

**City of
Santa Clarita**

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November 27, 1989

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

To: City Manager

Jan Heidt
Mayor

Jo Anne Darcy
Mayor Pro-Tem

Carl Boyer, III
Councilmember

Dennis M. Koontz
Councilmember

Howard "Buck" McKeon
Councilmember

It is a pleasure to submit for your information the Comprehensive Annual Financial Report of the City of Santa Clarita for 1988-89. This financial report covers the period from July 1, 1988, to June 30, 1989.

Organization of This Report

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

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

In my opinion, the accompanying financial report conforms to the high standards of public financial reporting and will be submitted to both award programs for review.

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

I. Introduction Section

Letter of transmittal
City organization chart

II. Financial Section

Report of independent auditors
Combined financial statements
Notes to financial statements

Supplemental statements

III. Statistical Section

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

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

General Purpose Financial Statements—This level includes the Independent Auditor's Report, the Combined Financial Statements, and Notes to Combined Financial Statements. The Combined Financial Statements provide a summary of the City's financial position at June 30, 1989, and the results of its operations for the period then ended by fund type or account group.

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

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

Developing the City's Accounting System

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

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

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

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

The Reporting Entity

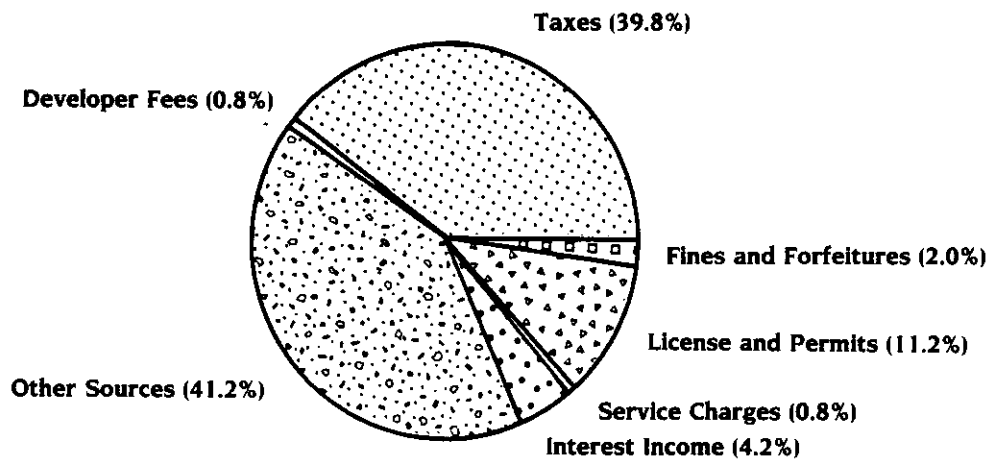
The City of Santa Clarita was officially incorporated on December 15, 1987, after a ballot measure was passed by the City's residents. The City operates under a Council-Manager form of government and provides, either directly or under contract with the County of Los Angeles, a full range of municipal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

Financial Operating Results

A summary of the City's overall operating results for the period from July 1, 1988, through June 30, 1989, is presented below. Details of these revenue and expenditure amounts, (all amounts are in thousands), by fund, can be found in the accompanying financial statement.

