

23920 Valencia Blvd.
Suite 300
City of Santa Clarita
California 91355

Phone
(805) 259-2489
Fax
(805) 259-8125



**City of
Santa Clarita**

November 29, 1991

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

To: City Manager

It is a pleasure to submit for your information the Comprehensive Annual Financial Report of the City of Santa Clarita for the fiscal year ended June 30, 1991. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Organization of This Report

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

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

The City received both awards for last year's financial report and, in my opinion, the accompanying financial report conforms to the high standards of public financial reporting and will again this year be submitted to both award programs for review.

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

I. Introductory Section

Letter of transmittal
GFOA Certificate of Achievement for Excellence in
Financial Reporting
CSMFO Certificate of Award for Outstanding Financial
Reporting
MTA of United States and Canada Certificate of Excellence for
Outstanding Written Investment Policy
Officials of the City of Santa Clarita
City organization chart

II. Financial Section

Independent auditors' report
General purpose financial statements
Notes to general purpose financial statements
Supplemental financial statements and schedules

III. Statistical Section

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

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

General Purpose Financial Statements - This level includes the Independent Auditors' Report, the General Purpose Financial Statements, and Notes thereto. The Combined Financial Statements provide a summary of the City's financial position at June 30, 1991, and the results of its operations and cash flows for its proprietary funds, for the period then ended by fund type or account group.

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

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

Developing the City's Accounting System

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

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

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

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

The Reporting Entity

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

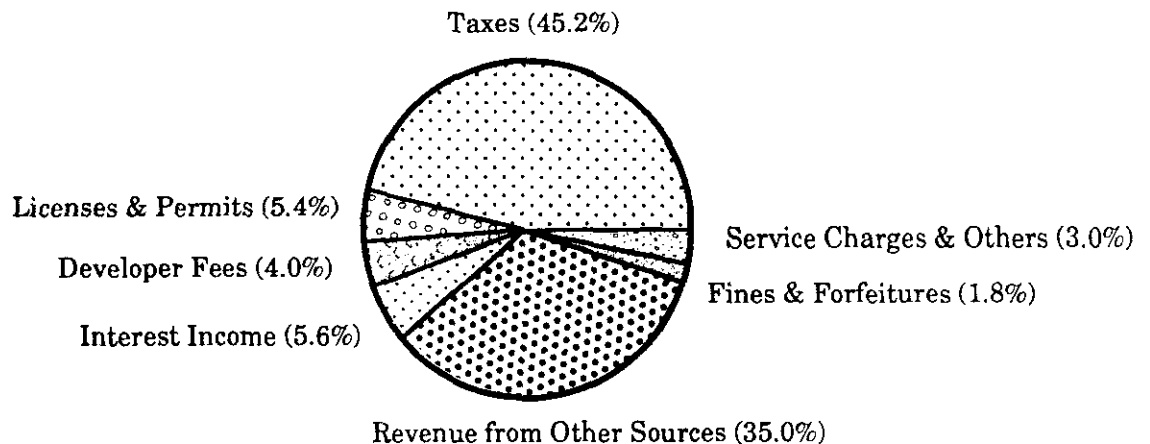
Financial Operating Results

A summary of the general fund, special revenue funds, enterprise fund, capital project fund, and expendable trust funds overall operating results for the fiscal year ended June 30, 1991, and the amount and percentage of increases and decreases in relation to prior year revenues and expenditures, is presented below. Details of these revenue and expenditure amounts, (all amounts are in thousands), by fund, can be found in the accompanying general purpose financial statements.

