



■
*Notes to General Purpose
Financial Purpose*

Notes to Gen. Purpose
Financial Statements

NOTES TO FINANCIAL STATEMENTS

CITY OF SANTA CLARITA
NOTES TO FINANCIAL STATEMENTS

June 30, 1996

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 and recreation, animal control and street maintenance.

The Santa Clarita Redevelopment Agency (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 Agency is in the process of forming a project area.

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 GASB Statement 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 so intertwined with the City that they 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 transactions are reported as a separate Capital Project Fund and Debt Service Fund and the Authority transactions are set forth as a separate fund in the Debt Service Funds.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

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.

The City's comparative financial statements as of, and for the year ended, June 30, 1995, have been presented herein to include the City, Agency and Authority. However, prior year comparisons for each individual fund are not presented, since their inclusion would make the statements unduly complex and difficult to read.

b. Description of Fund Types and Account Groups:

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. For financial reporting purposes, the various funds for the City have been grouped according to defined fund types and account groups and are presented in this report as follows:

Governmental Fund Types:

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 - account for the proceeds of specific revenue sources that are restricted by law or administrative action for specified purposes.

Debt Service Funds - account for accumulation of resources for, and payment of, interest and principal on long-term debt.

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

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

b. Description of Fund Types and Account Groups (Continued):

Proprietary Fund Types:

Enterprise Fund - accounts for operations that are financed and operated in a manner similar to private enterprises, where the intent of City Council is that the costs and expenses, including depreciation and amortization, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - account for activities involved in rendering services to departments within the City. Costs of materials and services used are accumulated in these funds and are charged to the user departments as such goods are delivered or services rendered.

Fiduciary Fund Types:

Expendable Trust Fund - account for assets and activities restricted to a specific purpose in accordance with a trust agreement.

Agency Funds - account for assets held by the City as an agent for the City employees' deferred compensation plan and assets held by the City as agent for the Community Facilities District 92-1.

Account Groups:

General Fixed Assets Account Group - account for fixed assets of the City, except for those accounted for in proprietary fund types.

General Long-Term Debt Account Group - account for long-term debt of the City, except for debt accounted for in proprietary fund types.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Basis of Accounting:

Governmental fund types and the expendable trust fund are accounted for using the modified accrual basis of accounting. Generally, revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Revenues which are susceptible to accrual include property taxes received within 60 days after year end, taxpayer assessed taxes, such as sales taxes, and earnings on investments. Licenses, permits, fines, forfeits, charges for services and miscellaneous revenues are recorded as governmental fund type revenues when received in cash because they are not generally measurable until actually received. Grant funds which are reported in governmental fund types are recorded as a receivable when earned rather than when susceptible to accrual. Generally, this occurs when authorized expenditures are made under the grant program. Generally grant funds received before the revenue recognition criteria have been met are reported as deferred revenue. Expenditures are recognized when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is followed by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

Agency fund types are accounted for on the modified accrual basis of accounting. Agency type funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations.

For purposes of these general purpose financial statements, the City has conformed to the pronouncements of the Governmental Accounting Standards Board (GASB) which are acknowledged as the primary authoritative statements of generally accepted accounting principles 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 Principals Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. Measurement Focus:

All governmental funds and the expendable trust fund are accounted for on a spending or "financial flow" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets, with the exception that the noncurrent portion of long-term receivables due to governmental funds are reported on their balance sheets, offset by fund balance reserve accounts. Statements of revenue, expenditures and changes in fund balances for governmental funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included on the balance sheets. Their reported fund equity presents total net assets. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in total net assets.

e. 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. There were no significant non-budgeted financial activities. 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 and capital expenditures.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. Budgetary Accounting (Continued):

- 3) Budgets for the General, Special Revenue Funds, Debt Service Funds and Capital Project Funds are adopted on a basis substantially consistent with generally accepted accounting principles. Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. No budgetary comparison is presented for the Community Facilities District No. 92-1 Capital Project Fund, or the Redevelopment Debt Service Fund as the City does not adopt annual budgets for these types of funds. The following is a reconciliation of fund balance for budgeted and nonbudgeted funds.