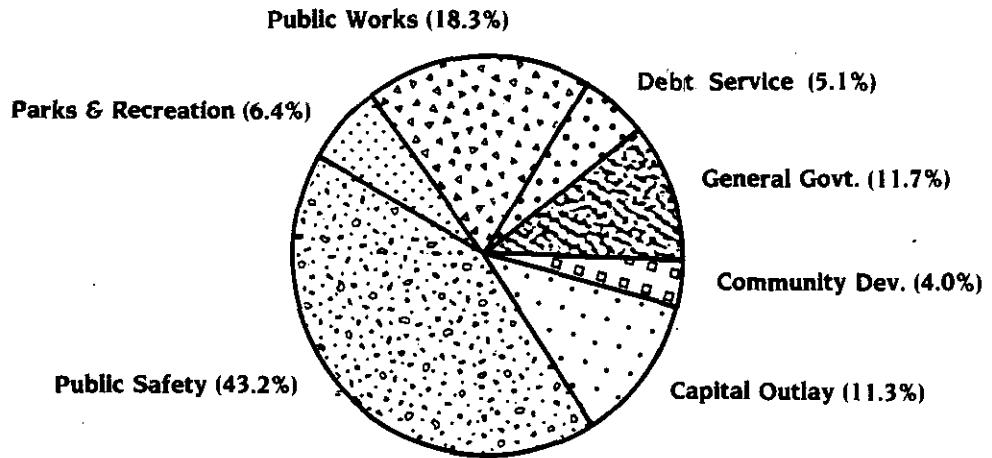
Fiscal Year '88-89 Revenues

REVENUES:	<u>Amount</u>	<u>Percent of Total</u>
Taxes	\$11,956	39.8%
Licenses and permits	3,358	11.2
Developer fees	242	.8
Interest income	1,274	4.2
Revenue from other sources	12,359	41.2
Fines and forfeitures	599	2.0
Service charges and others	233	.8
TOTAL	<u>\$30,021</u>	<u>100.0%</u>



Fiscal Year '88-89 Expenditures:

EXPENDITURES:	<u>Amount</u>	<u>Percent of Total</u>
General government	\$ 1,982	11.7%
Public safety	7,282	43.2
Public works	3,080	18.3
Parks and recreation	1,084	6.4
Community development	681	4.0
Capital outlay	1,897	11.3
Debt service	853	5.1
TOTAL	<u>\$16,859</u>	<u>100.0%</u>



The City's recent incorporation date and last year's subsequent partial year of only six month's operation and non-eligibility to receive property tax for that period effectively preclude comparison or analysis of the foregoing revenue and expenditures against prior 1987-88 operations. The City's fiscal year 1988-89 report reflects an excellent financial condition for a newly incorporated City, and the City Council can be assured that subsequent annual financial reports will include management's comparative analysis of the City's continued financial stability.

Gann Limit

Proposition 4, the "Gann" initiative, was passed by California voters in 1978 and is intended to limit government appropriations. According to California law, cities must use the 1978-79 appropriations as a base year and modify that figure by the composite consumer price index and population changes which have accrued in subsequent years. Because Santa Clarita is a newly incorporated City, the Los Angeles County Local Agency Formation Commission used 1985-86 fiscal year appropriations at incorporation as the base year on which the City will modify each year. City appropriations remain below the Gann limitation and are expected to continue in that respect in the near future.

has been a concerted effort to move very quickly to assume all functions needed to provide efficient, effective and quality services to its populace.

During fiscal year 1988-89, an expanded City Hall location was occupied, the performance of a General Plan study is underway, and a computer hardware/software system was installed with all financial records on-line. A sphere of influence plan has been prepared and will be voted on by the Local Agency Formation Committee in November, 1989. A bright future is on the horizon for the City, although many projects remain to be accomplished including a planned regional mall operational by 1991, increased space in the auto mall, and a city-planned economic development strategy budgeted. A space study and land acquisition is in process for the City Hall and corporation yard.

