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, 2017

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, 2017

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

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 (Transit Fund), an enterprise fund of the City of Santa Clarita, California (the City), as of and for the year ended June 30, 2017, 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 auditor's 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.

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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, 2017, and the changes in its financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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, 2017, 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.

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, and schedule of 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 28, 2017, 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 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 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.

Vavrinek, Trine, Day & Co LLP

Rancho Cucamonga, California
December 28, 2017

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, 2017

ASSETS	
Current assets	
Pooled cash and investments	$ 2,363
Accounts receivable	277
Prepaids	117,979
Due from other governments	8,690,543
Total current assets	8,811,162
Noncurrent assets	
Capital assets	
Nondepreciable assets	15,089,616
Depreciable assets, net	64,499,486
Total noncurrent assets	79,589,102
Total assets	88,400,264
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	399,450
LIABILITIES	
Current liabilities	
Accounts payable	7,586,586
Compensated absences payable	57,605
Due to the City of Santa Clarita	1,286,112
Total current liabilities	8,930,303
Noncurrent liabilities	
Compensated absences payable	27,288
Net pension liability	1,388,588
Total noncurrent liabilities	1,415,876
Total liabilities	10,346,179
DEFERRED INFLOWS OR RESOURCES	
Deferred inflows related to pensions	67,065
NET POSITION	
Net investment in capital assets	79,589,102
Unrestricted	(1,202,632)
Total net position	$ 78,386,470

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 NET POSITION
JUNE 30, 2017

Operating revenues:	
Metrolink and EZ pass revenues	$ 196,900
Fixed-route passenger fares	3,135,404
Dial-A-Ride passenger fares	115,905
County of Los Angeles operating assistance	2,223,854
Specialized transit services	1,017,089
Miscellaneous revenues	541,982
Total operating revenues	7,231,134
Operating expenses:	
Salaries and benefits	1,348,603
Administrative services	3,095,692
Contract transportation services	18,848,994
Insurance	90,558
Supplies, utilities and other	1,103,326
Depreciation	5,371,324
Total operating expenses	29,858,497
Operating loss	(22,627,363)
Nonoperating revenues (expenses):	
Proposition A discretionary	4,427,993
Proposition A specialized transportation	806,544
Proposition C expansion	193,792
Proposition C BSIP	50,302
Proposition C transit mitigation	12,384
Proposition C MOSIP	8,390
Proposition C security allocation	208,461
Measure R bus operations	2,488,096
Intergovernmental revenues	260,377
Transit mitigation fees	23,400
Unrealized loss on investments	(28,735)
Gain on disposal of capital assets	53,223
Total nonoperating revenues	8,504,227
Loss before contributions and transfers	(14,123,136)
Capital contributions:	
Federal Transit Administration capital grants	8,716,021
Proposition C MOSIP	402,119
Total capital contributions	9,118,140
Transfers from the City of Santa Clarita	3,788,081
Transfers to the City of Santa Clarita	(185,638)
Change in net position	(1,402,553)
Net position, beginning of year	79,789,023
Net position, end of year	$ 78,386,470

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, 2017

Cash flows from operating activities:	
Cash received from customers and users	$ 6,689,185
Cash payments to suppliers of goods and services	(16,641,360)
Cash payments to employees	(2,020,923)
Cash received from other sources	541,982
Net cash used in operating activities	(11,431,116)
Cash Flows from noncapital financing activities:	
Cash transfers out to the City of Santa Clarita	(185,638)
Cash transfers in from the City of Santa Clarita	3,788,081
Federal and state funding received	2,732,995
Net cash provided by noncapital financing activities	6,335,438
Cash flows from capital and related financing activities:	
Federal and state capital contributions	9,118,140
Acquisition of capital assets	(8,273,166)
Net cash provided by capital and related financing activities	844,974
Cash flows from investing activities:	
Interest received	(17,089)
Net decrease in cash and cash equivalents	(4,267,793)
Pooled cash and cash equivalents	
Beginning of year	4,270,156
End of year	$ 2,363
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (22,627,363)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	5,371,324
Pension Expense	304,247
Changes in operating assets and liabilities:	
Decrease in accounts receivable	31
Decrease in prepaids	97,603
Increase in accounts payable and accrued liabilities	4,422,878
Increase in compensated absences	2,496
Increase in due to the City of Santa Clarita	1,286,112
Payments related to deferred outflows for contributions subsequent to the measurement date	(288,444)
Total adjustments	11,196,247
Net cash used in opearting activities	$ (11,431,116)

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.

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.

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.