	Capital Project
Fund Balance - Budgeted Funds	\$ 2,922,792
Fund Balance - Nonbudgeted Funds	<u>22,324</u>
Total Fund Balance	<u>\$ 2,945,116</u>

- 4) The budgetary information shown for revenues and expenditures represent the original adopted budget adjusted for any changes made by the City Council or City Administrator. For the year ended June 30, 1996, budgeted appropriation in the governmental funds increased from \$77,840,109 to \$89,304,303.
- 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 reappropriated amounts are added to the following year's budgeted appropriations. At June 30, 1996 fund balances have been reserved for encumbrances carried forward.

f. Cash and Investments:

Investments are stated at cost (see Note 2), except that investments recorded in the Deferred Compensation Agency Fund are reported at market value. If market values decline below cost, no loss is recorded as such declines are considered temporary. The City's practice is to hold investments until maturity or until market values equal or exceed cost. However, if the liquidity needs of the City were to require that investments be sold at a loss subsequent to year end, the decline in value would be recorded as a loss at year end.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f. Cash and Investments (Continued):

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 \$15,884,531. 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.

g. Fixed Assets:

General fixed assets are not capitalized in the fund used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental fund types, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. General fixed assets acquired by capital lease are recorded as expenditures and other financing sources in the acquiring governmental fund. These obligations are then reflected in the general fixed assets and long-term debt account groups. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. Assets in the General Fixed Assets Account Group are not depreciated.

Fixed assets purchased by proprietary fund types are capitalized at historical cost, while contributed assets are recorded at fair market value on the date donated. Depreciation is charged to operations using a straight-line method, based on the average useful life of the asset. The estimated useful lives of the assets are as follows:

Equipment	5-12 years
Building	35 years

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

h. Employee Compensated Absences:

It is the government's policy to permit employees to accumulate earned but unused vacation (compensated absences). Vacation pay which is expected to be liquidated with expendable available resources is reported as an expenditure and liability of the governmental fund that will pay it. Compensated absences in the amount of \$482,038 which are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group.

i. 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, 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.

j. 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, 1996.

k. Claims and Judgements:

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 include an estimate for incurred but not reported claims (IBNR), and is recorded in an Internal Service Fund.

l. Total Columns on Combined Financial Statements:

The combined financial statements include total columns which aggregate the financial statements of the various fund types and account groups. The columns are designated "Memorandum Only" because the totals are not comparable to a consolidation in that interfund transactions are not eliminated.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

2. CASH AND INVESTMENTS:

The City manages its pooled idle cash and investments under a formal investments policy reviewed and adopted annually by the City Council and which follows the guidelines of the State of California Government Code. The City's investment policy specifically authorizes the City to invest in the following instruments: Treasury bills, Treasury notes, Federal agency securities, bankers' acceptances, negotiable and nonnegotiable certificates of deposit, commercial paper, the California Local Agency Investment Fund, the Los Angeles County Pooled Investment Fund, and money market mutual funds.

Classification of Deposits and Investments By Credit Risk:

GASB 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 by the FDIC.

Category 2 - Deposits which are collateralized. The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. The City Treasurer may waive the collateral requirement for deposits which are fully insured up to \$100,000 by the FDIC. The collateral for deposits in Federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as a third-party trustee. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Category 3 - Deposits which are uninsured or uncollateralized.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

2. CASH AND INVESTMENTS (CONTINUED):

Classification of Deposits and Investments By Credit Risk (Continued):

Investments:

- Category 1 - Investments which are insured by the Securities Investors Protection Corporation (SIPC), or investments which are held in definitive (i.e. physical) form by the City or the City's agent in the City's name, or investments acquired through the federal reserve book-entry system where the financial institution or broker/dealer associated with the purchases is separate from the custodial safekeeping agent on the same investments and where the investments are recorded on the books and records of the financial institution or broker/dealer in the name of the City.
- Category 2 - Investments which are uninsured, where the investments are acquired through a financial institution's investment or trading department, but are held in the same financial institution's trust department and are recorded in the City's name in the trust department's systems and records.
- Category 3 - Investments which are uninsured, 1) where the investments are acquired through a financial institution's investment department but are held for custodial purposes in the same financial institution's safekeeping department, or 2) where the investments are acquired through a financial institution's trust department, and held for custodial safekeeping by the same trust department, or 3) where the investments are acquired through, and held for safekeeping by, the same broker/dealer or 4) where investments are not held in the City's name in the systems and records of the financial institution or broker/dealer.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

2. CASH AND INVESTMENTS (CONTINUED):

Investments Not Subject to Categorization:

Investments in the California Local Agency Investment Fund (LAIF) and the Los Angeles County Pooled Investment Fund are not categorized, as GASB 3 does not require categorization of investment pools managed by another government. Also, investments of the Deferred Compensation Plan are not categorized, because the underlying assets of these funds consist primarily of guaranteed investment contracts (GICs) issued by insurance companies annuity contracts or open-ended mutual funds. All such investments are not required to be categorized under interpretive guidelines issued by the GASB.

California Local Agency Investment Fund (LAIF):

The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The City and the Agency each may invest up to \$20,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. At June 30, 1996, the total market value of LAIF was \$26,851,615,143. The City's proportionate share of that value is \$15,863,432. Included in LAIF's investment portfolio are certain derivative securities or similar products such as structured notes totalling \$1,100,720,000 and asset backed securities totalling \$313,945,000. LAIF's and the City's exposure to credit, market, or legal risk is not available.