Acknowledgments

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

Respectfully submitted,



*Andrea Daroca
Director of Finance/City Treasurer*

City Council

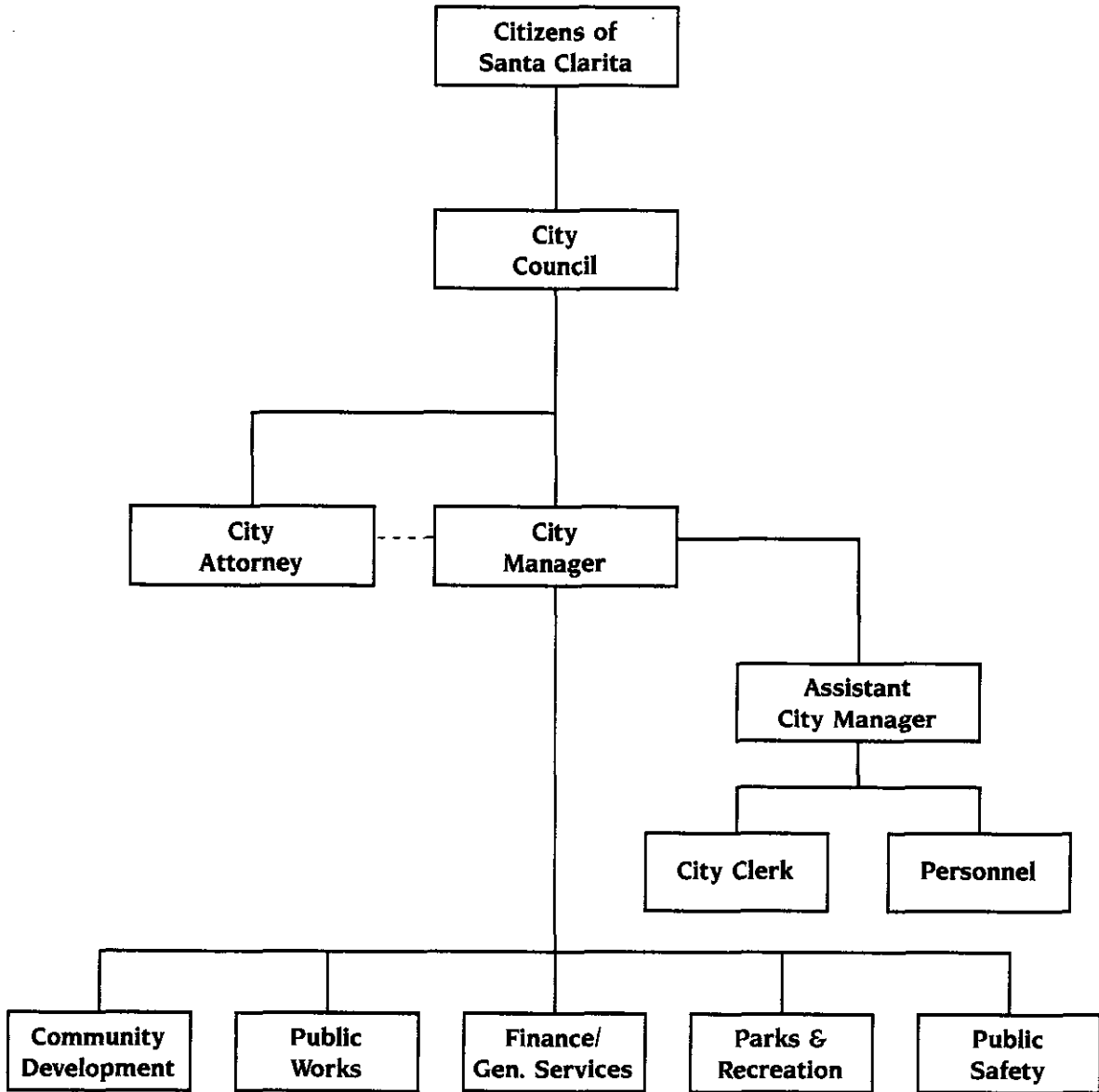
Jan Heidt MAYOR
Jo Anne Darcy MAYOR PRO TEM
Carl Boyer, 3rd COUNCILMEMBER
Dennis M. Koontz COUNCILMEMBER
Howard "Buck" McKeon COUNCILMEMBER

