Notes to General Purpose Financial Statements

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

   a. Reporting Entity:

   The City of Santa Clarita (the City) exercises oversight responsibility over the Santa Clarita Community Redevelopment Agency (the Agency) and the Santa Clarita Public Financing Authority (the Authority). Therefore, those entities are included as part of the reporting entity in the accompanying financial statements. The criteria used in determining oversight, included financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. These criteria are further discussed below.

   The City of Santa Clarita, California was incorporated on December 15, 1987 as a general law city. The City operates under a council-manager form of government and provides its citizens with a full range of municipal services, either directly or under contract with the County of Los Angeles. Such services include public safety (police and fire protection), building permit/plan approval, planning, community development and recreation, animal control and street maintenance.

   The Santa Clarita Redevelopment 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, 1992 had not established a redevelopment project area.

   The Santa Clarita Public Financing Authority was established in July 1991, as a joint power of authority between the City and Redevelopment Agency for the purpose of providing financing and funding of public capital improvements and acquisition of property.

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

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

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

a. *Reporting Entity (Continued):*

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.

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).

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 - accounts for activities involved in rendering services to departments within the City. Costs of materials and services used are accumulated in this fund and charged to the user departments as such goods are delivered or services rendered.

Fiduciary Fund Types:

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

Agency Fund - accounts for assets held by the City as an agent for the City employees' deferred compensation plan.

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.

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Basis of Accounting

Governmental fund types 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.

Fiduciary 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 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.

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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. 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 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, 1992, budgeted appropriation in the governmental funds increased from $32,577,436 to $36,954,638.

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. Encumbrances at year end lapse, and then are added to the following year's budgeted appropriations. At June 30, 1992 fund balances have been reserved for encumbrances carried forward.

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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 $22,412,411. 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

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, 1992, the entire unpaid liability of $243,680 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, 1992.

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.

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.

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 issued by insurance companies (GICs), 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 withdrawal can be made at any time without penalty. In addition, there is no investment limit and interest earnings are calculated monthly and credited quarterly.

2. CASH AND INVESTMENTS (CONTINUED):

Deposits and investments were categorized as follows at June 30, 1992:

	Category 1	Category 2	Category 3	Bank Balance	Carrying Amount
Deposits (overdraft):					
Demand accounts	$102,274	$ 1,378,275	$ -	$ 1,480,549	$ (538,958)
Savings accounts	74,546	(928,755)	-	(854,209)	743,681
Cash with fiscal agent	-	-	489,500	489,500	489,500
Total Deposits	$176,820	$ 449,520	$ 489,500	$ 1,115,840	694,223

Investments:	Category 1	Category 2	Category 3	Not Required To Be Categorized		Market Value
Investments with fiscal agents:						
Federated Obligations Treasury Fund	$ -	$ -	$ 79,573	$ -	79,573	$ 79,573
U.S. Treasury Note	-	-	674,644	-	674,644	675,055
Federal National Mortgage Association	-	-	1,496,483	-	1,496,483	1,519,740
U.S. Treasury Notes	-	-	8,219,305	-	8,219,305	8,252,418
California Local Agency Investment Fund (LAIF)	-	-	-	10,496,708	10,496,708	10,496,708
Los Angeles County Pooled Investment Fund (LACPIF)	-	-	-	11,915,703	11,915,703	11,915,703
Deferred compensation	-	-	-	873,124	873,124	873,124
Total Investments	$ -	$ -	$10,470,005	$23,285,535	33,755,540	$33,812,321
TOTAL CARRYING AMOUNT (BOOK BALANCES)					$34,449,763	

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2. CASH AND INVESTMENTS (CONTINUED):

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

Cash and investments	$30,836,439
Cash and investments with fiscal agent	3,613,324
	$34,449,763

Allocation of Interest Income Among Funds:

Interest income from pooled investments is allocated (1) to those funds which are required by law or administrative action to receive interest and (2) 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, 1992 are as follows:

	Balance June 30, 1991	Additions	Retirements	Balance June 30, 1992
Land and improvements	$23,022,515	$ 2,875,000	$ -	$25,897,515
Buildings	3,569,746	8,720,217	-	12,289,963
Equipment	3,015,863	1,091,663	-	4,107,526
Totals	$29,608,124	$12,686,880	$ -	$42,295,004

Changes in the enterprise fund property, plant and equipment for the year ended June 30, 1992 are as follows:

	Balance June 30, 1991	Additions	Deletions	Balance June 30, 1992
Equipment acquired by capital lease	$ 2,010,275	$ 4,152,204	$ -	$ 6,162,479
Equipment purchased	-	69,016	-	69,016
	2,010,275	$ 4,221,220	$ -	6,231,495
Less: accumulated depreciation	-			(432,514)
Net Assets	$ 2,010,275			$ 5,798,981

See independent auditors' report.

