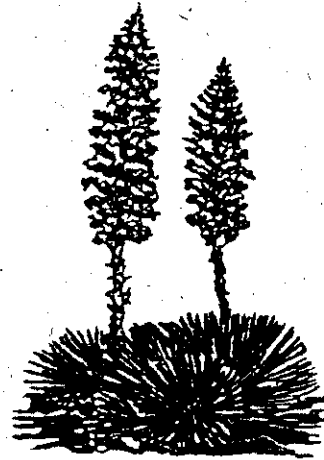


---

## Notes to General Purpose Financial Statements

Notes to Gen. Purpose  
Financial Statements



Notes to Gen. Purpose  
Financial Statements

---

---

**NOTES TO FINANCIAL STATEMENTS**

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS

June 30, 1993

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, as of June 30, 1993 had not established a redevelopment 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 City exercises oversight responsibility over the Agency and the Authority. Therefore, those entities are included as part of the reporting entity in the accompanying financial statements. 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 Authority transactions are set forth as separate funds in the Debt Service Funds.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

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.

The City's comparative financial statements as of, and for the year ended, June 30, 1992, 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.

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

State of California	Hart Unified High School District
County of Los Angeles	Saugus Union Elementary School District
Los Angeles County Building Authority	Sulfur Springs Elementary School District
Los Angeles County Flood Control District	Castaic Lake Water Agency
Newhall Elementary School District	Newhall County Water District

The City has no control over the selection of the governing authority, the designation of management or fiscal matters of these other governmental entities, nor does the City have the ability to significantly influence the operations of these other entities. Therefore, because none of the oversight criteria for inclusion in the general purpose financial statements applies to these entities, financial information for such entities is not included within this financial report.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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).

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 - accounts 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.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Fiduciary Fund Types:

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

Agency Funds - accounts 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 - accounts for fixed assets of the City, except for those accounted for in proprietary fund types.

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

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, 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. 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.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. *Basis of Accounting (Continued):*

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.

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.

See independent auditors' report.



CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

e. Budgetary Accounting (Continued):

- 2) The City Council approves total budgeted appropriations and any amendments to appropriations throughout the year. This "appropriated budget" covers substantially all City expenditures, with exception of capital improvement projects carried forward from prior years, which expenditures constitute legally-authorized "non-appropriated budget". 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.
- 3) Budgets for the General and Special Revenue 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 comparisons are presented for the Capital Project, Debt Service and Proprietary Funds, as the City does not adopt annual budgets for these types of funds.
- 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, 1993, budgeted appropriation in the governmental funds decreased from \$36,954,638 to \$31,893,503.
- 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 are added to the following year's budgeted appropriations. At June 30, 1993 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, 1993

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 \$36,515,245. 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, 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

h. Employee Compensated Absences:

In governmental funds, compensated absences (unpaid vacation) are recorded as expenditures in the year paid, as it is the City's policy to liquidate any unpaid vacation at June 30 from future resources rather than currently available expendable resources. Accordingly, at June 30, 1993, the unpaid liability of \$297,946 for the governmental funds is recorded 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, 1993.

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, 1993

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 and the Los Angeles County Pooled Investment Fund.

*Classification of Deposits and Investment 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 Federal Depository Insurance Corporation, a state depository insurance fund or a multiple-financial institution collateral pool, or deposits which are collateralized with securities held by the City or the City's agent in the City's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department in the City's name.

Category 3 - Deposits which are uncollateralized, or collateralized but the pledged securities are not held in the City's name.

Investments:

Category 1 - Investments which are insured by Securities Investors Protection Corporation, or where the securities are held by the City or the City's agent in the City's name.

Category 2 - Investments which are uninsured, where the securities are held by the purchasing financial institution's trust department or agent in the City's name.

