THE TRANSIT ENTERPRISE FUND
OF THE CITY OF SANTA CLARITA

(AN ENTERPRISE FUND OF THE
CITY OF SANTA CLARITA, CALIFORNIA)

Financial Report

Year Ended June 30, 2018

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Financial Report

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE *difference*

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Transit Enterprise Fund (Fund), an enterprise fund of the City of Santa Clarita, California (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2018, and the changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of a Matter

As discussed in Note 1 to the financial statements, the financial statements present only the Transit Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

The Fund of the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*, effective July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of proportionate share of the net OPEB liability, and schedule of OPEB contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance, as it relates to the Fund of the City.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 27, 2018

FINANCIAL STATEMENTS

THE TRANSIT ENTERPRISE FUND OF THE CITY OF SANTA CLARITA
(AN ENTERPRISE FUND OF THE CITY OF SANTA CLARITA, CALIFORNIA)

STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS		
Current assets		
Accounts receivable	$	16,821
Interest receivable		1,437
Prepaids		14,586
Due from other governments		3,765,853
Total current assets		3,798,697
Noncurrent assets		
Capital assets		
Nondepreciable assets		17,895,097
Depreciable assets, net		61,304,374
Total noncurrent assets		79,199,471
Total assets		82,998,168
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		714,266
LIABILITIES		
Current liabilities		
Accounts payable		3,032,644
Compensated absences payable		60,001
Due to the City of Santa Clarita		288,562
Total current liabilities		3,381,207
Noncurrent liabilities		
Compensated absences payable		15,636
Net OPEB liability		247,416
Net pension liability		1,641,432
Total noncurrent liabilities		1,904,484
Total liabilities		5,285,691
DEFERRED INFLOWS OR RESOURCES		
Deferred inflows related to OPEB		34,464
Deferred inflows related to pensions		81,126
Total deferred inflows of resources		115,590
NET POSITION		
Net investment in capital assets		79,199,471
Unrestricted		(888,318)
Total net position	$	78,311,153

See notes to financial statements.

THE TRANSIT ENTERPRISE FUND OF THE CITY OF SANTA CLARITA
(AN ENTERPRISE FUND OF THE CITY OF SANTA CLARITA, CALIFORNIA)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
JUNE 30, 2018

Operating revenues:	
Metrolink and EZ pass revenues	$ 219,194
Fixed-route passenger fares	3,039,419
Dial-A-Ride passenger fares	114,467
County of Los Angeles operating assistance	2,029,458
Specialized transit services	1,026,929
Miscellaneous revenues	558,021
Total operating revenues	6,987,488
Operating expenses:	
Salaries and benefits	1,200,651
Administrative services	1,526,045
Contract transportation services	19,332,460
Insurance	94,098
Supplies, utilities and other	1,233,583
Depreciation	4,923,033
Total operating expenses	28,309,870
Operating loss	(21,322,382)
Nonoperating revenues (expenses):	
Proposition A discretionary	4,160,387
Proposition A specialized transportation	651,738
Proposition C expansion	197,183
Proposition C BSIP	46,918
Proposition C transit mitigation	5,899
Proposition C MOSIP	48,851
Proposition C security allocation	203,699
Measure R bus operations	2,598,832
Measure M bus operations	2,301,490
Intergovernmental revenues	36,788
Transit mitigation fees	60,800
Unrealized loss on investments	(1,242)
Gain on disposal of capital assets	20,238
Total nonoperating revenues	10,331,581
Loss before contributions and transfers	(10,990,801)
Capital contributions:	
Federal Transit Administration capital grants	2,958,875
Proposition C MOSIP	57,755
Total capital contributions	3,016,630
Transfers from the City of Santa Clarita	7,634,532
Transfers to the City of Santa Clarita	(1,710,254)
Change in net position	(2,049,893)
Net Position:	
Beginning of year, as restated	80,361,046
End of year	$ 78,311,153

See notes to financial statements.