Fiscal Year 1990-91 Revenues

REVENUES:	FY 90-91 AMOUNT	PERCENT OF TOTAL	INCREASE <DECREASE> FROM FY89-90	PERCENT OF INCREASE <DECREASE>
TAXES	\$17,458	45.2%	\$1,030	6.3%
LICENSES AND PERMITS	2,094	5.4	<401	<16.1>
DEVELOPER FEES	1,549	4.0	125	8.8
INTEREST EARNINGS	2,169	5.6	101	4.9
REVENUE FROM OTHER SOURCES	13,534	35.0	1,828	15.6
FINES AND FORFEITURES	687	1.8	<23>	<3.2>
SERVICE CHARGES AND OTHERS	1,173	3.0	51	4.5
TOTALS	\$38,664	100.0%	\$2,711	

Fiscal Year 1990-91 Revenues



Taxes continue to be the largest general fund revenue category for the City of Santa Clarita. Even in the midst of the recession, overall revenues from taxes increased 6.3% over last year's totals. Sales tax, being number one, and property tax, number two, are the major components of the tax category with sales tax representing over 40% of the total

general fund revenues. Franchise fees are becoming increasingly more important and represent the third largest source of tax revenues. Franchise revenues increased 19% in fiscal year 1990-91 over the previous year.

While most other revenue categories fared well during the 1990-91 fiscal year, some revenues were heavily impacted by the recession. The Licenses and Permits category experienced an overall decline of 16.1% primarily due to the lack of building permit activity. Although this category is not one of the City's major revenues, it does show the impact of the national economy on California cities. Revenues from building and safety permits alone declined 23% from last year's totals as a result of the slowdown in the building industry.

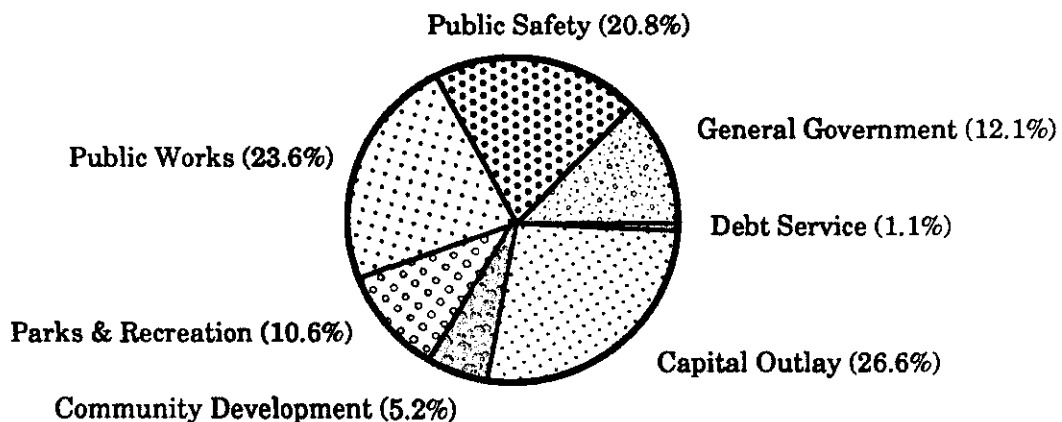
The Fines and Forfeitures category also experienced a decline in revenues by 3.2%. This is attributable to the decrease in citation activity for fiscal year 1990-91.

Overall, revenues for fiscal year 1990-91 exceeded previous year's revenues by 7.5%. The diversity of the City's economic base has helped the City maintain a healthy revenue stream in spite of the recent economic hardship being felt throughout the Nation.

Fiscal Year 1990-91 Expenditures

EXPENDITURES:	FY 90-91 AMOUNT	PERCENT OF TOTAL	INCREASE <DECREASE> FROM FY 89-90	PERCENT OF INCREASE <DECREASE>
GENERAL GOVERNMENT	\$4,338	12.1%	\$616	16.6
PUBLIC SAFETY	7,498	20.8	451	6.4
PUBLIC WORKS	8,493	23.6	1,319	18.4
PARKS AND RECREATION	3,818	10.6	1,369	55.9
COMMUNITY DEVELOPMENT	1,872	5.2	450	31.6
CAPITAL OUTLAY	9,592	26.6	<1,997>	<17.2>
DEBT SERVICE	404	1.1	<746>	<64.9>
TOTALS	\$36,015	100.0%	\$1,462	