Los Angeles County Pooled Investments Fund (LACPIF):

The LACPIF is a pooled investment fund program governed by the Los Angeles County Board of Supervisors and is administered by the Los Angeles County Treasurer. Investments in LACPIF are highly liquid as deposits and withdrawals can be made at any time without penalty. At June 30, 1996, the market value of LACPIF was \$6,038,418,669. The City's proportionate share of that value is \$62,672. In addition, there is no investment limit and interest earnings are calculated monthly and credited quarterly. Information on LACPIF's use of derivative securities in its investment portfolio, and LACPIF's and the City's exposure to credit, market, or legal risk is not available.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

2. CASH AND INVESTMENTS (CONTINUED):

Deposits and investments were categorized as follows at June 30, 1996:

Deposits:	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand accounts	\$ 141,850	\$ 618,869	\$ -	\$ 760,719	\$ 381,357

Investments:	Category			Not Required To Be Categorized	Contractual/ Market Value
	1	2	3		
Investments with fiscal agents:					
Los Angeles County Pooled Investment Fund(LACPIF)	\$ -	\$ -	\$ -	\$ 13,915	\$ 13,915
Mutual Funds	-	-	-	4,253,459	4,253,459
United States Treasury Bills	-	-	2,091,753	-	2,091,753
Federal National Mortgage Assoc. United States	-	-	2,442,328	-	2,442,328
Treasury Notes	-	-	2,597,999	-	2,597,999
Federal Home Loan Bank	-	-	1,502,089	-	1,502,089
Commercial paper Bankers acceptance	-	-	1,498,069	-	1,498,069
California Local Agency Investment Fund (LAIF)	-	-	2,484,797	-	2,484,797
Los Angeles County Pooled Investment Fund (LACPIF)	-	-	15,821,802	15,821,802	15,821,802
Deferred compensation	-	-	48,814	48,814	48,770
Total Investments	\$ -	\$ -	\$12,617,035	\$23,314,167	\$35,931,202
					\$35,909,837

TOTAL CARRYING AMOUNT (BOOK BALANCES) \$ 36,312,559

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

2. CASH AND INVESTMENTS (CONTINUED):

Cash and investments are reported in the accompanying combined balance sheet as follows:

Cash and investments	\$ 28,869,007
Cash and investments with fiscal agent	<u>7,443,552</u>
	<u>\$ 36,312,559</u>

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 which received the bond proceeds.

3. PROPERTY, PLANT AND EQUIPMENT:

Changes in the General Fixed Assets Account Group for the year ended June 30, 1996 are as follows:

	Balance July 1, 1995	Additions	Retirements	Balance June 30, 1996
Land and improvements	\$25,897,515	\$ 3,402,609	\$ -	\$ 29,300,124
Buildings	13,487,501	152,603	-	13,640,104
Equipment	<u>5,650,643</u>	<u>596,448</u>	-	<u>6,247,091</u>
Totals	<u>\$45,035,659</u>	<u>\$ 4,151,660</u>	<u>\$ -</u>	<u>\$ 49,187,319</u>

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED):

Changes in the proprietary fund property, plant and equipment for the year ended June 30, 1996 are as follows:

	Balance July 1, 1995	Additions	Deletions	Balance June 30, 1996
Enterprise Fund				
Equipment acquired by capital lease	\$ 6,162,479	\$ -	\$ -	\$ 6,162,479
Equipment purchased	311,924	6,308	-	318,232
Building	3,657,462	551,493	-	4,208,955
Land	1,743,027	-	-	1,743,027
Less: accumulated depreciation	11,874,892 (2,289,347)	\$ 557,801	\$ -	12,432,693 (2,966,692)
Net Assets	<u>\$ 9,585,545</u>			<u>\$ 9,466,001</u>
Internal Service Fund				
Equipment	\$ -	\$ 195,848	\$ -	\$ 195,848

4. GENERAL LONG-TERM DEBT:

The following is a summary of the changes in the City's general long-term debt for the year ended June 30, 1996:

	Balance July 1, 1995	Additions	Deletions	Balance June 30, 1996
Financing Authority				
Revenue Bonds - Series 1991	\$20,580,000	\$ -	\$ 865,000	\$ 19,715,000
Notes payable	3,435,724	17,941	174,967	3,278,698
Advances to other funds	1,015,167	597,081	-	1,612,248
Compensated absences	415,205	66,833	-	482,038
Totals	<u>\$25,446,096</u>	<u>\$ 681,855</u>	<u>\$ 1,039,967</u>	<u>\$ 25,087,984</u>

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

4. GENERAL LONG-TERM DEBT:

a. Financing Authority Revenue Bonds - Series 1991:

On October 1, 1991 the Santa Clarita Public Financing Authority issued \$22,940,000 of Revenue Bonds - Series 1991. The Authority, simultaneously with the receipt of the Bond proceeds, acquired \$22,940,000 of Certificates of Participation issued by the Santa Clarita Redevelopment Agency. The proceeds from the Certificates were transferred from the Agency to the City to finance and/or refinance the design, acquisition, improvement or construction of land, the City Hall Building and certain road improvements, and to refinance certain debt. In exchange for transferring the proceeds from the Certificates to the City, the Agency acquired a leasehold interest in land, the City Hall Building and certain public improvements (the facilities). The Agency leased back the facilities to the City for lease payments to be made by the City to the Financing Authority equal to the principal and interest due on the revenue bonds.

Principal amounts on \$6,055,000 of serial bonds mature annually each October 1, in the years 1992 through 2003 and bear interest at rates ranging from 4.80% to 6.50%. Term bonds in the amounts of \$3,035,000, \$7,000,000 and \$6,850,000 are due October 1, 2011, 2020 and 2021, respectively, and bear interest at 6.70%, 7.00% and 6.75%, respectively. Interest is payable semi-annually on April 1 and October 1 beginning in 1992.

The bonds are subject to optional redemption on or after October 1, 2001, 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 bonds are subject to mandatory redemption on any October 1, from 1999 to 2021, in amounts ranging from \$145,000 to \$905,000, at a price equal to the principal amount plus accrued interest to the redemption date.

In addition, the bonds are subject to mandatory redemption under various other circumstances as described in the official statement dated October 1, 1993.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

4. GENERAL LONG-TERM DEBT:

a. Financing Authority Revenue Bonds - Series 1991 (Continued):

Future debt service requirements on the bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ 915,000	\$ 1,300,278	\$ 2,215,278
1998	320,000	1,264,760	1,584,760
1999	345,000	1,244,970	1,589,970
2000	365,000	1,222,835	1,587,835
2001	390,000	1,211,050	1,601,050
Thereafter	<u>17,380,000</u>	<u>14,920,604</u>	<u>32,300,604</u>
	<u>\$ 19,715,000</u>	<u>\$ 21,164,497</u>	<u>\$ 40,879,497</u>

b. Notes Payable:

- The City entered into an agreement whereby the Price Company 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 monthly from the operation of the Price Club Center (owned by the Price Company). 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. Current information is not available of when sales tax is expected to exceed accrued interest on the note. Therefore, the City is adding accrued interest payable on the outstanding principal balance of the note. At June 30, 1996, the balance outstanding of \$2,929,823 on the note included \$2,557,436 in original loan proceeds and \$372,387 of accrued interest. Information is not available to provide a debt payment schedule.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

4. GENERAL LONG-TERM DEBT (CONTINUED):

b. Notes Payable (Continued):

2. In April, 1993 the City entered into an agreement whereby the City will reimburse Home Depot Company \$690,000 for certain public improvements. Interest accrues at a rate of 7% per year. Payments are due quarterly and will equal up to 50% of the sales tax revenue generated monthly from the operation of the Home Depot. The payments will be made for a period of 7 years or until accrued interest and principal are paid in full. In the event that payments are insufficient to fully discharge the note in 7 years, the unpaid balance of principal will be forgiven. As of June 30, 1996, the unpaid principal balance was \$348,875. Information is not available to provide a debt payment schedule.

c. Advances from Other Funds:

The Agency has received advances totaling \$1,612,248, which includes \$1,499,762 of principal and \$112,486 of accrued interest, from the City's General Fund, which are recorded as "Advances to Other Funds" in the General Fund. Current year principal advances of \$498,103 are recorded as "Other Financing Sources" in the Agency's Capital Projects Fund and interest for fiscal year 1995-96 of \$98,978 in the Agency's Debt Service Fund. Beginning balance was decreased \$61,470 for reduction in the debt in a prior year which had been erroneously classified as an operating transfer and increased by \$13,508 for interest expense for the year ended June 30, 1995. Since the debt will be repaid from future tax increments as it becomes available, the debt from the Agency to the General Fund has been classified in the General Long-Term Debt Account Group.

d. Compensated Absences:

There is no fixed payment to pay the outstanding liability for compensated absences earned at June 30, 1996 of \$482,038.

