

*"Our mission is to deliver the best and most cost-efficient  
municipal service to the citizens of Santa Clarita."*

*Employee Philosophy*



**Notes to Gen. Purpose Financial Statements**

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### **Cityhood**

*Santa Clarita has attempted cityhood many times. In 1976 and 1977, the citizens voted in favor of self-government but were unable to win approval from the Los Angeles County electorate. In 1980, the cityhood attempt never reached the ballot due to concerns over wildlife fire protection. Finally, in 1986, the cityhood initiative reached the petition stage. A study committee was formed in response to inquiries from citizens about the advantages of local government. The study group secured the 12,000 signatures necessary to show voter approval. With the concurrence of the Los Angeles County Board of Supervisors, it was learned that cityhood was economically feasible.*

*The primary reason for the Santa Clarita cityhood movement was to maintain local control. Local control consists of keeping tax dollars within the community, being able to respond to the needs and wants of its citizens, and allowing residents and the business community the opportunity to exercise direct control over the quality of life in their community. Another goal that was very important to the residents of Santa Clarita was giving special attention to the preservation of the oak trees and the uniqueness of the area's canyons, ridgelines, and mountains.*

*The twenty-year effort to seek self-government culminated with the incorporation of Santa Clarita on December 15, 1987.*

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements

June 30, 1989

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

Reporting Entity

The City of Santa Clarita, 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 and recreation; animal control; and street maintenance.

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

The accompanying financial statements of the City of Santa Clarita include all of the City's financial activities. For 1989, there were no related entities that should be included in the general purpose financial statements.

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.

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

## CITY OF SANTA CLARITA

### Notes to General Purpose Financial Statements, Continued

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.

Capital Projects Fund - The Capital Projects Fund accounts for the acquisition or construction of the City's major capital facilities.

#### Proprietary Fund Type

Internal Service Fund - The Internal Service Fund accounts for financing the City's self-insurance programs provided to the departments of the City on a cost-reimbursement basis.

#### Fiduciary Fund Type

Expendable Trust Funds - The City's Expendable Trust Funds account for assets and activities restricted to a specific purpose in accordance with a formal intent.

#### 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 (see note 4).

#### Basis of Accounting

The modified-accrual basis of accounting is used by the City for its Governmental Fund Types and Expendable Trust Funds. 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

## CITY OF SANTA CLARITA

### Notes to General Purpose Financial Statements, Continued

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 which are recorded when due (see note 4).

The accrual basis of accounting is used by the City for its Internal Service Fund. Revenues are recognized when earned and expenses are recognized when incurred.

#### Budgetary Principles

On or before June 30, the City adopts an annual budget for the ensuing fiscal year. Formal budgets are employed as a management control device during the year for the General and certain Special Revenue Funds. The Special Revenue Funds for which the City did not adopt budgets for 1989 include:

- . Bouquet Canyon
- . Route 126
- . Special Assessment
- . Via Dona Christa
- . Via Princessa.

From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer funds within a specified dollar amount within departments. Expenditures may not legally exceed appropriations at the department level. All appropriations lapse at the end of the fiscal year to the extent they have not been expended, except for capital projects which are carried forward until such time as the project is completed.

Budget information is presented in accordance with generally accepted accounting principles. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year, which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations as adjusted for supplemental appropriations made during the year. These appropriations, representing amendments to the budget during the year, were not material in relation to the original adopted budget.

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

A reconciliation of Special Revenue Funds included and excluded from the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds to the Combined Statement of Revenues and Expenditures - Budget and Actual - General, Certain Special Revenue and Capital Projects Funds is as follows:

	Special Revenue Funds - Actual					Balance, Combined Statement of Revenues and Expenditures - Budget and Actual - General, Certain Special Revenue and Capital Projects Funds
Total revenues	\$ 8,292,907	23,788	147,051	-	35,496	8,086,572
Total expenditures	<u>1,772,995</u>	<u>609</u>	<u>280</u>	<u>2,377</u>	<u>571</u>	<u>1,726,649</u>
Excess (deficiency) of revenues over (under) expenditures	6,519,912	23,179	146,771	(2,377)	34,925	6,359,923
Other financing uses	<u>(1,285,129)</u>	-	-	(288)	-	<u>(1,284,841)</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	\$ <u>5,234,783</u>	<u>23,179</u>	<u>146,771</u>	<u>(2,377)</u>	<u>34,925</u>	<u>5,075,082</u>

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental fund types. As of June 30, 1989, the City had no outstanding encumbrances.

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).

## CITY OF SANTA CLARITA

### Notes to General Purpose Financial Statements, Continued

#### 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.

#### Deferred Compensation

The City has adopted a deferred compensation plan in accordance with Internal Revenue Code Section 457 for its eligible employees wherein they may execute an individual agreement with the City for amounts earned by them to be paid at a future date when certain circumstances are met. These circumstances are terminated by reason of death, disability, resignation, retirement or unforeseeable emergency. The deferred compensation plan has been approved by a ruling from the Internal Revenue Service. Such amounts represent a general liability of the City to its employees whose rights are equal to, but are not greater than, the rights of other general creditors with respect to such amounts.