Fiscal Year 1990-91 Expenditures



The 16.6% increase in general government expenditures is reflective of a number of new programs which were initiated by City Council during fiscal year 1990-91. New staff additions in general government made up a major portion of the increase. The other components producing the increase were: social services program grants to various service organizations, a fire prevention program which distributed fire safety kits to Santa Clarita residents, a celebration of the City's third birthday and the inclusion in the Santa Clarita Valley Historical Book. As the City continues to grow and diversify, the need for attorney services has expanded to accommodate the complexity of new projects undertaken. During fiscal year 1990-91 general services was very active in its acquisition and maintenance of over forty fleet vehicles. Computer services added new computer equipment and software to meet the City's increased demand for data processing and equipment. One major accomplishment shared by computer services, finance, and general services was the implementation of a paperless purchase order system.

During fiscal year 1990-91, the Department of Public Works was transitioning from consulting services to in-house staff. This resulted in hiring six new positions to perform building and safety functions. In January, 1991, Public Works brought on-line its Solid Waste Management program, assumed responsibilities for fulfilling State requirements for conservation, the Elsmere Canyon landfill project, and embarked on the City's first transit district by acquiring thirteen new City buses.

The City has completed its transition from County to City provided Parks and Recreation services. This transition phase is represented by the 55.9% increase in expenditures. Newly added services in the recreation division include an after-school program, senior festival, excursions, multi-cultural family events, music and art historic site events, a teen festival, a tennis program, year-round aquatics, an Arbor Day event and Pride Week. These additional services are designed to meet the varied needs of the entire community and demonstrates the City's commitment to quality recreation services. In the parks division, new City staff have enhanced the City's beauty by upgrading park buildings, park benches, play equipment, swimming pools and landscaping.

Community Development continues to perform in the area of annexation, ordinance and policy development and to carry out special studies. In order to secure and expand the City's current sales tax revenue base, the City promoted a positive awareness of "Shop Santa Clarita" theme by advertising in newspapers, radio, TV, ads and distributing shopping bags with the slogan "The Value is in the Bag." This project was steered by the Economic Development division which was fully activated during this fiscal year. On June 25, 1991, the City adopted its first General Plan with a mass mailing sent to approximately 4,000 property owners, plus over 600 standard intent lists. In fiscal year 1990-91, the City completed a survey and published its Growth Management Report for use by Community Development in meeting with special interest and other community groups with concern for growth patterns in the Santa Clarita Valley. These major projects that Community Development has undertaken in this fiscal year resulted in increased expenditures of 31.6%

During last fiscal year, the City made debt service payments to Los Angeles County for amounts due for "start up" cost incurred by the City at incorporation. These costs are payable over a five year period ending in 1993. This fiscal year's significant decrease in debt service resulted from the City deferring its large payment to the County.

Gann Limit

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

Cash Management

The City operates its pooled idle cash investments under the "Prudent Man Rule" and has adopted a formal investment policy. Such policy affords the City a broad spectrum of investment opportunities so long as the investment is deemed prudent and is permissible under current effective legislation of the State of California and other imposed restrictions. The City received a Certificate of Excellence award in 1991 from the Municipal Treasurer's Association of the United States and Canada for its Treasurer's Investment policy. Santa Clarita was one of fourteen cities to ever receive this award.

Temporarily idle cash was invested in a variety of investment vehicles, including the State Treasurer's Local Agency Investment Fund, deposits with commercial banking institutions, U.S. government agency instruments, commercial paper and bankers acceptances. This diversification allows for flexibility and safety of the portfolio. The weighted average yield on such investments of the year was 7.0% with total interest earnings for all funds at \$2,168,902.

Debt Administration

At the time of incorporation, the City incurred "start-up" costs for contract municipal services performed by the County of Los Angeles. The amount still remaining at June 30, 1991, totaled \$1,358,680. As a condition of incorporation, such incurred costs are payable over a five-year period ending in 1993. These advanced costs bear interest at an estimated 7% per annum. In October, 1990, the City acquired the corporation yard facility and assumed a loan in the amount of \$1,946,346. Payments due of \$18,300 per month, including 10.5% interest, commenced November 1, 1990. A final payment of \$1,849,648 is due May 1, 1996. At June 30, 1991, the outstanding balance due on the corporation yard loan was \$1,934,514. 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 of 6.6% 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. As of June 30, 1991, the master lease obligation aggregated \$2,113,531.