5. DEFERRED REVENUE:

At June 30, 1996, deferred revenue consisted of the following:

- a. The City collects funds in advance to provide for reimbursement of costs for providing recreation classes to the public. At June 30, 1996, \$364,215 in fees collected in advance for providing recreation classes were recorded as deferred revenue in the General Fund to reflect fees not earned.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

5. DEFERRED REVENUE (CONTINUED):

- b. In the General Fund, accrued interest receivable of \$112,486 added to the Advance to the Redevelopment Agency has been recorded as deferred revenue as the accrued interest is not considered a resource to finance current expenditures.
- c. Other deferred revenue in the General Fund consisted of \$174,517 in advances received for construction projects for which the related expenditures had not been incurred.
- d. The City collects funds in advance from developers and receives grants to provide funds for construction of related projects. At June 30, 1996, \$281,316 in the Bikeway Special Revenue Fund, \$1,934,264 in the Developer Fees Special Revenue Fund, and \$30,946 in the Sewer Maintenance Fund related to grant and developer receipts were recorded as deferred revenue as the related expenditures for the construction projects had not been incurred.

6. DUE TO OTHER GOVERNMENTS:

- a. The City has received \$26,694,874 in grant funds in the Earthquake Special Revenue Fund to provide for repairs related to the 1994 Northridge Earthquake. As of June 30, 1996, the City has incurred \$16,308,347 in expenditures related to the grant funds. \$605,970 of these expenditures have not been reimbursed as of year end. The City has recorded a liability for due to other governments in the amount of \$10,992,497 to reflect the balance of working capital loans.
- b. The City received State and Local Partnership Project funds to provide for the construction of the Commuter Rail Trail. The provisions of the contract provide for a portion of these funds to be paid to Metropolitan Transit Authority (MTA). As of June 30, 1996, the balance payable to MTA was \$141,449 in the Proposition C Special Revenue Fund and \$18,924 in the 1991 Revenue Bonds Capital Project Fund.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

7. PROPRIETARY FUND TYPE LONG-TERM DEBT:

The following is a summary of the changes in the proprietary fund type long-term debt for the year ended June 30, 1996:

	Balance July 1, 1995	Additions	Deletions	Balance June 30, 1996
Enterprise Fund:				
Transit				
Master lease obligations	\$ 1,454,877	\$ -	\$ 204,351	\$ 1,250,526
Lease payable	3,955,000	-	345,000	3,610,000
Notes payable	<u>2,807,000</u>	-	<u>1,129,230</u>	<u>1,677,769</u>
	8,216,877	-	1,678,581	6,538,296
Less: Lease Discount	<u>(21,634)</u>	-	<u>(3,708)</u>	<u>(17,926)</u>
Total Transit Enterprise Fund Long-Term Debt	<u>\$ 8,195,243</u>	<u>\$ -</u>	<u>\$ 1,674,873</u>	<u>\$ 6,520,370</u>
Internal Service Fund:				
Computer Replacement Fund:				
Lease payable	<u>\$ -</u>	<u>\$ 195,848</u>	<u>\$ -</u>	<u>\$ 195,848</u>

a. Master Lease Obligations:

In May 1991, the City entered into a master lease and option to purchase agreement in the amount of \$2,150,000 for the lease of thirteen buses. Such agreement carries an interest rate at 6.7% payable semiannually, due from November 1, 1991 through May 1, 2001. Under the terms of the agreement, the City has leased these transit buses for the establishment of a citywide local public transit system.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

7. PROPRIETARY FUND TYPE LONG-TERM DEBT:

a. Master Lease Obligations (Continued):

Future lease payments under such obligations are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ 218,271	\$ 80,189	\$ 298,460
1998	233,140	65,320	298,460
1999	249,023	49,438	298,461
2000	265,986	32,475	298,461
2001	<u>284,106</u>	<u>14,355</u>	<u>298,461</u>
	<u>\$ 1,250,526</u>	<u>\$ 241,777</u>	<u>\$ 1,492,303</u>

b. Lease Payable:

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 semi-annually from July 1, 1992 through January 1, 2004.

Future lease payment requirements are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ 365,000	\$ 211,358	\$ 576,358
1998	385,000	190,598	575,598
1999	410,000	166,940	576,940
2000	435,000	141,373	576,373
2001	460,000	113,845	573,845
Thereafter	<u>1,555,000</u>	<u>154,573</u>	<u>1,709,573</u>
	<u>\$ 3,610,000</u>	<u>\$ 978,687</u>	<u>\$ 4,588,687</u>

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

7. PROPRIETARY FUND TYPE LONG-TERM DEBT (CONTINUED):

c. Notes Payable:

- 1) In September, 1992, the City entered into an agreement whereby the Los Angeles County Transportation Commission loaned the City \$2,500,000 for the construction of a commuter rail station. Interest on the note accrues at the equivalent rate earned by the Los Angeles County Pooled Investment Fund plus one-half percent. Payments are due annually for five years.

Based on current available information, estimated future loan payments are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ 500,000	\$ 29,000	\$ 529,000
1998	500,000	7,250	507,250
	<u>\$ 1,000,000</u>	<u>\$ 36,250</u>	<u>\$ 1,036,250</u>

- 2) In June, 1995 the City entered into an agreement with the Newhall Land and Farm Company for the purchase of land to be developed for a rail station. Interest on the note accrues at the rate of 7-1/2% per year. Interest and principal payments are due quarterly.

