

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements

June 30, 1988

(1) Description of Funds and Summary of Significant Accounting Policies

Description of Funds and Account Groups

The accounts of the City of Santa Clarita (the City) are organized and operated on the basis of funds, each of which constitutes a fiscal and 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. For financial reporting purposes, the various funds of the City have been grouped according to defined fund type and are presented in this report as follows.

Governmental Fund Types

General Fund - The General Fund accounts for all the general revenue of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City.

Special Revenue Funds - Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for specific purposes.

Account Groups

General Fixed Assets Account Group - The General Fixed Assets Account Group accounts for all general capital assets owned by the City (see note 3).

General Long-Term Debt Account Group - The General Long-Term Debt Account Group accounts for the long-term debt of the City due to the County of Los Angeles (see note 4).

Reporting Entity

The City of Santa Clarita, California was incorporated on December 15, 1988 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 and recreation; animal control and street maintenance.

Generally accepted accounting principles require the inclusion of all related entities over which the City Council exercises significant influence in the City's general purpose financial statements.

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Notes to General Purpose Financial Statements, Continued

The accompanying financial statements of the City of Santa Clarita include all of the City's financial activities.

Other governmental agencies providing various levels of services within the City limits are:

- . State of California
- . County of Los Angeles
- . Los Angeles County Building Authority
- . Los Angeles County Flood Control District
- . Newhall Unified School District.

The City has no control over the selection of the governing authorities, designation of management or fiscal matters of these governmental entities, nor does the City have the ability to significantly influence their operations. Consequently, financial information for such entities is not included in the accompanying general purpose financial statements.

Basis of Accounting

The modified-accrual basis of accounting is followed by the City for its Governmental Fund Types. Under the modified-accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term available is interpreted by the City to mean those revenues that will be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Those revenue sources considered susceptible to accrual include property taxes received within 60 days of year-end, sales taxes, cigarette taxes, interest and motor vehicle license fees. Under the modified-accrual basis of accounting, expenditures are recorded when the liability is incurred, except for interest and principal on long-term debt (see note 4).

Budgetary Principles

For the period ended June 30, 1988, the City did not adopt a formal budget as the City's management considered a formal budget to be meaningless due to the recent date of incorporation of the City as a separate entity. For fiscal year 1988-89, the City anticipates adopting a formal budget.

The City does not employ encumbrance accounting.

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Notes to General Purpose Financial Statements, Continued

Cash and Investments

Investments are stated at cost, which approximates market value.

The City pools its cash and investments to maximize investment yields. Investment income resulting from this pooling is allocated to the respective individual funds based on the source of funds invested, as required by law (see note 2).

Fixed Assets

Fixed assets are recorded at cost or the estimated market value of the assets at the date of contribution.

The General Fixed Assets Account Group does not include infrastructure fixed assets (roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and the like). No depreciation is provided on general fixed assets.

Property Tax

Property taxes are an enforceable lien on property as of March 1. Taxes are levied on July 1 and are payable in two installments on November 1 and February 1. 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.

Deferred Compensation and Retirement Plans

Due to the City's recent date of incorporation, neither a deferred compensation nor a retirement plan has been adopted by the City. However, it is the City management's intention for the City's employees to participate in the California Public Employees Retirement System beginning in fiscal 1989.

Total (Memorandum Only) Information

Columns on the accompanying general purpose financial statements captioned "Total (memorandum only)" are not intended to present consolidated financial information. They are not necessary for a fair presentation of the financial statements, but are presented only as additional data.

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

(2) Cash and Investments

The City manages its pooled idle cash and investments under a formal investment policy recently adopted by the City Council and which follows the guidelines of the State of California Government Code 53601. Such policy specifically authorizes the City to invest in the following instruments: Treasury bills, Treasury notes, Federal agency securities, bankers' acceptances, nonnegotiable certificates of deposit and commercial paper. All investment activities are conducted with banks and savings and loan associations specifically approved by resolution of the Santa Clarita City Council.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, the City categorizes its cash and investments by relative physical security risk as follows:

	<u>Category</u>			Carrying amount, June 30, <u>1988</u>	Market value, June 30, <u>1988</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificate of deposit	\$ 100,000	-	-	100,000	100,000
Deposits held with bank	<u>-</u>	<u>1,028,435</u>	<u>-</u>	<u>1,028,435</u>	<u>1,028,435</u>
Subtotal	<u>\$ 100,000</u>	<u>1,028,435</u>	<u>-</u>	1,128,435	1,128,435
State Treasurer's Local Agency Investment Fund investment pool				<u>5,175,000</u>	<u>5,175,000</u>
Total cash and investments				<u>\$ 6,303,435</u>	<u>6,303,435</u>

The specific risk categories are discussed as follows:

Category 1 - Includes deposits that are insured or collateralized with securities held by the City or its agent in the City's name.

Category 2 - Includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Includes uninsured and unregistered investments for which securities are held by the broker or dealer or by its trust department or agent but not in the City's name.

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Notes to General Purpose Financial Statements, Continued

(3) Fixed Assets

Activity in the General Fixed Assets Account Group for the period ended June 30, 1988 is as follows:

	Balance, December 15, <u>1987</u>	<u>Additions</u>	Dedicated <u>assets*</u>	<u>Retirements</u>	Balance, June 30, <u>1988</u>
Land and improvements	\$ -	-	10,152,950	-	10,152,950
Buildings	-	-	2,097,118	-	2,097,118
Equipment	<u>-</u>	<u>80,357</u>	<u>198,135</u>	<u>-</u>	<u>278,492</u>
	<u>\$ -</u>	<u>80,357</u>	<u>12,448,203</u>	<u>-</u>	<u>12,528,560</u>

* These assets include those properties and their related improvements and equipment comprising the parklands within the limits of the City of Santa Clarita dedicated by the County of Los Angeles.

(4) Long-Term Obligation

Since the incorporation of the City, Los Angeles County (County) has provided various municipal services to the City. The value of such services aggregating \$3,985,616 at June 30, 1988. Pursuant to an agreement between the City and the County, the City shall pay for these services over a five-year period. Such indebtedness accrues interest at 7% per annum. At June 30, 1988, 20% of the obligation is included in current portion of long-term obligations in the General Fund; the remainder, aggregating \$3,188,493, is included in the Long-Term Debt Account Group in the accompanying financial statements. Principal and interest payments required to service this obligation to the County are as follows:

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1989	\$ 797,123	278,993	1,076,116
1990	797,123	223,195	1,020,318
1991	797,123	167,396	964,519
1992	797,123	111,597	908,720
1993	<u>797,124</u>	<u>55,799</u>	<u>852,922</u>
Total indebtedness	3,985,616	836,980	4,822,596
Less portion due within one year	<u>797,123</u>	<u>278,993</u>	<u>1,076,116</u>
	<u>\$ 3,188,493</u>	<u>557,987</u>	<u>3,746,480</u>