THE TRANSIT ENTERPRISE FUND OF THE CITY OF SANTA CLARITA
(AN ENTERPRISE FUND OF THE CITY OF SANTA CLARITA, CALIFORNIA)

STATEMENT OF CASH FLOWS
JUNE 30, 2018

Cash flows from operating activities:	
Cash received from customers and users	$ 4,967,646
Cash payments to suppliers of goods and services	(27,634,286)
Cash payments to employees	(1,241,858)
Cash received from other sources	2,587,479
Net cash used in operating activities	(21,321,019)
Cash Flows from noncapital financing activities:	
Cash transfers out to the City of Santa Clarita	(1,710,254)
Cash transfers in from the City of Santa Clarita	7,634,532
Federal and state funding received	15,295,030
Net cash provided by noncapital financing activities	21,219,308
Cash flows from capital and related financing activities:	
Federal and state capital contributions	2,958,875
Sale of capital assets	113,726
Acquisition of capital assets	(2,970,574)
Net cash provided by capital and related financing activities	102,027
Cash flows from investing activities:	
Interest received	(2,679)
Net decrease in cash and cash equivalents	(2,363)
Pooled cash and cash equivalents	
Beginning of year	2,363
End of year	$ -
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (21,322,382)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	4,923,033
OPEB Expense	15,960
Pension Expense	291,678
Changes in operating assets and liabilities:	
Decrease in accounts receivable	567,637
Decrease in prepaids	103,393
Decrease in accounts payable and accrued liabilities	(4,553,943)
Decrease in compensated absences	(9,256)
Decrease in due to the City of Santa Clarita	(997,550)
Payments related to deferred outflows for pension contributions subsequent to the measurement date	(339,589)
Total adjustments	1,363
Net cash used in operating activities	$ (21,321,019)

See notes to financial statements.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of business: The financial statements of the Transit Enterprise Fund (Transit Fund) of the City of Santa Clarita, California (City) are intended to present the financial position and results of the bus line services operation. The financial statements of the Transit Fund are included as a business-type (enterprise fund) activity in the basic financial statements of the City.

A summary of the Transit Fund's significant accounting policies is as follows:

The accounting policies of the Fund are in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to proprietary activities of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial presentation: The financial statements of the Fund include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

The financial statements are prepared using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned, while expenses are recorded in the period in which the liability is incurred.

Operating revenues and expenses result from the local public transit services for the local, commuter, Dial-A-Ride and Access Services, Inc., specializing in transit operations and maintenance. The operating revenues consist of charges to customers and users for the transit services provided. Operating expenses include the costs of providing these services, administrative expenses, and depreciation expense. All revenues and expenses not meeting these definitions and which are not capital in nature are reported as non-operating revenues and expenses.

The Transit Fund recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Non-exchange transactions occur when the Fund receives value from another party without giving equal or nearly equal value in return. Various intergovernmental revenues and most donations are examples of non-exchange transactions. Under the terms of grant agreements, the Fund has an enforceable claim with other governmental agencies when specific program expenses are incurred. The Fund has an enforceable claim to local funding allocations when the allocations are determined by the other governmental agencies on an annual basis.

Pooled cash and investments: The Transit Fund's cash balance was pooled with various other City funds for deposit and investment purposes. The City's treasury is responsible for the cash management of the Transit Fund's cash balance. Cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition, and the Transit Fund's participation in the City investment pool are considered to be cash and cash equivalents. Each City fund owns a share of pooled cash and investments and interest income was apportioned based on its average month-end cash balances in proportion to the total of the pooled cash and investments. As of June 30, 2018, the Transit Fund had negative cash balances, which is shown as amounts due to the City of Santa Clarita.

Prepaids: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Administrative services: The Transit Fund has no direct employees, as all personnel-related services are provided by vendors through transportation service contracts or through City employees. Costs for such City employees, including the allocation of accrued compensated absences liabilities and pension costs, are allocated to the Fund based on an approved cost allocation plan.