Employees may contribute up to 25% of their annual compensation, not to exceed \$7,500 in any year, into the deferred compensation plan. Amounts accumulated by the City under the plan are included in the City's pooled cash and investments. Because of its immateriality, as of June 30, 1989, deferred compensation plan accumulated assets and related liability amounting to \$3,206 are included in the accounts of the General Fund in the accompanying general purpose financial statements.

#### Compensated Absences

Under certain circumstances, employees of the City are permitted to accumulate vacation pay and sick leave in excess of a normal year's accrual. The amount of compensated absences recorded as expenditures is the amount accrued during the year that would normally be liquidated with expendable available financial resources. As of June 30, 1989, the City's liability related to compensated absences amounting to \$38,916 is included in accounts payable and accrued liabilities of the General Fund in the general purpose financial statements.

#### Property Taxes

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.

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

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.

(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.

The City's deposits are categorized in the following table:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	Carrying amount, June 30, 1989	Bank balance, June 30, 1989
Deposits held with banks	\$ 16,646	-	-	16,646	111,194
Certificates of deposit	<u>500,000</u>	<u>900,000</u>	<u>-</u>	<u>1,400,000</u>	<u>1,400,000</u>
Total deposits	\$ <u>516,646</u>	<u>900,000</u>	<u>-</u>	<u>1,416,646</u>	<u>1,511,194</u>

- . 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 that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- . Category 3 - Includes deposits that are uninsured and uncollateralized.



CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

The City's investments are categorized in the following table:

	Category			Uncate- gorized	Carrying amount, June 30, 1989	Market value, June 30, 1989
	<u>1</u>	<u>2</u>	<u>3</u>			
U.S. Government securities	\$ 6,931,873	-	-	-	6,931,873	7,280,270
Bankers' acceptances	600,000	7,286,637	-	-	7,886,637	7,886,637
Commercial paper	-	2,282,156	-	-	2,282,156	2,291,779
State Treasurer's Local Agency Investment Fund investment pool	-	-	-	5,000,000	5,000,000	5,000,000
Total investments	\$ <u>7,531,873</u>	<u>9,568,793</u>	<u>-</u>	<u>5,000,000</u>	<u>22,100,666</u>	<u>22,458,686</u>

The specific risk categories are discussed as follows:

Category 1 - Includes investments that are insured or registered or uninsured and unregistered securities which are held by the City or its agent in the City's name.

Category 2 - Includes investments they are uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the City's name.

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

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

(3) Fixed Assets

Activity in the General Fixed Assets Account Group for the period ended June 30, 1989 is as follows:

	Balance, July 1, 1988	Additions	Retirements	Balance, June 30, 1989
Land and improvements	\$ 10,152,950	961,783	-	11,114,733
Buildings	2,097,118	-	-	2,097,118
Equipment	<u>278,492</u>	<u>935,583</u>	<u>-</u>	<u>1,214,075</u>
	\$ <u>12,528,560</u>	<u>1,897,366</u>	<u>-</u>	<u>14,425,926</u>

(4) Long-Term Obligation

During an interim period between the incorporation of the City and June 30, 1988, Los Angeles County (County) provided various municipal services to the City. The original value of such services was determined to be \$3,985,616. Pursuant to an agreement between the City and the County, this amount is payable over a four-year period. Such indebtedness accrues interest at a rate equivalent to the rate of interest earned by the Los Angeles County Treasury Pool, which was estimated to be 7% throughout fiscal year 1989. As of June 30, 1989, the remaining balance due to the County is \$2,533,212.

Principal and interest payments required to service this obligation to the County are estimated to be:

Fiscal year	Principal	Interest	Total
1990	\$ 633,303	177,325	810,628
1991	633,303	132,994	766,297
1992	633,303	88,662	721,965
1993	<u>633,303</u>	<u>44,331</u>	<u>677,634</u>
Total indebtedness	\$ <u>2,533,212</u>	<u>443,312</u>	<u>2,976,524</u>

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

The following is a summary of the changes in the City's long-term obligation to the County of Los Angeles for the year ended June 30, 1989:

Balance at July 1, 1988	\$ 3,188,493
Deletions	<u>655,281</u>
Balance at June 30, 1989	\$ <u>2,533,212</u>

(5) Interfund Receivables and Payables

Individual fund interfund receivable and payable balances as of June 30, 1989 are as follows:

<u>Fund</u>	<u>Due from</u>	<u>Due to</u>
General Fund	\$ 1,183,077	50,634
Special Revenue Funds:		
Bikeway	-	13,739
Gas Tax	-	316,769
Park Improvement	240,677	400,043
"Proposition A" Funds	1,166,292	458,459
State Park	-	240,677
Traffic Safety	-	7,806
Transportation Development		
Act (TDA) Funds - streets		
and roads	-	1,152,553
Capital Project Fund	<u>50,634</u>	<u>-</u>
	\$ <u>2,640,680</u>	<u>2,640,680</u>

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

(6) Operating Leases

Lessee

The City has entered into an operating lease agreement with Saunders Management Corporation for the present City Hall location. The lease payments are subject to an increase beginning February 1, 1991, based on the consumer price index. The following is a schedule of future minimum lease payments:

1990	\$	400,090
1991		400,090
1992		400,090
1993		400,090
1994		133,364
Thereafter		<u>-</u>
Total minimum lease payments	\$	<u>1,733,724</u>