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INDEPENDENT AUDITORS' REPORT

The Honorable City Council of
 the City of Santa Clarita, California

We have audited the accompanying general purpose financial statements of the City of Santa Clarita, California as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Santa Clarita management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Santa Clarita as of June 30, 2002 and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2002 on our consideration of the City of Santa Clarita's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City of Santa Clarita taken as a whole. The accompanying combining, individual fund and account group financial statements and schedules listed as supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole. The statistical information listed in the table of contents was not audited by us and, accordingly, and we do not express an opinion thereon.

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