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, 1992:

	Balance July 1, 1991	Additions	Deletions	Balance June 30, 1992
Los Angeles County Debt	$1,358,680	$ -	$ -	$ 1,358,680
Corporate yard debt	1,934,514	-	1,934,514	-
Financing Authority Revenue Bonds - Series 1991	-	22,940,000	-	22,940,000
Note payable	-	2,557,436	-	2,557,436
Compensated absences	159,697	83,983	-	243,680
Totals	$3,452,891	$25,581,419	$ 1,934,514	$27,099,796

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 is payable over a five-year period and carries 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 interest rate for fiscal year 1991 was approximately 3.5%. As of June 30, 1992, the principal amount due to the County aggregated $1,358,680.

Principal and interest payment on such indebtedness will fluctuate depending on the County Treasurer's rate of return. Principal and interest payments of $1,358,680 and interest estimated at $437,569, respectively, are due in the year ending June 30, 1993.

b. Corporate Yard Debt:

On October 15, 1990, the City acquired a facility for its public works activities and park maintenance. Through this acquisition, the City assumed a loan for $1,946,348 with payments due of $18,300 per month, including interest at 10.5%, commencing November 1, 1990. A final payment of $1,934,514, including interest, was made with the proceeds of the Financing Authority Revenue Bonds - Series 1991 (Note 4c) during the fiscal year.

See independent auditors' report.

4. GENERAL LONG-TERM DEBT (CONTINUED):

c. 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 the Corporate Yard Debt (Note 4b). 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, 1991.

4. GENERAL LONG-TERM DEBT (CONTINUED):

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

Future debt service requirements on the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
1993	$ 750,000	$ 1,476,103	$ 2,226,103
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
Thereafter	18,800,000	19,864,216	38,664,216
	$ 22,940,000	$ 26,824,824	$ 49,764,824

d. 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 June 30,	Principal	Interest	Total
1993	$ -	$ 101,510	$ 101,510
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
Thereafter	1,259,542	202,836	1,462,378
	$ 2,557,436	$ 1,275,452	$ 3,832,888

See independent auditors' report.

4. GENERAL LONG-TERM DEBT (CONTINUED):

e. Compensated Absences:

In prior years, $159,697 of compensated absences had been incorrectly included as a liability in the General Fund and Gas Tax Fund. The beginning fund balance of compensated has been increased by $159,697 to correct the beginning balance in the long-term debt account group. There is no fixed payment to pay the outstanding liability for compensated absences earned at June 30, 1992 of $243,680.

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, 1992:

	Balance July 1, 1991	Additions	Deletions	Balance June 30, 1992
Master Lease Obligations	$2,150,000	$ -	$ 156,997	$ 1,993,003
Lease payable	-	4,895,000	-	4,895,000
	2,150,000	4,895,000	156,997	6,888,003
Less: Lease Discount	(36,469)	-	(3,708)	(32,761)
Total Proprietary Fund Long-Term Debt	$2,113,531	$4,895,000	$ 153,289	$ 6,855,242

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 Citywide local public transit system.

See independent auditors' report.

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

a. Master Lease Obligations (Continued):

Future lease payments under such obligation are as follows:

Year Ending June 30,	Principal	Interest	Total
1993	$ 167,692	$ 130,769	$ 298,461
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
Thereafter	1,032,255	161,588	1,193,843
	$1,993,003	$ 693,144	$ 2,686,147

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
1993	$ 300,000	$ 362,169	$ 662,169
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
Thereafter	3,245,000	869,305	4,114,305
	$4,895,000	$2,230,226	$ 7,125,226

See independent auditors' report.

6. INTERFUND BALANCES:

Interfund receivable and payable balances as of June 30, 1992 are as follows:

Fund	Due From	Due To
General Fund	$ 2,337,309	$ 14,179
Special Revenue Funds:		
Bikeway	-	7,166
Gas Tax	-	2,000
Park Improvement	-	137,500
Special Assessment	-	4,209
State Park Grants		1,648
Transportation Development Act (TDA) Funds	-	544,576
Traffic Safety	-	36,854
Community Development Block Grant (CDBG)	-	145,840
Federal Aid Urban (FAU)	-	2,314,734
Capital Projects Funds:		
General Capital Projects	944,247	-
Transit Enterprise Fund	-	72,850
	$ 3,281,556	$ 3,281,556

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, 1992 was $5,981,613. The total payroll for the year was $6,953,338.

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.

See independent auditors' report.

7. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Employee and Employer Contribution Obligations:

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, 1991. 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 $206,264 at June 30, 1991, 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 a decrease of $37,069.

