets, with a book value of $42,716, from the internal service funds. No amount was reported in the governmental funds as the amount did not involve the transfer of financial resources. However, the internal service funds did report a transfer out for the capital resources contributed to the governmental funds.

Transfers provide funding for capital projects, capital acquisitions and debt service.

7. INDIVIDUAL FUND DISCLOSURES:

A. Deficit Fund Equity:

Funds which have deficit fund equity at June 30, 2003 are as follows:

Major Governmental Funds:		
Federal Aid Urban (FAU)	$	2,542,206
Redevelopment Agency Debt Service Fund		4,082,126
Other Governmental Funds:		
State Park		191,626
TDA		4,178
Miscellaneous Grants		928,555
OCJP Grant		6,831
BJA Law Enforcement		6,070
State Transportation Program		1,217
Federal Grants		302,162
Internal Service Fund:		
Self-insurance		462,995

The City plans to remove the deficit in the Redevelopment Agency Debt Service Fund through the collection of future tax increment revenues of the Redevelopment Agency. The deficit in the FAU Fund was created by the deferral of revenues that are not considered to be available to finance current expenditures. The City expects the deficit to be eliminated upon receipt of these deferred federal grant revenues.

The City plans to remove the deficit in the Other Governmental Funds through transfers from the General Fund, developer fees, and grant revenue from other governmental agencies. The deficit in the Self-insurance Fund has been designated in the General Fund and the City plans on recovering this amount through future transfers.

7. INDIVIDUAL FUND DISCLOSURES (CONTINUED):

B. Expenditures Exceeding Appropriations:

For the year ended June 30, 2003, expenditures exceeded appropriations in the community development program/function (the legal level of budgetary control) of the Special Assessment Special Revenue Fund by $192,664, respectively. This over expenditures was funded by greater than anticipated revenues.

8. DEFINED BENEFIT PENSION PLAN:

Plan Description:

The City of Santa Clarita contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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 CalPERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

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 rate for the year ended June 30, 2003 was 2.609% for non-safety employees. The contribution requirements of plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost:

For 2003, the City's annual pension cost of $1,625,944 for CalPERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a level percent of payroll over an average remaining period of fifteen years from the valuation date. The actuarial assumptions included (a) an 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.75% to 14.20% depending on age, service and type of employment, (c) an inflation rate of 3.50%, (d) a payroll growth rate of 3.75%, and (e) individual salary growth based on a merit scale that varies by duration of employment coupled with an assumed annual inflation component of 3.50% and an annual production growth of 0.25%. The actuarial value of CalPERS' assets was determined using

8. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Annual Pension Cost (Continued):

techniques that smooth the effect of short-term volatility in the market value of investments over a three-year period (smoothed market value). Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level % of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Three-Year Trend Information for CalPERS
($ Amount in Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/01	$ 1,357	100%	$ -
6/30/02	1,413	100%	-
6/30/03	1,626	100%	-

Schedule of Funding Progress
($ Amount in Thousands)

Actuarial Valuation Date	Entry Age Normal Accrued Liability (AAL)	Actuarial Value of Assets	Unfunded AAL (UAAL)/ (Excess Assets)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	(A)	(B)	(A-B)	(B/A)	(C)	[(A-B/C]
6/30/00	$ 16,152	$ 22,266	$ (6,114)	137.9%	$ 14,175	(43.136) %
6/30/01	19,214	24,668	(5,454)	128.4%	15,249	(35.766) %
6/30/02	23,043	25,274	(2,231)	109.7%	16,770	(13.304) %

See independent auditors' report.

9. POST EMPLOYMENT BENEFITS:

In addition to the retirement benefits described in Note 8, the City provides post-retirement health care benefits in accordance with a City resolution to all employees who retire from the City on or after attaining age 50 with 5 years CalPERS credited service. The City pays the cost of the retirees enrollment including the enrollment of family members in a health benefits plan to a maximum of $500 per month.

The City funds these amounts on a pay-as-you-go basis. For fiscal year 2002-03 there were 9 eligible participants, for which the City paid $45,468 for medical insurance premiums.

10. DEFERRED COMPENSATION PLAN/DEFINED CONTRIBUTION PLAN:

The City has established Deferred Compensation/Defined Contribution plans for certain classifications of management under Internal Revenue Service Code Section 401(a). City participation in contributions to the plans is mandatory. The City is obligated to contribute amounts ranging from $2,000 to $8,000 per participant, per year. Employee contributions to certain plans are voluntary. During the year there were 17 participants. The City contributions totaled $36,499 and employees contributed $32,667. Total plan assets at June 30, 2003 were $538,239.

11. RESERVES AND DESIGNATIONS OF FUND EQUITY:

A city may set up "reserves" of fund equity to segregate fund balances or net assets which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use. Fund "designations" of unreserved fund balances also may be established to indicate tentative plans for financial resource utilization in a future period.

The City's reserves and designations at June 30, 2003 are tabulated below, followed by explanations as to the nature and purpose of each reserve and designation.

	General Fund	Bridge and Thoroughfare	Developer Fees	FAU	Other Governmental Funds
Reserves:					
Encumbrances	$4,887,806	$ 1,817,445	$ 675,258	$ 5,398	$ 6,314,062
Low/Moderate income housing	-	-	-	-	388,917
Advances to other funds	8,957,717	-	-	-	-
Prepaid items	189,092	-	-	-	-
Debt service	-	-	-	-	53
Total Reserves	$14,034,615	$ 1,817,445	$ 675,258	$ 5,398	$ 6,703,032

See independent auditors' report.

