

**CITY OF SANTA CLARITA, CALIFORNIA**

**OPEN SPACE PRESERVATION DISTRICT  
SPECIAL REVENUE FUND**

**Financial and Compliance Report**

**For the Year Ended June 30, 2016**

**CITY OF SANTA CLARITA, CALIFORNIA  
OPEN SPACE PRESERVATION DISTRICT SPECIAL REVENUE FUND**

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**For the Year Ended June 30, 2016**

**Table of Contents**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Balance Sheet .....	3
Statement of Revenues, Expenditures and Changes in Fund Balance.....	4
Notes to Financial Statements .....	5
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Open Space Preservation District .....	8
Note to Required Supplementary Information .....	9



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Open Space Preservation District Special Revenue Fund (Fund) of the City of Santa Clarita, California (City) as of and for the year ended June 30, 2016 and the related notes to the financial statements, as listed in the table of contents.

### *Management's Responsibility 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; this includes 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*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

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, 2016 and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of a 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, 2016, and the changes in financial position 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.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of revenues, expenditures, and changes in fund balance – budget and actual on page 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, 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 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 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.



Rancho Cucamonga, California  
December 21, 2016

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SANTA CLARITA, CALIFORNIA  
 OPEN SPACE PRESERVATION DISTRICT SPECIAL REVENUE FUND**

**BALANCE SHEET  
 JUNE 30, 2016**

<b>Assets</b>	<u>OSPD</u>
Pooled cash and investments	\$ 6,181,819
Receivables:	
Interest	15,339
Special assessments	32,048
Restricted assets	
Cash and investments with fiscal agents	235
<b>Total assets</b>	<u><u>\$ 6,229,441</u></u>
<b>Liabilities and fund balance</b>	
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 28,286</u>
Fund balance	
Restricted for Open Space Preservation	6,200,920
Restricted for debt service	235
<b>Total fund balance</b>	<u>6,201,155</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 6,229,441</u></u>

See notes to financial statements.

**CITY OF SANTA CLARITA, CALIFORNIA  
 OPEN SPACE PRESERVATION DISTRICT SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>OSPD</u>
<b>Revenues</b>	
Special assessments	\$ 2,273,751
Investment income	98,711
Other Revenues	86,655
<b>Total revenues</b>	<u>2,459,117</u>
 <b>Expenditures</b>	
Current:	
Open Space Preservation	420,439
Capital outlay	506,804
<b>Total expenditures</b>	<u>927,243</u>
<b>Excess of revenues over (under) expenditures</b>	<u>1,531,874</u>
 <b>Other financing sources (uses):</b>	
Transfers to other funds of the City of Santa Clarita	<u>(2,303,460)</u>
<b>Net change in fund balance</b>	<u>(771,586)</u>
 <b>Fund balance, beginning of year</b>	<u>6,972,741</u>
<b>Fund balance, end of year</b>	<u><u>\$ 6,201,155</u></u>

See notes to financial statements.

**CITY OF SANTA CLARITA, CALIFORNIA  
OPEN SPACE PRESERVATION DISTRICT SPECIAL REVENUE FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

***NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**Organization:** 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 (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.

**Basis of presentation:** 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. 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.

**Fund financial statements:** 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. However, debt service expenditures are recorded only when payment is due.

**Pooled cash and investments:** The Fund’s cash and investments balance was pooled with various other City funds for deposit and investment purposes. The City’s treasury 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 maturities 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.



**CITY OF SANTA CLARITA, CALIFORNIA  
OPEN SPACE PRESERVATION DISTRICT SPECIAL REVENUE FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

***NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)***

**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.

***Fund Balance***

**Fund financial statements:** 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 restricted fund balance.

**Use of estimates:** The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

***NOTE 2 – CASH AND INVESTMENTS***

The Fund's pooled cash and investments at June 30, 2016 was \$6,181,819. Additionally, the fund held \$235 of restricted cash and investments with fiscal agent.

The deposit and investment disclosures required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, as they relate to the pooled cash and investments, are reported in the annual report of the City. The pooled cash and investments are unrated, and average maturity is 30 days or less.