Future debt service requirements on the note are as follows:

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ 677,769	\$ 32,337	\$ 710,106

d. Lease Payable:

In April, 1996, the City entered into a lease with an option to purchase agreement in the amount of \$525,000 for the lease of a computer system from Municipal Leasing Associates, Inc. As of June 30, 1996, the City had received \$195,848 in proceeds from the Capital Lease which was used to acquire computer equipment. The remaining proceeds will be received in fiscal year 1996-97. Interest, at 4.9%, and principal are payable semi-annually from November 9, 1996 through May 9, 1999.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

7. PROPRIETARY FUND TYPE LONG-TERM DEBT (CONTINUED):

d. Lease Payable (Continued):

Future lease payment requirements for the lease, assuming all proceeds have been received, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ 166,634	\$ 23,612	\$ 190,246
1998	174,864	15,381	190,245
1999	<u>183,502</u>	<u>6,743</u>	<u>190,245</u>
	<u>\$ 525,000</u>	<u>\$ 45,736</u>	<u>\$ 570,736</u>

8. INTERFUND BALANCES:

Interfund receivable and payable balances as of June 30, 1996 are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 3,177,642	\$ -
Special Revenue Funds:		
Proposition A	-	255,873
State Park Fund	-	904,899
Traffic Safety	-	22,916
Community Development Block Grant (CDBG)	-	161,746
Federal Aid Urban (FAU)	-	336,811
Miscellaneous Grants Fund	-	161,288
Transit Enterprise Fund	-	1,316,760
Self-Insurance Internal Service Fund	-	<u>17,349</u>
	<u>\$ 3,177,642</u>	<u>\$ 3,177,642</u>

9. DEFINED BENEFIT PENSION PLAN:

The City contributes to the State of California Public Employees Retirement System (the System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for participating public entities within the State of California. The City's payroll for employees covered by the System for the year ended June 30, 1996 was \$8,852,072. The total payroll for the year was \$10,423,790.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

All full-time City employees are eligible to participate in the System. Part-time employees generally do not participate in the System. Benefits vest after five years of service. City employees who retire at or after age fifty, with five years of credited service, are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to a benefit factor multiplied by their final compensation. Final compensation is the average monthly pay rate for the last consecutive 36 months of employment. The benefit factor is an account equal to between 1.92% and 2.418% multiplied by the number of years of credited employment. The percentage amount is based on the age of the employee at retirement, increasing from age 50 to age 63.

Employee and Employer Contribution Obligations:

The City makes the contributions required of City employees on their behalf and for their account. The employee contribution rate is set by statute. The present member rate is 7% of wages.

The City is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS actuaries and actuarial consultants, and adopted by the Board of Administration.

Funding Status and Progress:

The amount shown below as the "pension benefit obligation" is a standardized measure of the present value of pension benefits, adjusted for the effects of step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help assess the funding status of the system on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1995. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.5% a year compounded annually, (b) projected payroll increases of 4.5% a year compounded annually, attributable to inflation and across the board real salary increases, (c) no projected payroll increases attributable to seniority/merit, and (d) no post-retirement benefit increases.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

The excess of net assets available for benefits over the pension benefit obligation applicable to the City employees was \$1,250,057 at June 30, 1995, as listed below.

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 360,469
Current employees:	
Accumulated employee contributions, including allocated investment earnings	2,749,437
Employer-financed vested	1,366,355
Employer-financed nonvested	<u>655,914</u>
Total pension benefit obligation	5,132,175
Net assets available for benefits, at cost (Market value, \$6,784,312)	<u>6,382,232</u>
Excess of net assets over pension benefit obligation	<u>\$ 1,250,057</u>

There were no changes in the pension benefit obligation from last year as a result of changes in benefit provisions or changes in actuarial methods and assumptions.

Actuarially Determined Contribution Requirements and Contribution Made:

The System uses the Entry Age Normal Actuarial Cost Method which is a projected benefit cost method. That is, it takes into account those benefits that are expected to be earned in the future as well as those already accrued.

According to this cost method, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from date of employment until retirement. The System uses a modification of the Entry Age Cost method in which the employer's total normal cost is expressed as a level percentage of payroll. The System also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. The City of Santa Clarita had no unfunded actuarial liability at June 30, 1996.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation, as previously described.

A contribution of \$1,283,757 for normal costs was made to the system for 1996 in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1995. The City contributed employer contributions of \$640,979, (7.2% of current covered payroll) and on behalf of employees contributed \$591,731 (6.7% of current covered payroll). An additional \$51,047 was contributed by the employees (.58% of current covered payroll).