Category 3 - Investments which are uninsured, where the securities are held by the purchasing financial institution's trust department or agent, but not in the City's name.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

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 \$15,000,000 in the fund. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

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. In addition, there is no investment limit and interest earnings are calculated monthly and credited quarterly.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

2. CASH AND INVESTMENTS (CONTINUED):

Deposits and investments were categorized as follows at June 30, 1993:

	Category			Bank Balance	Carrying Amount	
	1	2	3			
Deposits (overdraft):						
Demand accounts	\$101,145	\$ 427,653	\$ -	\$ 528,798	\$ (1,623,013)	
Savings accounts	8,151	-	-	8,151	9,905	
Cash with fiscal agent	-	-	489,500	489,500	489,500	
Total Deposits	<u>\$109,296</u>	<u>\$ 427,653</u>	<u>\$ 489,500</u>	<u>\$ 1,026,449</u>	<u>(1,123,608)</u>	
	Category			Not Required To Be Categorized		Market Value
	1	2	3			
Investments:						
Investments with fiscal agents:						
Federated Obligations						
Treasury Fund	\$ -	\$ -	\$ 48,306	\$ -	48,306	\$ 48,306
U.S. Treasury Note	-	-	1,747,391	-	1,747,391	1,712,223
Bankers Acceptance Los Angeles County Pooled Investment Fund (LACPIF)	-	-	-	4,215,143	4,215,143	4,215,143
U.S. Treasury Notes California Local Agency Investment Fund (LAIF)	-	-	2,502,969	-	2,502,969	2,524,215
Los Angeles County Pooled Investment Fund (LACPIF)	-	-	-	14,941,697	14,941,697	14,941,697
Deferred Compensation	-	-	-	1,350,743	1,350,743	1,350,743
Total Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,790,747</u>	<u>\$42,081,131</u>	<u>46,871,878</u>	<u>\$46,857,956</u>
TOTAL CARRYING AMOUNT (BOOK BALANCES)					<u>\$45,748,270</u>	

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

2. CASH AND INVESTMENTS (CONTINUED):

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

Cash and investments	\$ 37,405,106
Cash and investments with fiscal agent	<u>8,343,164</u>
	<u>\$ 45,748,270</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, 1993 are as follows:

	Balance June 30, 1992	Additions	Retirements	Balance June 30, 1993
Land and improvements	\$25,897,515	\$ -	\$ -	\$ 25,897,515
Buildings	12,289,963	20,381	-	12,310,344
Equipment	4,107,526	625,244	-	4,732,770
Totals	<u>\$42,295,004</u>	<u>\$ 645,625</u>	<u>\$ -</u>	<u>\$ 42,940,629</u>

Changes in the enterprise fund property, plant and equipment for the year ended June 30, 1993 are as follows:

	Balance June 30, 1992	Additions	Deletions	Balance June 30, 1993
Equipment acquired by capital lease	\$ 6,162,479	\$ -	\$ -	\$ 6,162,479
Equipment purchased	69,016	13,813	-	82,829
Building	-	3,657,462	-	3,657,462
	6,231,495	<u>\$ 3,671,275</u>	<u>\$ -</u>	9,902,770
Less: accumulated depreciation	<u>(432,514)</u>			<u>(1,013,226)</u>
Net Assets	<u>\$ 5,798,981</u>			<u>\$ 8,889,544</u>

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

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, 1993:

	Balance July 1, 1992	Additions	Deletions	Balance June 30, 1993
Los Angeles County Debt	\$ 1,358,680	\$ -	\$ 1,358,680	\$ -
Financing Authority Revenue Bonds - Series 1991	22,940,000	-	750,000	22,190,000
Note payable	2,557,436	-	-	2,557,436
Compensated absences	243,680	54,266	-	297,946
Totals	<u>\$ 27,099,796</u>	<u>\$ 54,266</u>	<u>\$ 2,108,680</u>	<u>\$ 25,045,382</u>

a. Los Angeles County Debt:

During the period between June 30, 1988 and the incorporation of the City, Los Angeles County (the County) provided various municipal services to the City. The County of Los Angeles computed the value of such services to be \$3,736,519. As a condition of incorporation, such amount was payable over a five-year period and carried an interest at a rate equivalent to the rate of interest earned by the Los Angeles County Treasury Pool for each year in the five year period. The final payment of \$1,358,680 was made in fiscal year 1992-93.

b. 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.