Grants: Grant revenues and receivables are recorded when earned on grants that have been approved and funded by the grantor, and when eligibility requirements for the grant have been met. Grant sources include Federal Transit Administration grants.

Capital assets: Capital assets include land, site improvements, buildings and improvements, and vehicles and equipment. Capital assets are defined by the City as assets with an initial cost of more than $5,000 ($25,000 for site improvements and building improvements and $100,000 for infrastructure) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Site improvements	5-25 years
Building and improvements	5-50 years
Equipment	5-25 years

Pension: The Transit Fund reports a proportion of the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, of the collective net pension liability of the City of Santa Clarita. All amounts and disclosures are presented on a cost-sharing perspective where the Transit Fund is a participant in the City's plan. For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees Retirement System (CalPERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits: For purposes of measuring the net OPEB obligation, deferred outflows or resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value (see Note 13).

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net position: Net position represents the difference between assets and deferred outflows, and liabilities and deferred inflows, and is classified into three categories:

- **Net investment in capital assets:** This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets, and excludes unspent debt proceeds.
- **Restricted:** Represents the net position that is constrained for use by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.
- **Unrestricted net position:** This amount represents the residual of amounts not classified in the other two categories and represents the net position available for the City.

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Transit Fund's policy is to apply restricted resources first.

Employee compensated absences: It is the City's policy to permit employees to accumulate earned but unused vacation (compensated absences). This accumulation is recorded as an expense and liability of the Transit Fund in the fiscal year earned. The outstanding balance as of June 30, 2018 was $75,637 of which $60,001 was considered due within one year, and $15,636 was considered due in more than one year.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates.

Pronouncements Adopted in the Current Year:

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This Statement is effective for reporting periods beginning after June 15, 2017. The City implemented this Statement effective July 1, 2017.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2017. The City implemented this Statement effective July 1, 2017.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pronouncements Issued But Not Yet Adopted:

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83 – *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year. The City has not determined the effect of the Statement.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year. The City has not determined the effect of this Statement.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or 2020-2021 fiscal year. The City has not determined the effect of the Statement.

GASB Statement No. 88 – In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve consistency in the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This Statement is effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year. The City has not determined the effect of this Statement.

GASB Statement No. 89 – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement is effective for reporting periods beginning after December 15, 2019, or the 2020-21 fiscal year. The City has not determined the effect of this Statement.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 90 – In September 2018, the GASB issued Statement No. 90, *Majority Equity Interests, and amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year. The City has not determined the effect of this Statement.

NOTE 2 – DUE FROM OTHER GOVERNMENTS

Due from other governments consists of the following at June 30, 2018:

Agency	
Los Angeles County	$ 2,232,362
Federal Transit Administration	731,213
Other Agencies	802,278
	$ 3,765,853

Due from other governments relate to various program support revenues received from other governmental in support of transit operations and programs.

NOTE 3 – CAPITAL ASSETS

Changes in capital assets of the Fund at June 30, 2018, consisted of the following:

	Balance June 30, 2017, As Restated	Additions	Deletions	Balance June 30, 2018
Non-depreciable assets:				
Land	$ 15,087,880	$ -	$ -	$ 15,087,880
Construction	1,658,051	1,149,166	-	2,807,217
Total non-depreciable assets	16,745,931	1,149,166	-	17,895,097
Depreciable assets:				
Site improvements	12,941,276	-	-	12,941,276
Building and improvements	41,483,799	-	-	41,483,799
Equipment	55,821,901	1,821,409	(2,582,693)	55,060,617
Total depreciable assets	110,246,976	1,821,409	(2,582,693)	109,485,692
Less accumulated depreciation				
Site improvements	(3,263,591)	(568,221)	-	(3,831,812)
Building and improvements	(11,925,733)	(883,346)	-	(12,809,079)
Equipment	(30,558,166)	(3,471,466)	2,489,205	(31,540,427)
Total accumulated depreciation	(45,747,490)	(4,923,033)	2,489,205	(48,181,318)
Total depreciable assets, net	64,499,486	(3,101,624)	(93,488)	61,304,374
Total capital assets, net	$ 81,245,417	$ (1,952,458)	$ (93,488)	$ 79,199,471