Fiduciary Operations

Trust and agency funds are maintained to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and other funds. The City's General Trust Fund is an expendable trust fund which accounts for assets and activities restricted to a specific purpose in accordance with a formal intent. An Agency fund is custodial in nature and is used to receive and disburse funds which do not belong to the City. The City's agency fund is the Deferred Compensation Plan which represents employee contributions invested in accounts with the International City Managers Association (ICMA) Retirement Corporation.

General Fixed Assets

The City's general fixed assets represent those fixed assets used in the performance of general governmental functions. At June 30, 1991, the City's general fixed assets aggregated \$29,608,124. This amount represents the original cost of the assets or fair market value at the date of contribution to the City. No depreciation of general fixed assets is recognized in the City's accounting system.

The General Fixed Assets Account Group does not include those assets defined as "infrastructure assets" (i.e. roads, curbs, gutters, sidewalks, etc.). Such assets are generally immovable and are deemed to be of value only to the City.

Economic Condition and Outlook

The City of Santa Clarita, not unlike any other city in the United States, is greatly impacted by both the national and state economy. However, as a new city, we are closely monitoring our economic condition, budget projections, and pursuing new revenue generators. These are all approaches which will enhance the City's ability to remain fiscally sound throughout the current recession.

Sales tax for the City of Santa Clarita has continued to increase in the midst of the recession. Given that sales tax comprises over 40% of the General Fund revenues, it is essential to preserve or enhance this revenue stream at all times. Due to the recent economic downturn, there were some concerns about the sales tax generated by auto sales. Traditionally, auto sales have been the leaders in sales tax generation for the City. Auto sales during the fourth calendar year quarter of 1990 rose 3.4% from last year's fourth calendar year quarter. The City outperformed the State and County in total taxable transactions with an increase of 2.6% for fourth quarter 1990. During fourth quarter 1990 as compared to last year's fourth quarter, the State's overall taxable transactions rose 1.3% while the County of Los Angeles increased only .05%. Although sales tax remained strong this fiscal year, one of the City goals is to have user fees and developer fees increase to 10 to 15% of overall revenues, up from the present 4%. This will allow for greater diversity in the revenue base.

Property tax, another major source of revenue, will see a large increase as a result of the increase in the City's assessed valuations. The City's 1991-92 assessed valuations totaled

\$7,122,607,746. This represents a 20% increase from last year's valuation of \$5,949,315,384. The City of Santa Clarita had the third largest increase in Los Angeles County. Much of the increase was due to the backlog of several years' worth of property tax bills which were delayed due to billing problems at the County Assessor's Office.

The diversity of Southern California and the City of Santa Clarita has helped reduce the recession's affect on the City. While spillover effects will result, the City's broad economic base remains intact. The City is not heavily dependent on one major industry for the bulk of our revenue but rather draws incrementally from a variety of sources. The fact that our citizens are employed throughout the Southern California region in a variety of industries further aids the overall condition of the City.

In May, 1991, the City issued its first bond financing of \$2.1 million in order to purchase thirteen buses to operate a local bus service in the City. On June 30, 1991, the City was three-and-one-half years old. Presently, a City Staff of 133 permanent full-time employees provide a full range of services to City residents. In conjunction with the City's own staff, contractual arrangements for major services, such as engineering, building and safety, police and fire protection and street sweeping are provided. In the past, the City has seen its revenues exceed expenditures quite significantly, primarily due to the small number of staff in relation to the size of the City. A goal of the City is to be self-sufficient by the 21st century. Therefore, in the future, as Santa Clarita matures and enlarges its workforce, where contractual services are being taken over by City staff, a closer match of revenue to expenditures will occur.