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

9. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Trend Information:

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten year trend information for the City of Santa Clarita is not published in the California Public Employees Retirement System Annual Report.

The City entered the system in fiscal year 1988-1989. Therefore, the trend information from 1988-1989 through 1994-95 and employer contributions and covered payroll for 1988-1989 through 1995-1996 is summarized as follows:

	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>
Net assets available for benefits (in hundreds)	\$ 231.9	\$ 4,452.8	\$10,589.7	\$18,952.3	\$30,025.2	\$46,886.0	\$63,822.3	\$ *
Pension benefit obligation (in hundreds)	406.9	3,230.4	8,527.1	15,912.0	27,591.3	35,785.9	51,321.8	*
Net assets available for benefits expressed as a percentage of pension benefit obligation	57.0%	137.8%	124.2%	119.1%	108.8%	131.0%	124.4%	*
Assets in excess (deficit) of pension benefit obligation (in hundreds)	(174.9)	1,224.4	2,062.6	3,040.4	2,433.9	11,100.1	12,500.6	*
Annual covered payroll (in hundreds)	10,084.4	29,630.2	55,144.9	76,089.6	72,445.3	74,087.5	83,113.3	88,520.7
Unfunded (assets in excess of) pension benefit obligation expressed as a percentage of annual covered payroll	1.7%	(4.1%)	(3.7%)	(4.0%)	(3.36%)	(14.8%)	(14.12%)	*
Employer contributions (in hundreds)	1,170.0	3,217.6	2,908.9	3,911.9	4,129.5	4,071.0	6,018.2	6,409.8
Employer contributions expressed as a percentage of annual covered payroll. (These contributions were made in accordance with actuarially determined requirements).	11.6%	10.9%	7.2%	6.5%	5.7%	5.5%	7.2%	7.2%

* Information at June 30, 1996 was not available.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

10. DEFERRED COMPENSATION PLAN:

The City has established a deferred compensation plan for all officers and employees of the City under Internal Revenue code Section 457. Participation in the plan is voluntary and may be revoked at any time upon advance written notice. Generally, the amount of compensation subject to deferral until retirement, disability or other termination by a participant may not exceed the lesser of \$7,500 or 33-1/3% of includible compensation.

The City has established an additional plan for City management under Internal Revenue Service Code Section 401(a). Participation and City contribution in the plan are mandatory. The City is obligated to contribute amounts ranging from \$1,500 to \$7,500 per participant per year.

Amounts withheld by the City under these plans are deposited regularly with the International City Managers Association (ICMA) Fund for investment. As required by Section 1.457-2(j) of Internal Revenue Service regulation, plan assets are held as unrestricted City assets subject only to the claims of the general creditors of the City. Participant rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The City's fiduciary responsibilities under the Plan include the deduction of deferred compensation from employee compensation and the remittance of such deductions to ICMA for investment.

The assets of the Plan in the amount of \$3,176,177 are included in an Agency Fund in the City's financial statements.

11. INDIVIDUAL FUND DISCLOSURES:

a. Deficit Fund Balances/Retained Earnings:

Funds which have deficit fund balances/retained earnings at June 30, 1996 are as follows:

Special Revenue Funds:	
Bikeway	\$ 73,936
Developer Fees	458,047
State Park	762,433
FAU	336,843
Earthquake	4,344,081
Miscellaneous Grants	3,784
Internal Service Fund - Self-insurance	544,490

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

11. INDIVIDUAL FUND DISCLOSURES (CONTINUED):

a. Deficit Fund Balances/Retained Earnings (Continued):

The City plans to remove the deficit in the Special Revenue Funds through operating transfers from the General Fund, developer fees and additional 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 operating transfers.

b. Funds Where Expenditures Exceeded Appropriations:

Actual expenditures exceed appropriations by \$1,404 in the Park Improvement Special Revenue Fund, by \$5 in the AQMD Special Revenue Fund, \$68,152 in the General City Debt Service Fund and by \$1,293 in the Public Financing Authority Debt Service Fund.

12. SELF-INSURANCE:

The City is self-insured for the first \$250,000 on each general liability claim against the City. At June 30, 1996 \$522,730 was accrued for generally liability claims. These accruals represent 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, 1996 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 \$12,500,000.

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, 1996.

Changes in the reported liability since June 30, 1994, resulted in the following:

Liability as of June 30, 1994	\$ 589,045
Claims and changes in estimates during the year ended June 30, 1995	1,311,714
Claims payments during the year ended June 30, 1995	<u>(902,787)</u>
Liability as of June 30, 1995	997,972
Claims and changes in estimates during the year ended June 30, 1996	111,113
Claims payments during the year ended June 30, 1996	<u>(586,355)</u>
Liability as of June 30, 1996	<u>\$ 522,730</u>

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

13. RESERVES AND DESIGNATIONS OF FUND EQUITY:

A city may set up "reserves" of fund equity to segregate fund balances or retained earnings which are not appropriable for expenditure in future periods, or which are legally set aside for a specific future use. Fund "designations" 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, 1996, are tabulated below, followed by explanations as to the nature and purpose of each reserve and designation.

