



Parks and Recreation Department

The Parks and Recreation Department is very proud of the success of the Pepsi Playpark. Dedicated on June 15, 1991, in Newhall Park, this is the only playground in Santa Clarita which is designed to be used by both challenged and nonchallenged children.



CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements

June 30, 1991

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

Reporting Entity

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

Generally accepted accounting principles require the inclusion in the City's general purpose financial statements of all related entities for which the City Council has a continuing oversight responsibility and accountability of their operations. Such oversight responsibility and accountability is the basic criteria set forth by generally accepted accounting principles in evaluating when to include a potential component unit in a governmental reporting entity.

The accompanying general purpose financial statements of the City of Santa Clarita include all of the City's financial activities. For 1991, there were no related entities that should be included in the general purpose financial statements.

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

The City has no control over the selection of the governing authorities, designation of management or fiscal matters of these governmental entities, nor does the City have the ability to significantly influence the operations of these other entities. Therefore, as 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 in the accompanying general purpose financial statements.

Description of Funds and Account Groups

The accounts of the City of Santa Clarita (the City) are organized and operated on the basis of funds, each of which constitutes a fiscal and accounting entity with a self-balancing set of accounts, established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. For financial reporting purposes, the various funds of the City have been grouped according to defined fund type and are presented in this report as follows.

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

Governmental Fund Types

General Fund – The General Fund accounts for all the general revenue of the City not specifically levied or collected for other City funds and for expenditures related to the rendering of general services by the City.

Special Revenue Funds – Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for specific purposes.

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

Proprietary Fund Types

Enterprise Fund – The Enterprise Fund accounts for the establishment and operation of the City's local public transit bus system.

Internal Service Funds:

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

Vehicle Replacement Fund – The Vehicle Replacement Fund is used to finance the cost of replacing automotive equipment used by various City departments.

Fiduciary Fund Types

Expendable Trust Fund – The City's Expendable Trust Fund accounts for assets and activities restricted to a specific purpose in accordance with a formal intent.

Agency Fund – The 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 – The General Fixed Assets Account Group accounts for all general capital assets owned by the City (see note 3).

General Long-Term Debt Account Group – The General Long-Term Debt Account Group accounts for the general long-term debt of the City (see note 4).

Basis of Accounting

The modified-accrual basis of accounting is followed for the Governmental Fund Types (General, Special Revenue and Capital Projects) and the City's Trust and Agency Funds. The modified-accrual basis of accounting is defined as the basis of accounting under which expenditures are recorded when the related fund liability is incurred, if measurable, except for principal and interest on long-term debt which is recorded when due. Revenues are recorded when susceptible to accrual, i.e., when they become measurable and available to finance current operations. The term available is interpreted by the City to mean those revenues that will be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City regards property taxes received within 60 days of year-end, sales taxes, cigarette taxes, interest and motor vehicle license fees as susceptible to accrual.

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

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

Budgetary Principles

On or before June 30, the City adopts an annual budget for the ensuing fiscal year. Formal budgets are employed as a management control device during the year for the General and Special Revenue Funds. The Capital Projects Fund does not adopt a budget on an annual basis; rather, expenditures are controlled on a project-by-project basis based upon contracts entered into.

From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Manager is authorized to make changes in budgeted accounts at the department level through transfer of funds from one subclassification to another, provided that the total budget is not exceeded. Expenditures may not legally exceed appropriations at the departmental level on a Citywide basis. The expenditure classification in the accompanying general purpose financial statements is reflective of the various department levels of the City (except capital outlay and debt service). Appropriations lapse at the end of the fiscal year to the extent they have not been expended.

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

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the Governmental Fund Types.

Cash and Investments

Investments are stated at cost, except for investments of the Deferred Compensation Agency Fund, which are recorded at market value.

The City pools its cash and investments to maximize investment yields. Investment income resulting from this pooling is allocated to the respective individual funds based on the source of funds invested (see note 2).

Fixed Assets

Fixed assets are recorded at cost or the estimated market value of donated assets at the date of contribution. The City does not include infrastructure fixed assets (roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and the like) in its General Fixed Assets Account Group. No depreciation is provided on general fixed assets.

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

Compensated Absences

Under certain circumstances, employees of the City are permitted to accumulate vacation pay in excess of a normal year's accrual. Such amount of excess accumulation is accrued during the year. As of June 30, 1991, the City's liability related to compensated absences aggregated \$156,200 and is included in accounts payable and accrued liabilities of the General Fund in the general purpose financial statements.

Property Taxes

Property taxes are an enforceable lien on property as of March 1. Taxes are levied on July 1 and are payable in two installments on November 1 and February 1, 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.

Total (Memorandum Only) Information

Columns on the accompanying general purpose financial statements captioned "Total (memorandum only)" are not intended to present consolidated financial information. They are not necessary for a fair presentation of the financial statements, but are presented only as additional data.

(2) Cash and Investments

The City manages its pooled idle cash and investments under a formal investment policy 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 and commercial paper. All investment activities are conducted with banks and savings and loan associations specifically approved by resolution of the Santa Clarita City Council.