On the horizon for the City are many new projects to be accomplished. Currently, the City is researching the feasibility of building a City-owned, County-ran library to alleviate the increasing service demands placed upon the current County library system. For the upcoming year, the City will be issuing its first rated bond financing for \$22.9 million for which proceeds will be used to acquire the current city hall site and to improve roads necessary to combat the major traffic congestion problem in Santa Clarita. The City has just completed its design competition for the design of the civic center proposed to be completed in 1995. Additionally, other projects to be accomplished include a planned regional mall operational in 1992 and a development impact fee study.

The future of Santa Clarita remains bright as is depicted in the attached fiscally sound comprehensive annual financial report.

Independent Audit

State statues require an annual audit by independent certified public accountants. The accounting firm of KPMG Peat Marwick has been selected by the City Council to perform this service. The auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

Awards

I am pleased to report that CSMFO awarded its Outstanding Financial Reporting award and GFOA awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Santa Clarita for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1990. Based on the latest available data from GFOA, the City of Santa Clarita was one of 152 cities in California that received this award. Nationwide, only 1,185 of approximately 38,933 municipal governments received this award.

A GFOA Certificate of Achievement is valid for a period of one year only. We believe our *current report continues to conform to GFOA Certificate of Achievement Program* requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

At the Municipal Treasurers' Association of the United States and Canada 1991 Annual Conference, the City of Santa Clarita was one of fourteen municipal governments to receive the association's first Certificate of Excellence for Outstanding Written *Investment Policies* award. The Association's Investment Policy Certification Program was developed in Spring, 1991, with its main purpose to provide professional guidance and assistance in developing or improving existing investment policies in the public sector.

Acknowledgements

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I should like to express my appreciation to all members of the department who assisted and contributed to its preparation, in particular, Susie LaSoya, Accounting Manager, Kwan Beilin, Administrative Assistant, April Skinner, Ginger Hoffman, Executive Secretary, and Nina Giangreco, the City's Graphic Artist. I should also like to thank the Mayor, members of the City Council and the City Manager, George Carvalho, for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Andrea Daroca
Director of Finance /City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to
City of Santa Clarita,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1990

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFR's) achieve the highest standards in government accounting and financial reporting.



Gary R. Horsthem
President

Jeffrey L. Esell
Executive Director

CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS
DEDICATED TO THE PROFESSIONAL ADVANCEMENT OF MUNICIPAL FINANCE ADMINISTRATION

Certificate of Award

FOR

OUTSTANDING FINANCIAL REPORTING

PRESENTED TO THE

City of Santa Clarita

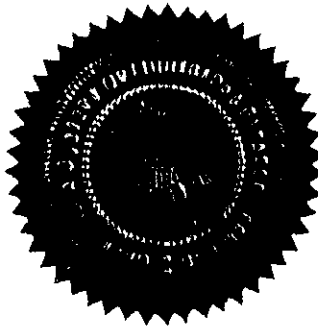
This certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared for the fiscal year *1989 - 90*



Chair, Professional Standards Committee

February 22, 1991

Date



President

February 22, 1991

Date

MTA
US&C

CERTIFICATION OF EXCELLENCE AWARD

City of Santa Clarita, California

1991

*The investment policy submitted for review meets the
standards established by the Municipal Treasurers' Association
of the United States and Canada*