NOTE 4 – TRANSFERS TO/FROM THE CITY OF SANTA CLARITA

During the year ended June 30, 2018, the Transit Fund transferred $1,710,254 to the City of Santa Clarita for support of transit operations. Transfers to the Transit Fund from the City in the amount of $7,634,532 were made as follows:

Proposition A	$	5,067,401
Proposition C		2,567,131
	$	7,634,532

NOTE 5 – PENSION PLAN

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Pension Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. The employees are participants in the Miscellaneous Plan of the City. Accordingly, all amounts and disclosures are presented on a cost-sharing perspective where the Transit Fund is a participant in the City's plan. Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 5 – PENSION PLAN (CONTINUED)

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	Tier 3
Formula	2.7% at 55	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	55	60	62
Monthly benefits, as a % of annual salary	2.7%	2.0%	2.0%
Required employee contribution rates*	8%	7%	5.75%
Required employer contribution rates	15.845%	15.845%	5.75%

	Tier 1	Tier 2	Tier 3
Applies to:	Employees hired before April 9, 2011, including those hired as part time seasonal (PTS) who later convert to regular full time employees.	Employees hired between April 9, 2011 and December 31, 2012, or those hired January 1, 2013 or later, who have been a CalPERS member with a public agency or in a reciprocal plan within the last 6 months). Also includes PTS who later convert to regular full time employees	Employees hired January 1, 2013 or later (if employee has not been a CalPERS member with a public agency, or in a reciprocal plan within the last 6 months)

* For unrepresented Tier 1 participants, the City pays 2% of the required employee contribution. For the SEIU Tier 1 participants, the City pays 2% of the required employee contributions. The City does not pay any portion of the employee contribution for Tier 2 or Tier 3 participants. These payments are classified as employee contributions in accordance with GASB 68.

Contributions

Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. The expense associated with contributions for the Transit Fund employees is charged to payroll at the required rates previously noted.

Contributions recognized by the pension plan, and contributed by the Transit Fund for the year ended June 30, 2018 were $339,564.

NOTE 5 – PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions
As of June 30, 2018, the net pension liability reported by the Transit Fund for its proportionate share of the net pension liability of the Plan, as allocated by the City, was $1,641,432.

The Transit Fund's net pension liability was measured as the proportionate share of the City's net pension liability for the Miscellaneous Plan. The net pension liability of the Plan was measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using actuarial update procedures. The Transit Fund's proportion of the net pension liability was based on actual contributions paid by the Transit Fund in relation to the total City's contribution paid for the Miscellaneous Plan, as determined by the City. The Transit Fund's proportion of the net pension liability for the Plan as of June 30, 2016 and 2017 were as follows:

Proportion - June 30, 2016	3.51435%
Proportion - June 30, 2017	3.51435%
Change - Increase (Decrease)	0.00000%

For the year ended June 30, 2018, the Transit Fund recognized pension expense of $291,678. At June 30, 2018, the Transit Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 4,881	$ (45,868)
Changes of assumptions	309,695	(35,258)
Net difference between projected and actual earnings on pension plan investments	60,126	-
Contributions subsequent to the measurement date	339,564	-
Total	$ 714,266	$ (81,126)

The amount of $339,564 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending	Deferred Outflows/(Inflows) of Resources
2019	$ 66,595
2020	141,868
2021	110,675
2022	(25,562)
Total	$ 293,576

NOTE 5 – PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2016, actuarial valuation for the City's Miscellaneous Plan was determined using the following actuarial assumptions applied to all periods included in the measurement:

	Miscellaneous
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Mortality	(2)