11. RESERVES AND DESIGNATIONS OF FUND EQUITY (CONTINUED):

	General Fund	Bridge and Thoroughfare	Developer Fees	FAU	Other Governmental Funds
Designations:					
Self-insurance	$ 462,995	$ -	$ -	$ -	$ -
Special revenue purposes	-	9,325,761	258,631	-	25,478,985
Capital improvements	-	-	-	-	61,511
Total Designations	$ 462,995	$ 9,325,761	$ 258,631	$ -	$ 25,540,496

A. Reserved for Encumbrances - Amounts reserved for encumbrances are commitments for materials and services on purchase orders and contracts, which are unperformed.

B. Reserved for Low/Moderate Income Housing - This reserve is for amounts set-aside from tax increment money received by the Agency for the purpose of spending on projects that benefit low/moderate income households.

C. Reserved for Advances to Other Funds - This reserve is established to reflect the advances to the Redevelopment Agency so that they will not be considered as current funds available.

D. Reserved for Prepaid Items - This reserve is to indicate these prepaid items are not “available” as a resource to meet expenditures of the current year.

E. Reserved for Debt Service - These reserves represent amounts accumulated in accordance with a bond indenture or similar covenant.

F. Designated for Self-insurance - This designation is for the deficit retained earnings in the Self-insurance Internal Service Fund.

G. Designated for Special Revenue Purposes - These funds are designated for the specific special revenue purpose as restricted by law or administrative action.

H. Designated for Capital Improvements - These funds are designated to provide for new capital additions as determined by the City Council.

12. SELF INSURANCE:

The City is self-insured for the first $250,000 on each general liability claim against the City. At June 30, 2003, $1,124,927 was accrued for general liability claims. This accrual represents estimates of amounts to be paid for incurred and reported claims as well as incurred but unreported claims based upon past experience and modified for current trends and information. While the ultimate amounts of losses incurred through June 30, 2003 are dependent on future developments, based upon information provided from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual is adequate to cover such losses. Purchased insurance coverage is currently maintained for general liability claims greater than $250,000 up to a limit of $15,000,000.

Settled claims have not exceeded any of these coverage amounts in any of the last three fiscal years and there were no reductions in the City's insurance coverage during the year ended June 30, 2003.

Changes in the reported liability since June 30, 2001, resulted in the following:

Liability as of June 30, 2001	$ 1,160,799
Claims and changes in estimates during the year ended June 30, 2002	641,028
Claims payments during the year ended June 30, 2002	(868,690)
Liability as of June 30, 2002	933,137
Claims and changes in estimates during the year ended June 30, 2003	898,795
Claims payments during the year ended June 30, 2003	(707,005)
Liability as of June 30, 2003	$ 1,124,927

13. SEGMENT INFORMATION:

Net working capital (deficit) of the Transit Enterprise System at June 30, 2003 was as follows:

Current assets	$ 1,689,642
Current liabilities payable from current assets	(3,075,768)
Net working capital (deficit)	$ (1,386,126)

See independent auditors' report.

14. NO COMMITMENT DEBT:

Community Facilities District No. 92-1 Mello Roos Bonds

On October 1, 1992, $20,000,000 of Mello Roos bonds were issued for Community Facilities District No. 92-1. The Mello Roos bonds are not a general obligation of the City and neither the faith and credit nor the taxing power of the City is pledged to the payment of these bonds. The source of debt service is from property assessments within the district. These bonds were called on November 15, 2002.

1915 Act Limited Obligation Improvements Bonds

A. On September 2, 1992, $879,432 of 1915 Act Limited Obligation Improvement Bonds for the Golden Valley Road Improvement Assessment District were issued. The 1915 Golden Valley Road Bonds are not a general obligation of the City and neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. The source of debt service is from the property assessments within the district. The principal amount of debt outstanding at June 30, 2003 was $690,000.

B. On January 13, 2001, $790,000 of 1915 Act Limited Obligation Improvement Bonds for the Vermont Drive/Everett Drive Improvement Assessment District were issued. The 1915 Vermont Drive/Everett Drive Bonds are not a general obligation of the City and neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. The source of debt service is from the property assessments within the district. The principal amount of the debt outstanding at June 30, 2003 was $690,000.

Community Facilities District No. 2002-1 Special Tax Bonds

On October 29, 2002, $17,370,000 of Special Tax bonds were issued for Community Facilities District No. 2002-1. The Special Tax bonds are not a general obligation of the City and neither the faith and credit nor the taxing power of the City is pledged to the payment of these bonds. The source of debt service is from property assessments within the district. The principal amount of debt outstanding at June 30, 2003 was $17,370,000.

15. SANTA CLARITA WATERSHED RECREATION AND CONSERVANCY AUTHORITY

In June 1992, the City entered into a joint powers agreement with the Santa Monica Mountains Conservancy to create the Santa Clarita Watershed Recreation and Conservancy Authority, (the Authority). The purpose of the Authority is to acquire, develop and conserve additional park and open space lands including water-oriented recreation and conservation projects. The governing board consists of two representatives from the Conservancy and two from the City.

Upon termination of the agreement, personal property and funds will be returned to the originating party. Any real property owned by the Authority shall be conveyed to the City unless the Authority deems otherwise. The City has an ongoing financial responsibility and an ongoing financial interest in the Authority; however, it does not have an equity interest.

Financial statements of the Authority may be obtained at the City's administrative offices.