Officials of the City of Santa Clarita

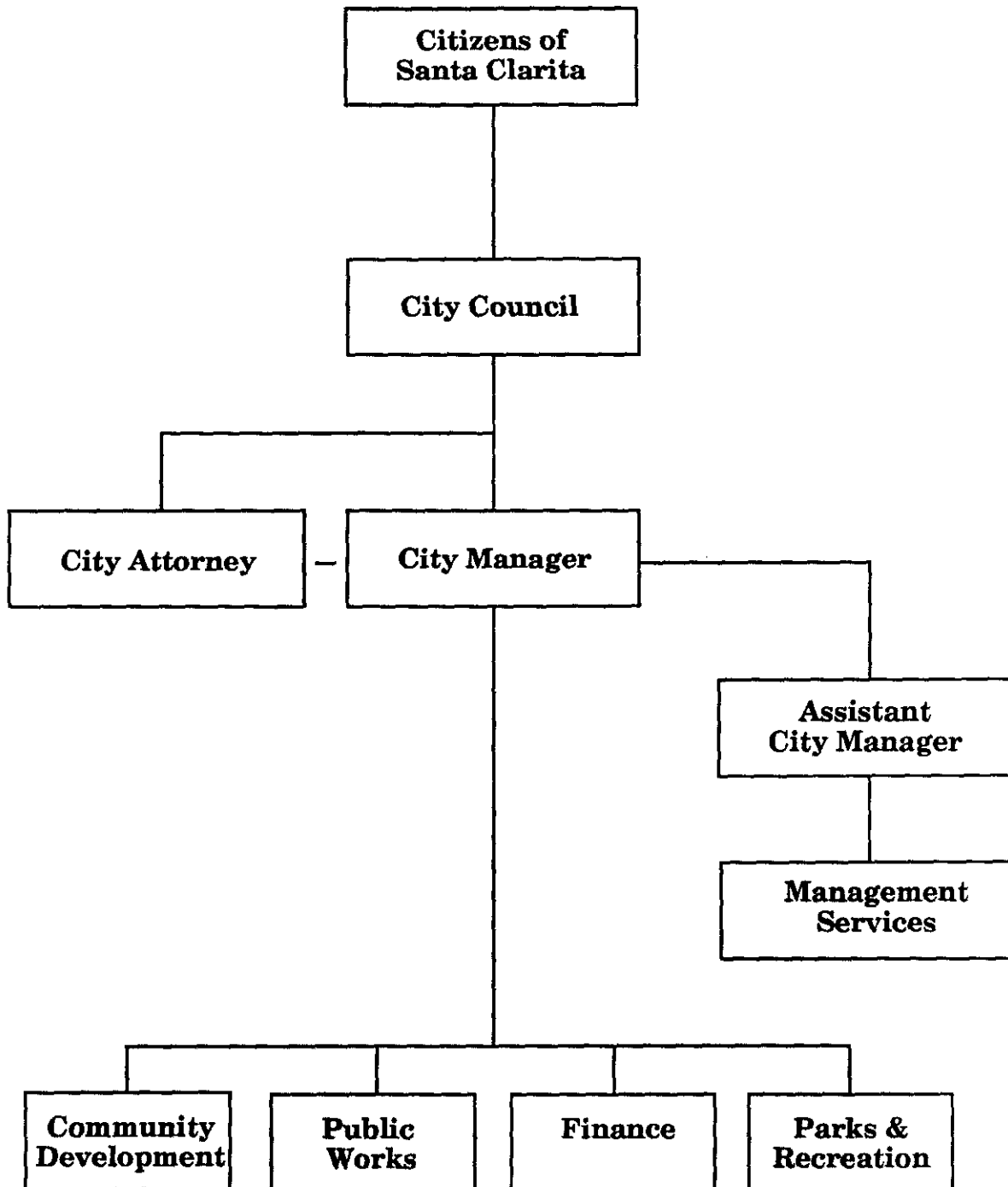
City Council

Carl Boyer III	MAYOR
Jill Klajic	Mayor Pro-Tem
Jan Heidt	COUNCILMEMBER
Howard "Buck" McKeon	COUNCILMEMBER
Jo Anne Darcy	COUNCILMEMBER

City Officials

George Carvalho	CITY MANAGER
Kenneth Pulskamp	ASSISTANT CITY MANAGER
Carl Newton	CITY ATTORNEY
Donna Grindey	CITY CLERK
Andrea Daroca	DIRECTOR OF FINANCE/CITY TREASURER
John Medina	DIRECTOR OF PUBLIC WORKS
Jeff Kolin	DEPUTY CITY MANAGER /PARKS AND RECREATION
Lynn M. Harris	DEPUTY CITY MANAGER /COMMUNITY DEVELOPMENT

City of Santa Clarita Organizational Chart



City of Santa Clarita