Reserves:	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Enterprise Fund
Continuing appropriations	\$ 379,131	\$ 676,729	\$ -	\$ 188,608	\$ -
Encumbrances	2,169,989	2,732,064	-	668,587	-
Advances to other funds	1,612,248	-	-	-	-
Accounts receivable	125,902	-	-	-	-
Prepaid items	37,298	12,560	-	-	-
Debt service	-	-	2,279,094	-	489,500
TOTAL RESERVES	<u>\$ 4,324,568</u>	<u>\$ 3,421,353</u>	<u>\$ 2,279,094</u>	<u>\$ 857,195</u>	<u>\$ 489,500</u>
Designations:	General Fund	Special Revenue Funds		Capital Project Funds	
Self-insurance	\$ 544,490	\$ -		\$ -	
Earthquake	4,344,081	-		-	
Capital improvements	-	-		2,087,921	
Special revenue purposes	-	10,709,236		-	
Contingencies	3,280,934	-		-	
TOTAL DESIGNATIONS	<u>\$ 8,169,505</u>	<u>\$ 10,709,236</u>		<u>\$ 2,087,921</u>	

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

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

- a. Reserved for Continuing Appropriations - Appropriations for capital projects and other expenditures which are unexpended as of June 30, 1996 will carry forward as continuing appropriations to be expended in 1996-97.
- b. Reserved for Encumbrances - Amounts reserved for encumbrances are commitments for materials and services on purchase orders and contracts which are unperformed.
- c. Reserved for Advances to Other Funds - This reserve is set up to reflect the advances to the Redevelopment Agency so that they will not be considered as current funds available.
- d. Reserved for Accounts Receivable - This reserve is to indicate that these accounts receivables are not "available" as a resource to meet expenditures of the current year.
- e. 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.
- f. Reserved for Debt Service - These reserves represent amounts accumulated in accordance with a bond indenture or similar covenant.
- g. Designated for Self-insurance - This reserve is for the deficit retained earnings in the Internal Service Fund for Self-insurance.
- h. Designated for Earthquake - This amount has been designated to fund the deficit fund balance in the Special Revenue Earthquake Fund.
- i. Designated for Capital Improvements - These funds are designated to provide for new capital additions as determined by the City Council.
- j. Designated for Special Revenue Purposes - These funds are designated for the specific special revenue purpose as restricted by law or administrative action.
- k. Designated for Contingencies - The remainder of the unreserved fund balances in the General Fund has been designated for general contingencies.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 1996

14. PRIOR PERIOD ADJUSTMENTS:

Noted below are adjustments to fund balance and retained earnings at June 30, 1995.

- a. The beginning retained earnings in the Transit Enterprise Fund was increased by \$93,629 to correct for expenses related to building improvements not capitalized at June 30, 1995.
- b. As a result of the City's implementation of Governmental Accounting Standards Board Statement No. 22, "Accounting for Taxpayer-Assessed Tax Revenues in Governmental Funds", prior period adjustments were made to the beginning fund balance in the following funds:
 - 1) Beginning fund balance in the General Fund was increased by \$1,718,280 for adjustments made to sales tax revenues.
 - 2) Beginning fund balance in the Gas Tax Fund was increased by \$157,392 for adjustments made to gas tax revenues.

15. SEGMENT INFORMATION:

Net working capital deficit of the Transit Enterprise System at June 30, 1996 was as follows:

Current assets	\$ 1,140,976
Current liabilities payable from current assets	<u>(3,926,767)</u>
Net working capital (deficit)	<u>\$ (2,785,791)</u>

16. POST EMPLOYMENT BENEFITS:

In addition to the retirement benefits described in Note 9, 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 PERS 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 \$363 per month, according to the following schedule:

From date of retirement to August 1 of same year the City pays \$1 per month. On August 1 and each August 1 thereafter, the City's portion of the premium is increased by 5% per year of the maximum until the maximum is reached.

The City funds these amounts on a pay-as-you-go basis. For fiscal year 1995-96 there were two eligible participants, for which the City paid \$1,607 for medical insurance premiums.

17. CONTRIBUTED CAPITAL:

Changes in the Transit Enterprise Fund's contributed capital were as follows:

Balance June 30, 1995	\$ 452,704
Grants restricted for capital outlay	1,292,560
Current depreciation on contributed assets	<u>(123,193)</u>
Balance June 30, 1996	<u>\$ 1,622,071</u>

See independent auditors' report.