(1) Depending on age, service and type of employment

(2) Derived using CalPERS Membership Data for all Funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

The discount rate used for the June 30, 2017, measurement period reflects a .50 percent decrease from 7.65 percent to 7.15 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for each plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the district's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected 7.15 percent rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the pension funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 5 – PENSION PLAN (CONTINUED)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	New Strategic Allocation	Expected Real Rate of Return 1-10 Years (a)	Expected Real Rate of Return 11+ Years (b)
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100%		

(a) An expected inflation rate of 2.5% used for this period
(b) An expected inflation rate of 3.0% used for this period

Sensitivity of the Transit Fund's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the Transit Fund's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Transit Fund's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Transit Fund's proportionate share of the net pension liability	$2,671,334	$1,641,432	$803,384

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the City's CAFR, as well as the separately issued CalPERS financial reports.

NOTE6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description
The City has elected through resolution to provide healthcare benefits as an agent multiple-employer plan to retirees, spouses, and eligible dependents of the City. This plan provides post-employment medical insurance benefits through the CalPERS Health Plan (the Plan). Accordingly, all amounts and disclosures are presented on a cost-sharing perspective where the Transit Fund is a participant in the City's plan. Additional details are provided on the plan within the City's CAFR.

Benefits Provided
After age 65, the City contributes a flat monthly rate of $133 for those employees who retire under the PERS retirement system, subscribe to the PERS Health Insurance System, and have at least five years of CalPERS service, in accordance with Government Code. This is a perpetual benefit which is available to all PERS retirees including eligible dependents of deceased retirees. In addition, the City also contributes up to $1,016.58 to the monthly premium for health insurance for various employee groups, depending on hire date, total years of service to the City, and the applicable employee bargaining unit.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Funding Policy

The City conducted an actuarial valuation to determine the City's obligation to fund OPEB and determined that it served the City's interests to prefund those benefits. In December 2011, the City Council approved Resolution 11-89 adopting the Public Agencies Post-Retirement Health Care Plan Document and Trust Agreement. The OPEB Trust is a tax-qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB. The Plan Trustee is U.S. Bank, and Public Agencies Retirement Services (PARS) is the Trust Administrator.

The obligation of the City to contribute to the plan is established and may be amended by the City Council. Employees are not required to contribute to the plan. The City has established a practice of contributing to the irrevocable trust administered by PARS 100 percent of the Cash Subsidy. The Cash Subsidy represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year. The Cash Subsidy component of the annual required contribution for fiscal year 2017-18 was $1,227,000, of which $29,448 was allocated to the Transit Fund.

Due to an amendment to Actuarial Standards of Practice (ASOP) No. 6 Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Costs or Contributions, valuations performed after March 31, 2015 requires the calculation of an implicit subsidy component of the annual required contribution and actuarial liability. The City has elected not to fund the implicit subsidy component of the annual required contribution. The Transit Fund received credit of $6,168 related to the fiscal year 2017-18 implied subsidy payments which has been included in the contributions amount above.

Contributions

The plan and its contributions are established by memorandums of understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2018, the Transit's Funds proportionate share of cash contributions were $23,280 in payments to the Plan and the estimated implied subsidy was $6,168, resulting in total payments of $29,448.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the net OPEB liability reported by the Transit for its proportionate share of the net OPEB liability of the Plan, as allocated by the City, was $247,416. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2018, using actuarial update procedures. The Transit Fund's proportion of the net OPEB liability was based on actual contributions paid by the Transit Fund in relation to the total City's contributions to the OPEB plan, as determined by the City. At June 30, 2018, the Transit Fund's proportion was 2.4 percent.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

For the year ended June 30, 2018, the Transit Fund recognized OPEB expense of $45,408 and reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Changes of assumptions	$ (22,488)
Net difference between projected and actual earnings on plan investments	(11,976)
Total	$ (34,464)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	Amortization
2019	$ (6,216)
2020	(6,216)
2021	(6,216)
2022	(6,192)
2023	(3,216)
2024, and thereafter	(6,408)
Total	$ (34,464)