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

	Category 1	Category 2	Bank balance, June 30, 1991	Carrying amount, June 30, 1991
Deposits held with banks	\$ 167,281	427,443	594,724	24,435

- Category 1 - Includes deposits that are insured or collateralized with securities held by the City or its agent in the City's name.
- Category 2 - Includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

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

	Category 1	Category 2	Not required to be categorized	Carrying amount, June 30, 1991	Market value, June 30, 1991
U.S. Government securities	\$ 15,743,002	—	—	15,743,002	16,535,320
Bankers' acceptances	3,915,615	—	—	3,915,615	3,915,615
State Treasurer's Local Agency Investment Fund investment pool	—	—	11,392,000	11,392,000	11,392,000
Restricted cash and investments in deferred compensation plan (note 8)	—	—	623,470	623,470	623,470
Total investments	\$ 19,658,617	—	12,015,470	31,674,087	32,466,405

The specific risk categories are discussed as follows:

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

Category 2 – Includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name.

The City regards all investments as being sufficiently liquid as to be considered "cash equivalents" as the term is generally used in the preparation of the accompanying Statement of Cash Flows.

(3) Fixed Assets

Activity in the General Fixed Assets Account Group for the year ended June 30, 1991 is as follows:

	Balance, June 30, 1990	Additions	Retire- ments	Balance, June 30, 1991
Land and improvements	\$ 22,039,492	983,023	—	23,022,515
Buildings	2,097,118	1,472,628	—	3,569,746
Equipment	1,879,069	1,136,794	—	3,015,863
	\$ 26,015,679	3,592,445	—	29,608,124

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

(4) Long-Term Obligations

During an interim period between the incorporation of the City and June 30, 1988, Los Angeles County (County) provided various municipal services to the City. The County of Los Angeles has computed the value of such services to be \$3,985,616. 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, which was estimated to be 7% throughout fiscal year 1991. As of June 30, 1991, the amount due to the County aggregated \$1,358,680.

Principal and interest payments on such indebtedness will fluctuate depending on the County Treasurer's rate of return. The following table illustrates the retirement of such indebtedness given an effective 7% interest rate:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year:			
1992	\$ 856,913	399,955	1,256,868
1993	<u>501,767</u>	<u>35,124</u>	<u>536,891</u>
Total indebtedness	<u>\$ 1,358,680</u>	<u>435,079</u>	<u>1,793,759</u>

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 \$1,849,648, including interest, is due May 1, 1996. As of June 30, 1991, the amount due on the loan aggregated \$1,934,514.

Principal and interest payments on such indebtedness are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year:			
1992	\$ 17,292	202,308	219,600
1993	19,198	200,402	219,600
1994	21,314	198,286	219,600
1995	23,663	195,937	219,600
1996	<u>1,853,047</u>	<u>161,301</u>	<u>2,014,348</u>
Total indebtedness	<u>\$ 1,934,514</u>	<u>958,234</u>	<u>2,892,748</u>

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 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.

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

Future minimum lease payments under such obligation are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year:			
1992	\$ 156,997	135,862	292,859
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
Thereafter	<u>1,250,526</u>	<u>241,777</u>	<u>1,493,303</u>
Total	<u>\$ 2,150,000</u>	<u>829,006</u>	<u>2,979,006</u>

The following is a summary of the changes in the City's long-term debt for the year ended June 30, 1991:

	<u>Balance, July 1, 1990</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 1991</u>
General long-term debt:				
Los Angeles County debt	\$ 1,505,302	—	(146,622)	1,358,680
Corporate yard debt	—	1,946,348	(11,834)	1,934,514
Total general long-term debt	<u>1,505,302</u>	<u>1,946,348</u>	<u>(158,456)</u>	<u>3,293,194</u>
Proprietary Funds long-term debt – master lease obligation	—	2,113,531	—	2,113,531
Total Proprietary Funds long-term debt	<u>—</u>	<u>2,113,531</u>	<u>—</u>	<u>2,113,531</u>
Total long-term debt	<u>\$ 1,505,302</u>	<u>4,059,879</u>	<u>(158,456)</u>	<u>5,406,725</u>

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

(5) Interfund Receivables and Payables

Individual fund interfund receivable and payable balances as of June 30, 1991 are as follows:

Fund	Due from	Due to
General Fund	\$ 480,028	325,006
Special Revenue Funds:		
Bridge and Thoroughfare	—	1,100
Miscellaneous grants	—	321,938
Transportation Development Act (TDA) Funds	—	230,778
Traffic Safety	—	56,326
Community Development Block Grant (CDBG)	—	101,764
Bikeway	—	4,548
Developer fees	—	8,275
Proposition A	—	8,250
Capital Projects Fund	577,957	—
	\$ 1,057,985	1,057,985

(6) Operating Leases

Lessee

The City has entered into an operating lease agreement with an independent company for the present City Hall location. The lease payments are subject to yearly increases, based on the consumer price index. The following is a schedule of future minimum lease payments:

1992	\$ 400,090
1993	400,090
1994	133,364
Total minimum lease payments	\$ 933,544

(7) Retirement Plan

Plan Description

The City contributes to the State of California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for cities in the state of California. The City's payroll for employees covered by PERS for the year ended June 30, 1991 was \$4,048,021. Total payroll for the City for the year ended June 30, 1991 was \$4,671,788.