City Officials

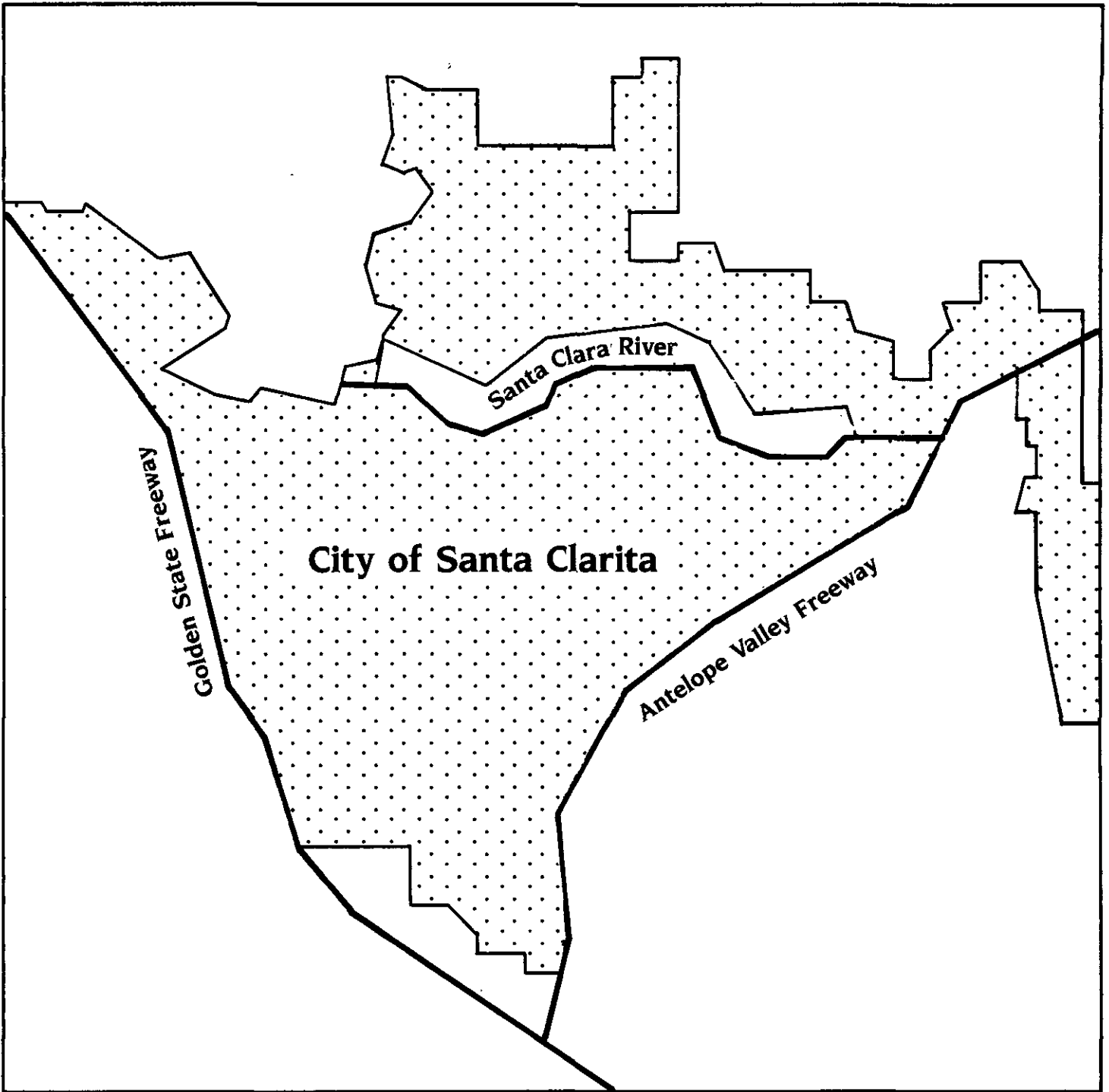
George Caravalho CITY MANAGER
Kenneth Pulskamp ASSISTANT CITY
MANAGER
Carl Newton CITY ATTORNEY
Donna Grindey ASSISTANT CITY CLERK
Andrea Daroca DIRECTOR OF FINANCE/
GENERAL SERVICES/
CITY TREASURER
John Medina DIRECTOR OF
PUBLIC WORKS
Jeff Kolin DIRECTOR OF PARKS
AND RECREATION
(vacant) DIRECTOR OF
COMMUNITY
DEVELOPMENT

City of SANTA CLARITA

Organizational Chart



City of Santa Clarita



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Scale—1" = 1¼ miles