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial Assumptions
The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	June 30, 2016
Contribution Policy	City contributes full cash benefit ADC. Implied Subsidy benefit on pay-as-you-go basis.
Discount Rate	5.60% at June 30, 2018 5.46% at June 30, 2017 Expected City contributions projected to be insufficient to pay all benefits from trust.
Municipal Bond Index	Bond Buyer 20-bond Index 3.87% June 30, 2018 3.58% June 30, 2017
Long Term Return on Assets	6.50%
General Inflation	3% per annum
Mortality, Retirement, Disability, Termination	1997-2011 CalPERS experience study
Mortality Improvement	Fully generational Scale MP-14 with convergence in 2022
Salary Increases	Aggregate -3% Merit - 1997-2011 CalPERS experience study
Medical Trend	Non-Medicare - 6.5% for 2018, decreasing to an ultimate rate of 5.0% in 2021 and later years Medicare - 6.7% for 2018, decreasing to an ultimate rate of 5.0% in 2021 and later years
Healthcare Participation for Future Retirees	Hired < 1/1/08: 100% Hired > 1/1/08: 60%
Cap Increases	No increase on $1,016.58 cap Medical trend for EE+1 cap

Mortality rates were based on the 2011 CalPERS actuarial experience study, which assumed future mortality improvements using Society of Actuaries (SOA) Scale BB. The Experience Study report can be obtained on the CalPERS website under Forms and Publications.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 5.60 percent for the Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the plan's fiduciary net position and expected City contributions were projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, a blended rate was applied beginning in year 38 using the Bond Buyer 20-bond index rate as of June 30, 2018. Before year 38, the long-term expected rate of return was used to determine the total OPEB liability. As a result of the crossover, a blended rate of 5.60 percent was used.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Global Equity	58.0%	4.82%
Fixed Income	35.0%	1.47%
REITS	2.0%	3.76%
Cash	5.0%	0.06%
Total	100%	

2.75% Assumed Long-Term Rate of Inflation
6.50% Expected Long-Term Rate of Return

Sensitivity of the Transit Fund's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Transit Fund's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (4.60%)	Discount Rate (5.60%)	1% Increase (6.60%)
Net OPEB Liability	$ 450,576	$ 247,416	$ 85,152

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Sensitivity of the Transit Fund's Proportionate Share of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates

The following presents the Transit Fund's proportionate share of the net OPEB liability, as well as what the Transit Fund's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates, for measurement period ended June 30, 2018:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	$ 47,952	$ 247,416	$ 504,264

OPEB Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the City's CAFR.

NOTE 7 – ADMINISTRATIVE AND PERSONNEL COSTS

Certain general and administrative costs are allocated to the Transit Fund based upon an approved cost allocation plan. Such allocated costs were $745,770 for the year ended June 30, 2018.

NOTE 8 – RESTATEMENT

The Transit Fund adopted Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and No. 85, *Omnibus 2017*, effective July 1, 2017. Refer to Note 7 for further disclosures related to the Plan and related balances. In addition, the City had restatements in the Transit Fund related to the recognition of Proposition C (MOSIP) revenue and the closing out of expenditures related to construction in progress in the proper period. As a result, the Transit Fund restated beginning net position as shown below:

OPEB Restatement-GASB 75	**June 30, 2017 Previously Presented**	**Restatement**	**July 1, 2017 Restated**
Net Other Postemployment Benefit (OPEB) Liability	$ -	$ (265,920)	$ (265,920)

In addition, the Transit Fund restated beginning net position due to the recognition of Proposition C (MOSIP) revenue and the closing out of expenditures related to construction in progress in the proper period as shown below:

Transit Recognition of Prior Year Revenue Restatement	**June 30, 2017 Previously Presented**	**Restatement**	**July 1, 2017 Restated**
Proposition C (MOSIP) Revenue	$ -	$ 584,181	$ 584,181