See independent auditors' report.



CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

4. GENERAL LONG-TERM DEBT (CONTINUED):

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

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, 1992.

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>
1994	\$ 785,000	\$ 1,438,085	\$ 2,223,085
1995	825,000	1,395,999	2,220,999
1996	865,000	1,350,143	2,215,143
1997	915,000	1,300,278	2,215,278
1998	320,000	1,264,760	1,584,760
Thereafter	<u>18,480,000</u>	<u>18,599,456</u>	<u>37,079,456</u>
	<u>\$ 22,190,000</u>	<u>\$ 25,348,721</u>	<u>\$ 47,538,721</u>

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

4. GENERAL LONG-TERM DEBT (CONTINUED):

c. Note 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, 1992.

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1994	\$ 169,929	\$ 355,071	\$ 525,000
1995	314,249	238,751	553,000
1996	373,674	207,326	581,000
1997	440,042	169,958	610,000
1998	515,046	125,954	641,000
Thereafter	<u>744,496</u>	<u>76,882</u>	<u>821,378</u>
	<u>\$2,557,436</u>	<u>\$1,173,942</u>	<u>\$ 3,731,378</u>

d. Compensated Absences:

There is no fixed payment to pay the outstanding liability for compensated absences earned at June 30, 1993 of \$297,946.

5. 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, 1993:

	Balance July 1, 1992	Additions	Deletions	Balance June 30, 1993
Master Lease Obligations	\$1,993,003	\$ -	\$ 167,692	\$ 1,825,311
Lease payable	4,895,000	-	300,000	4,595,000
Note payable	-	2,500,000	-	2,500,000
	<u>6,888,003</u>	<u>2,500,000</u>	<u>467,692</u>	<u>8,920,311</u>
Less: Lease Discount	<u>(32,761)</u>	<u>-</u>	<u>(3,709)</u>	<u>(29,052)</u>
Total Proprietary Fund Long-Term Debt	<u>\$6,855,242</u>	<u>\$2,500,000</u>	<u>\$ 463,983</u>	<u>\$ 8,891,259</u>

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

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

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 (13) 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.

Future lease payments under such obligation are as follows:

Year Ending June 30.	Principal	Interest	Total
1994	\$ 179,116	\$ 119,345	\$ 298,461
1995	191,318	107,143	298,461
1996	204,351	94,110	298,461
1997	218,271	80,189	298,460
1998	233,140	65,320	298,460
Thereafter	<u>799,115</u>	<u>96,268</u>	<u>895,383</u>
	<u>\$1,825,311</u>	<u>\$ 562,375</u>	<u>\$ 2,387,686</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 (16) 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 June 30.	Principal	Interest	Total
1994	\$ 310,000	\$ 275,032	\$ 585,032
1995	330,000	259,225	589,225
1996	345,000	241,735	586,735
1997	365,000	222,760	587,760
1998	385,000	201,995	586,995
Thereafter	<u>2,860,000</u>	<u>667,310</u>	<u>3,527,310</u>
	<u>\$4,595,000</u>	<u>\$1,868,057</u>	<u>\$ 6,463,057</u>

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

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

c. Note Payable:

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,	Principal	Interest	Total
1994	\$ 500,000	\$ 94,250	\$ 594,250
1995	500,000	72,500	572,500
1996	500,000	50,750	550,750
1997	500,000	29,000	529,000
1998	500,000	7,250	507,250
	<u>\$2,500,000</u>	<u>\$ 253,750</u>	<u>\$ 2,753,750</u>

6. INTERFUND BALANCES:

Interfund receivable and payable balances as of June 30, 1993 are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 815,227	\$ 338,669
Special Revenue Funds:		
Bikeway	-	62,489
Developer Fees	-	14,670
Gas Tax	-	87,061
State Park Grants	-	22,885
Transportation Development Act (TDA) Funds	-	236,692
Traffic Safety	-	57,679
Community Development Block Grant (CDBG)	-	15,139
Federal Aid Urban (FAU)	-	324,328
Capital Projects Funds:		
General Capital Projects	1,093,317	-
Transit Enterprise Fund	-	748,932
	<u>\$ 1,908,544</u>	<u>\$ 1,908,544</u>

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

7. **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, 1993 was \$7,244,534. The total payroll for the year was \$8,253,031.