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

All full-time City employees are eligible to participate in PERS, with benefits vesting after five years of service. Employees are designated as miscellaneous members.

Miscellaneous members who retire at age 50 with 5 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 for miscellaneous members is the average monthly pay rate for the last consecutive 36 months (or any 36 months during which the pay may have been higher) of employment. The benefit factor is an amount equal to between 1.092% and 2.418% multiplied by the number of years of credited employment. The percentage amount is based upon the age of the employee at retirement, increasing from age 50 to age 63.

The PERS also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and City ordinance.

PERS requires that miscellaneous employees contribute 7% of their annual salary to PERS. However, this benefit, like all others, is subject to collective bargaining. 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.

For fiscal year 1990-91, employer contribution rates were as follows:

<u>Annual rate components</u>	<u>Miscellaneous category</u>
A. Normal cost rate	7.186%
B. Unfunded liability rate	<u>(0.205)</u>
C. Total required	<u>6.981%</u>

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 effect of projected salary increases and step-rate benefits estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of PERS 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 PERS.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1990. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.5% a year compounded annually, (b) projected salary increases of 5% a year compounded annually, attributable to inflation, (c) additional projected salary increases of 2% a year, attributable to seniority/merit and (d) no postretirement benefit increases.

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

Total unfunded pension benefit obligation applicable to the City's employees was \$(122,238) at June 30, 1990, as follows:

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 2,547
Current employees:	
Accumulated employee contributions, including allocated investment earnings	196,066
Employer-financed vested	—
Employer-financed nonvested	<u>124,429</u>
Total pension benefit obligation	323,042
Net assets available for benefits, at cost (market value of \$504,948)	<u>445,280</u>
Assets in excess of the pension benefit obligation	\$ <u><u>122,238</u></u>

Actuarially Determined Contribution Requirements and Contribution Made

PERS 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. PERS 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. PERS also uses the level-percentage-of-payroll method to amortize any unfunded actuarial liabilities. The amortization period of the unfunded actuarial liability ends in the year 2018 for current service benefits and in the year 2000 for prior service benefits.

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.

The yearly obligation to PERS for 1991 of \$574,252 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1990. The contribution consisted of \$290,890 normal cost (7.186% of current covered payroll). The City contributed \$290,890 (7.186% of current covered payroll); employees contributed \$283,362 (7.0% of current covered payroll).

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The City has been informed by PERS that systemwide ten-year trend information may be found in the California Public Employees' Retirement System Annual Report. The City entered the system in fiscal 1988/89. As such, the following trend information is not applicable prior to 1988/89 (in hundreds):

Fiscal year	Net assets available for benefit	Pension benefit obligations	Percent funded	Unfunded pension benefit obligation	Annual covered payroll	Unfunded pension benefit obligation as a percent of covered payroll	Total City contributions	Contributions as a percent of annual covered payroll
1989*	\$ 231.9	\$ 406.9	57.0%	\$ 174.9	\$ 10,084.4	1.7%	\$ 1,170.0	11.6%
1990	4,452.8	3,230.4	137.8	(1,222.4)	29,630.2	4.1	3,217.6	10.9
1991	N/A	N/A	N/A	N/A	40,480.2	N/A	2,908.9	7.2

* Effective date of contract November 14, 1988 (in hundreds).

(8) Deferred Compensation Plan

The City has adopted a deferred compensation plan in accordance with Internal Revenue Code Section 457 for its eligible employees wherein they may execute an individual agreement with the City for amounts earned by them to be paid at a future date when certain circumstances are met. These circumstances are terminated by reason of death, disability, resignation, retirement or an unforeseeable emergency. The deferred compensation plan has been approved by a ruling from the Internal Revenue Service. All assets in the plan remain the property of the City until paid or made available to participants, subject only to the claims of the City's general creditors. The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use assets to satisfy claims of general creditors in the future.

The primary purpose of the plan is to attract and hold well-qualified City employees by permitting them to make special provisions for monthly payments upon retirement. The City has full power and authority to administer the plan and to adopt rules and regulations therefor.

At June 30, 1991, funds on deposit and credited to participants' accounts, at market value, totaled \$623,470.

(9) Deficit and Budget Overrun

The Enterprise Fund experienced a deficit of \$12,374 at June 30, 1991; however, management believes such deficit will be recovered from future operating revenues.

CITY OF SANTA CLARITA

Notes to General Purpose Financial Statements, Continued

The Self-Insurance Internal Service Fund experienced a net loss of approximately \$653,000 for the year leading to an accumulated deficit of approximately \$221,000. 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 Special Assessment Special Revenue Fund experienced a deficit of \$1,356 at June 30, 1991; however, this should be recovered from future collections in this fund.

(10) Self-Insurance

The City is self-insured for the first \$100,000 on each general liability claim against the City. At June 30, 1991, \$859,000 was accrued for general 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, 1991 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 \$100,000 and all workers' compensation claims.