Transit CIP Addition-Close Out Prior Year Expenditures	**June 30, 2017 Previously Presented**	**Restatement**	**July 1, 2017 Restated**
Capital Assets - Contractual Services	$ -	$ 1,656,315	$ 1,656,315

NOTE 8 – RESTATEMENT (CONTINUED)

The restatements for the Transit Fund impacted beginning net position as noted below:

Effects of Restatements	June 30, 2017 Previously Presented	Restatement	July 1, 2017 Restated
Net Position - Beginning of year	$ 78,386,470	$ 1,974,576	$ 80,361,046

REQUIRED SUPPLEMENTARY INFORMATION

THE TRANSIT ENTERPRISE FUND OF THE CITY OF SANTA CLARITA
(AN ENTERPRISE FUND OF THE CITY OF SANTA CLARITA, CALIFORNIA)

SCHEDULE OF THE TRANSIT FUND'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2017	2016	2015	2014
Proportion of the collective net pension liability	3.51435%	3.51419%	3.51419%	3.51419%
Proportionate share of the collective net pension liability	$ 1,641,432	$ 1,388,588	$ 1,084,341	$ 944,480
Covered payroll	$ 1,052,000	$ 981,713	$ 957,079	$ 944,599
Proportionate Share of the collective net pension liability as a percentage of covered payroll	156.03%	141.45%	113.30%	99.99%
Plan fiduciary net position as a percentage of the total pension liability	74.42%	75.27%	79.11%	80.58%

Note to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore, only three years are shown.

Changes of Assumptions - The discount rate was changed from 7.5% at the June 30, 2014, measurement date to 7.65% at the June 30, 2015, measurement date, and was changed again from 7.65% at the June 30, 2016, measurement date to 7.15% at the June 30, 2017, measurement date.

THE TRANSIT ENTERPRISE FUND OF THE CITY OF SANTA CLARITA
(AN ENTERPRISE FUND OF THE CITY OF SANTA CLARITA, CALIFORNIA)

SCHEDULE OF THE TRANSIT FUND'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015
Actuarially determined contributions	$ 339,564	$ 157,588	$ 139,129	$ 131,436
Contributions in relation to the actuarially determined contribution	(339,564)	(157,588)	(139,129)	(131,436)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,053,068	$ 1,052,000	$ 981,713	$ 957,079
Contributions as a percentage of covered payroll	32.25%	14.98%	14.17%	13.73%

Note to Schedule:

* Fiscal year 2015 was the first year of implementation, therefore, only four years are shown.

THE TRANSIT ENTERPRISE FUND OF THE CITY OF SANTA CLARITA
(AN ENTERPRISE FUND OF THE CITY OF SANTA CLARITA, CALIFORNIA)

SCHEDULE OF THE TRANSIT FUND'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018*
Transit Fund's proportion of the net OPEB liability	$ 247,416
Transit Fund's proportionate share of the net OPEB liability	2.40%
Transit Fund's covered-employee payroll	735,216
Transit Fund's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	33.65%
Plan fiduciary net position as a percentage of the total OPEB liability	79.08%

Notes to Schedule:
* Fiscal year 2018 was the first year of implenetation, therefore, only one year is shown.

THE TRANSIT ENTERPRISE FUND OF THE CITY OF SANTA CLARITA
(AN ENTERPRISE FUND OF THE CITY OF SANTA CLARITA, CALIFORNIA)

SCHEDULE OF THE TRANSIT FUND'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018*
Contractually determined contribution	$ 42,120
Contributions in relation to the contractually determined contributions	29,448
Contribution deficiency (excess)	$ 12,672
Covered-employee payroll	735,216
Contributions as a percentage of covered payroll	5.73%

Notes to Schedule:

* Fiscal year 2018 was the first year of implenetation, therefore, only one year is shown.