7. DEFINED BENEFIT PENSION PLAN (CONTINUED):

Funding Status and Progress (Continued):

Pension benefit obligation:	
Retires and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 20,658
Current employees:	
Accumulated employee contributions, including allocated investment earnings	488,568
Employer-financed vested	-
Employer-financed nonvested	343,485
Total pension benefit obligation	852,711
Net assets available for benefits, at cost (market value, $1,174,403)	1,058,975
Excess of net assets over pension benefit obligation	$ 206,264

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, 1992.

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 $811,727 was made to the system for 1992 in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1991. The City contributed employer contributions of $391,196, (6.54% of current covered payroll) and on behalf of employees contributed $409,357 (6.84% of current covered payroll). Employees contributed $11,174 (.18% of current covered payroll) on their own behalf.

See independent auditors' report.

7. 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 1990-91 and employer contributions and covered payroll for 1988-1989 through 1991-1992 is summarized as follows:

	1988-1989	1989-1990	1990-1991	1991-1992
Net assets available for benefits	$ 231.9	$ 4,452.8	$ 10,589.7	$ *
Pension benefit obligation (in hundreds)	406.9	3,230.4	8,527.1	*
Net assets available for benefits expressed as a percentage of pension benefit obligation	57.0%	137.8%	124.2%	*
Assets in excess (deficit) of pension benefit obligation (in hundreds)	(174.9)	(1,224.4)	(2,062.6)	*
Annual covered payroll (in hundreds)	10,084.4	29,630.2	55,144.9	59,816.1
Unfunded (assets in excess of) pension benefit obligation expressed as a percentage of annual covered payroll	1.7%	(4.1%)	(3.7%)	*
Employer contributions (in hundreds)	1,170.0	3,217.6	2,908.9	3,911.9
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%

* Information at June 30, 1992 was not available.

See independent auditors' report.

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 $873,124 are included in an Agency Fund in the City's financial statements.

9. INDIVIDUAL FUND DISCLOSURES:

The Self-Insurance Internal Service Fund experienced a net loss of $22,479 for the year resulting in an accumulated deficit of $243,095. 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. The City plans on recovering this amount through future operating transfers.

The Transit Enterprise Fund has an unreserved deficit retained earnings of $300,000 at June 30, 1992. Fund balance in the general fund has not been reserved for this amount because the City expects to recover the deficit by an increase in fares and transfers from other funds.

10. SELF-INSURANCE:

The City is self-insured for the first $250,000 on each general liability claim against the City. At June 30, 1992, $805,000 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, 1992 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 and all workers' compensation claims.

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.

The City's reserves and designations at June 30, 1992, 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	$3,232,480	$ -	$ -	$ -
Encumbrances	760,318	314,152	-	-
Self insurance	243,095	-	-	-
Accounts receivable	150,000	-	-	-
Prepaid items	42,856	-	-	-
Debt service	-	-	2,250,700	489,500
TOTAL RESERVES	$4,428,749	$ 314,152	$ 2,250,700	$ 489,500

Designations:	General Fund	Special Revenue Funds	Capital Projects Funds
Capital improvements	$ -	$ -	$10,789,516
Special revenue purposes	-	11,180,622	-
Contingencies	3,595,365	-	-
TOTAL DESIGNATIONS	$3,595,365	$11,180,622	$10,789,516

See independent auditors' report.

11. 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, 1992 will carry forward as continuing appropriations to be expended in 1992-93.

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.

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. Reserve 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.

See independent auditors' report.

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

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, 1992, in the General Fund has been designated for contingencies.

12. PRIOR PERIOD ADJUSTMENTS:

Noted below are adjustments to fund balances at June 30, 1991.

a. Compensated in the amount of $156,200 absences were incorrectly included as a liability in the General Fund in a prior year. Therefore the beginning fund balance of the General Fund has been increased by $156,200.

b. Compensated in the amount of $3,497 absences were incorrectly included as a liability in the Gas Tax Fund. Therefore, the beginning fund balance of the Gas Tax Fund has been increased by $3,497.

c. The beginning balance of the General Long-Term Debt Account Group has been increased by $159,697 to record compensated absences not recorded in prior years.

d. Interest payable of $304,846 was incorrectly included as a liability in the General Fund in prior years. Therefore the beginning fund balance of the General Fund has been increased by $304,846.

13. SEGMENT INFORMATION:

Net working capital of the Transit Enterprise System at June 30, 1992 was as follows:

Current assets	$ 1,601,414
Current liabilities payable from current assets	(1,438,950)
Net working capital	$ 162,464

See independent auditors' report.

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 1991-92 there was one eligible participant for which the City paid $211 for medical insurance premiums.

See independent auditors' report.