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 on the next page 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.

See independent auditors' report.

CITY OF SANTA CLARITA  
 NOTES TO FINANCIAL STATEMENTS  
 (CONTINUED)

June 30, 1993

7. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Employee and Employer Contribution Obligations (Continued):

Funding Status and Progress (Continued):

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1992. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.75% as year compounded annually, (b) projected payroll increases of 5.25% a year compounded annually, attributable to inflation and across the board real salary increases, (c) additional projected payroll increases of 1.75% a year, attributable to seniority/merit, and (d) no post-retirement benefit increases.

The excess of net assets available for benefits over the pension benefit obligation applicable to the City employees was \$304,037 at June 30, 1992, as listed below. There was no change in pension benefit obligation from last year resulting from benefit provisions. The change in the pension benefit obligation from last year resulting in actuarial assumptions was not applicable.

Pension benefit obligation:

Retires and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 77,919
Current employees:	
Accumulated employee contributions, including allocated investment earnings	918,710
Employer-financed vested	38,985
Employer-financed nonvested	<u>555,587</u>
Total pension benefit obligation	1,591,201
Net assets available for benefits, at cost (market value, \$2,137,828)	<u>1,895,238</u>
Excess of net assets over pension benefit obligation	<u>\$ 304,037</u>

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

7. DEFINED BENEFIT PENSION PLAN (CONTINUED):

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, 1993.

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 \$925,887 was made to the system for 1993 in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1992. The City contributed employer contributions of \$412,952, (5.70% of current covered payroll) and on behalf of employees contributed \$507,239 (7.00% of current covered payroll). Employees contributed \$5,696 (.08% of current covered payroll) on their own behalf.

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.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

7. DEFINED BENEFIT PENSION PLAN (CONTINUED):

The City entered the system in fiscal year 1988-1989. Therefore, the trend information from 1988-1989 through 1991-92 and employer contributions and covered payroll for 1988-1989 through 1992-1993 is summarized as follows:

	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
Net assets available for benefits	\$ 231.9	\$ 4,452.8	\$10,589.7	\$ 18,952.3	\$ *
Pension benefit obligation (in hundreds)	406.9	3,230.4	8,527.1	15,912.0	*
Net assets available for benefits expressed as a percentage of pension benefit obligation	57.0%	137.8%	124.2%	119.1%	*
Assets in excess (deficit) of pension benefit obligation (in hundreds)	(174.9)	(1,224.4)	(2,062.6)	(3,040.4)	*
Annual covered payroll (in hundreds)	10,084.4	29,630.2	55,144.9	76,089.6	72,445.3
Unfunded (assets in excess of) pension benefit obligation expressed as a percentage of annual covered payroll	1.7%	(4.1%)	(3.7%)	(4.0%)	*
Employer contributions (in hundreds)	1,170.0	3,217.6	2,908.9	3,911.9	4,129.5
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%

\* Information at June 30, 1993 was not available.

See independent auditors' report.



CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

8. 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.

Amounts withheld by the City under this plan 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 \$1,350,743 are included in an Agency Fund in the City's financial statements.

9. INDIVIDUAL FUND DISCLOSURES:

a. Deficit Fund Balance:

The Self-Insurance Internal Service Fund experienced a net loss of \$258,250 for the year resulting in an accumulated deficit of \$502,222. Such loss chiefly arose from the continuing evaluation of the City's loss experience and the establishment of an appropriate provision for incurred but not reported losses. This deficit has been appropriately reserved for in the General Fund's fund balance. (See Note 11). The City plans on recovering this amount through future operating transfers.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

9. INDIVIDUAL FUND DISCLOSURES (CONTINUED):

b. Funds Where Expenditures Exceed Appropriations:

The following funds have expenditures exceeding the budget:

	<u>Budget</u>	<u>Actual</u>	<u>Expenditures Over Appropriations</u>
Bridge and Thoroughfare Fund	\$ -	\$ 56,990	\$ 56,990
AQMD Fund	-	<u>16,397</u>	<u>16,397</u>
	<u>\$ -</u>	<u>\$ 73,387</u>	<u>\$ 73,387</u>

10. SELF-INSURANCE:

The City is self-insured for the first \$250,000 on each general liability claim against the City. At June 30, 1993, \$728,553 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, 1993 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. Third-party coverage is currently maintained for general liability claims greater than \$250,000 up to a limit of \$10,000,000.

11. 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.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

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

The City's reserves and designations at June 30, 1993, are tabulated below, followed by explanations as to the nature and purpose of each reserve and designation.

Reserves:	General Fund	Special Revenue Fund	Debt Service Fund	Enterprise Fund
Continuing appropriations	\$ 890,582	\$ -	\$ -	\$ -
Encumbrances	1,924,538	3,349,302	-	-
Self insurance	502,222	-	-	-
Accounts receivable	111,522	-	-	-
Prepaid items	43,561	-	-	-
Debt service	-	-	2,287,778	489,500
<b>TOTAL RESERVES</b>	<b><u>\$3,472,425</u></b>	<b><u>\$ 3,349,302</u></b>	<b><u>\$ 2,287,778</u></b>	<b><u>\$ 489,500</u></b>

Designations:	General Fund	Special Revenue Funds	Capital Project Funds
Capital improvements	\$ -	\$ -	\$ 10,285,988
Special revenue purposes	-	13,095,139	-
Contingencies	2,078,303	-	-
<b>TOTAL DESIGNATIONS</b>	<b><u>\$ 2,078,303</u></b>	<b><u>\$13,095,139</u></b>	<b><u>\$ 10,285,988</u></b>

a. Reserved for Continuing Appropriations:

Appropriations for capital projects and other expenditures which are unexpended as of June 30, 1993 will carry forward as continuing appropriations to be expended in 1993-94.

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 Self Insurance:

This reserve is for the deficit retained earnings in the Internal Service Fund for self insurance.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

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

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 Capital Improvements:

These funds are designated to provide for new capital additions as determined by the City Council.

h. Designated for Special Revenue Purposes:

These funds are designated for the specific special revenue purpose as restricted by law or administrative action.

i. Designated for Contingencies:

The remainder of the unreserved fund balance at June 30, 1993, in the General Fund has been designated for contingencies.

See independent auditors' report.

CITY OF SANTA CLARITA

NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 1993

12. PRIOR PERIOD ADJUSTMENTS:

Noted below are adjustments to fund balances at June 30, 1992.

- a. Charges for self-insurance of \$877 and vehicle replacement of \$99,615 were incorrectly charged to the Gas Tax Fund in prior years. The beginning fund balances of the Self-Insurance Fund and Vehicle Replacement Fund were decreased by \$877 and \$99,615, respectively, and the beginning fund balance of the Gas Tax Fund was increased by \$100,492.
- b. Activity associated with the AQMD was incorrectly reported as a Trust and Agency Fund in fiscal year 1992-93. The beginning balance has been increased by \$51,622 to reflect funds available as of July 1, 1992.

13. SEGMENT INFORMATION:

Net working capital of the Transit Enterprise System at June 30, 1993 was as follows:

Current assets	\$ 2,069,066
Current liabilities payable from current assets	<u>(2,748,248)</u>
Net working capital	<u>\$ (679,182)</u>

14. POST EMPLOYMENT BENEFITS:

In addition to the retirement benefits described in Note 7, 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 \$362.50 per month. The contribution by the City for the employee's family members is limited to a maximum of \$1.00 per month increased annually every August by 5% of the monthly contribution by the employee until such time as the retirees employee contributions equal.

The City funds these amounts on a pay-as-you-go basis. For fiscal year 1992-93 there was one eligible participant for which the City paid \$439 for medical insurance premiums.

See independent auditors' report.