The Fund recognizes its position in the City investment pool at fair value based on information provided by the City. Deposits and withdrawals to the pool are made on the basis of \$1 and not fair value. Accordingly, the measurement of fair value of the Fund's investment in the City Investment Pool is based on uncategorized inputs not defined as Level 1, Level 2, or Level 3. Additional information regarding interest rate risk, concentration of credit risk, custodial credit risk and fair value measurements of the City's pooled cash and investments is presented in the City's Comprehensive Annual Financial Report.

**CITY OF SANTA CLARITA, CALIFORNIA  
OPEN SPACE PRESERVATION DISTRICT SPECIAL REVENUE FUND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

***NOTE 3 – TRANSFERS TO OTHER FUNDS OF THE CITY OF SANTA CLARITA***

Transfers to other funds of the City of Santa Clarita of \$2,303,460 include \$2,282,478 of transfers to the City's Public Financing Authority's capital project fund. These funds are related to the debt service of \$848,451 on the City's refunded Certificates of Participation Series 2007 and \$1,434,027 released from the Series 2007 reserve account for the new Lease Revenue Bond Series 2016B. Additional transfers to the City's General Fund totaling \$20,982 were for other post employment employee benefits and personnel costs paid for by the General Fund.

The City's Public Financing Authority issued the Lease Revenue Bonds Series 2016B in June 2016. As of June 30, 2016, \$14,020,000 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SANTA CLARITA, CALIFORNIA  
OPEN SPACE PRESERVATION DISTRICT SPECIAL REVENUE FUND**

**BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Special assessments	\$ 2,271,466	\$ 2,271,466	\$ 2,273,751	\$ 2,285
Investment income	2,892	2,892	98,711	95,819
Charges for services	10,000	52,260	86,655	34,395
<b>Total assets</b>	<u>2,284,358</u>	<u>2,326,618</u>	<u>2,459,117</u>	<u>132,499</u>
<b>Expenditures</b>				
Operating:				
Personnel	179,592	178,542	179,182	(640)
Operating	303,560	335,471	231,537	103,934
Capital outlay	9,720	1,602,040	497,736	1,104,304
Capital improvement projects:				
Operating	100,000	100,000	18,788	81,212
<b>Total expenditures</b>	<u>592,872</u>	<u>2,216,053</u>	<u>927,243</u>	<u>1,288,810</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>1,691,486</u>	<u>110,565</u>	<u>1,531,874</u>	<u>1,421,309</u>
<b>Other financing uses</b>				
Transfers to other funds of the City of Santa Clarita	(854,638)	(869,433)	(2,303,460)	(1,434,027)
<b>Net change in fund balance</b>	<u>\$ 836,848</u>	<u>\$ (758,868)</u>	<u>(771,586)</u>	<u>\$ (12,718)</u>
<b>Fund balance, beginning of year</b>			<u>6,972,741</u>	
<b>Fund balance, end of year</b>			<u>\$ 6,201,155</u>	

See note to required supplementary information.

**CITY OF SANTA CLARITA, CALIFORNIA  
OPEN SPACE PRESERVATION DISTRICT SPECIAL REVENUE FUND**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with U.S. GAAP for all governmental funds, except that encumbrances are shown in the year incurred for budgetary purposes. All annual appropriations lapse at fiscal year-end.

On or before the last day in January of each year, all operational units submit requests for appropriations to the city manager for budget preparation purposes. Before April 30, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

The appropriated budget is prepared by fund, category and department at the category level. The City reports the following categories: personnel, operating and capital outlay. Additionally, the City separately prepares a capital improvement projects budget. The City’s Department Heads, with approval of the City Manager, may make transfers of appropriations within certain line-items within a program, but may not exceed the total appropriated amounts for each category. The City Manager may approve transfers that do no change the total appropriated amount within the fund. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the category.

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are reported as restricted fund balance. Unexpended appropriations lapse at year-end.

For the year ended June 30, 2016, expenditures exceeded appropriations in the category level (legal level of budgetary control) as noted below:

Description	Appropriations	Expenditures	Excess Expenditures over Appropriations
Operating - Personnel	\$ 178,542	\$ 179,182	\$ (640)
Transfers to other funds of the City of Santa Clarita	869,433	2,303,460	(1,434,027)

Expenditures are in excess of appropriations due to additional transfers out related to the release of the Certificates of Participation Series 2007 reserve account for the debt refunding for the City’s Lease Revenue Bonds 2016B in June 2016, as well as increased personnel costs.