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

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, 2017 was $84,893 of which $57,605 was considered due within one year, and $27,288 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 Issued But Not Yet Adopted:

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017, or the 2017-2018 fiscal year. The Transit Fund has not determined the effect on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended.* The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016. The Transit Fund has not determined the effect of the statement.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split–Interest Agreements.* The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016, or the 2017-18 fiscal year. The Transit Fund has not determined the effect of the Statement.

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 Transit Fund has not determined the effect of the Statement.

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

Pronouncements Issued But Not Yet Adopted (Continued):

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 Transit Fund has not determined the effect of this Statement.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-2018 fiscal year. The Transit Fund has not determined the effect of the Statement.

NOTE 2 – POOLED CASH AND INVESTMENTS

The Transit Fund's cash and investment balance of $2,363 is held in the City investment pool. The City investment pool is not rated and is not registered with the Securities Exchange Commission (SEC). The Transit Fund's position in the City investment pool at June 30, 2017 is stated at fair value. For further information regarding the City Pool, refer to the City of Santa Clarita Comprehensive Annual Financial Report.

Fair Value Measurement
For investments, the City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, the Transit Fund held no individual investments. Deposits and withdrawals from the City Pool are made on the basis of $1 and not fair value. Accordingly, the measurement of fair value of the Transit Fund's proportionate share of investments in the City investment pool is based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments consists of the following at June 30, 2017:

Agency	
Los Angeles County	$ 2,946,043
Federal Transit Administration	5,425,395
Other Agencies	319,105
	$ 8,690,543

NOTE 4 – CAPITAL ASSETS

Changes in capital assets of the Fund at June 30, 2017 consisted of the following:

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Non-depreciable assets:					
Land	$ 10,787,880	$ -	$ -	$ -	$ 10,787,880
Intangible	4,300,000	-	-	-	4,300,000
Construction	1,736	-	-	-	1,736
Total non-depreciable assets	15,089,616	-	-	-	15,089,616
Depreciable assets:					
Site improvements	12,941,276	-	-	-	12,941,276
Building and improvements	41,483,799	-	-	-	41,483,799
Equipment	49,540,292	8,284,045	(2,002,436)	-	55,821,901
Total depreciable assets	103,965,367	8,284,045	(2,002,436)	-	110,246,976
Less accumulated depreciation					
Site improvements	(2,695,370)	(568,221)	-	-	(3,263,591)
Building and improvements	(11,042,386)	(883,347)	-	-	(11,925,733)
Equipment	(28,629,967)	(3,919,756)	1,991,557	-	(30,558,166)
Total accumulated depreciation	(42,367,723)	(5,371,324)	1,991,557	-	(45,747,490)
Total depreciable assets, net	61,597,644	2,912,721	(10,879)	-	64,499,486
Total capital assets, net	$ 76,687,260	$ 2,912,721	$ (10,879)	$ -	$ 79,589,102

NOTE 5 – TRANSFERS TO/FROM THE CITY OF SANTA CLARITA

During the year ended June 30, 2017, the Transit Fund transferred $185,638 to the City of Santa Clarita support of transit operations. Transfers to the Transit Fund from the City in the amount of $3,788,081 were made as follows:

Proposition A	$ 1,489,323
Proposition C	2,298,758
	$ 3,788,081

NOTE 6 – PENSION PLAN

<u>Plan Description</u>
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.

NOTE 6 – PENSION PLAN (CONTINUED)

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.

The Plans' provisions and benefits in effect at June 30, 2017, 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	15.035%	15.035%	6.25%

	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 4% of the required employee contribution. For the SEIU Tier 1 participants, the City pays 3% 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.

NOTE 6 – PENSION PLAN (CONTINUED)

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, 2017 were $157,589.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, 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 $1,388,588.

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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 were as follows:

Proportion - June 30, 2015	3.51419%
Proportion - June 30, 2016	3.51419%
Change - Increase (Decrease)	0.00000%

For the year ended June 30, 2017, the Transit Fund recognized pension expense of $304,247. At June 30, 2017, 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	$ 233,727	$ (8,301)
Changes of assumptions	-	(58,764)
Net difference between projected and actual earnings on pension plan investments	8,134	-
Contributions subsequent to the measurement date	157,589	-
Total	$ 399,450	$ (67,065)

NOTE 6 – PENSION PLAN (CONTINUED)

The amount of $157,589 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, 2018. 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
2018	$ 13,861
2019	13,860
2020	89,134
2021	57,941
Total	$ 174,796

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 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, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.3% to 14.2%
Projected Salary Increase	3.30% - 14.20% (1)
Investment Rate of Return	7.65%
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, 2015 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.

NOTE 6 – PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 7.65 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.

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	51.0%	5.25%	5.71%
Global Debt Securities	20.0%	0.99	2.43
Inflation Assets	6.0%	0.45	3.36
Private Equity	10.0%	6.83	6.95
Real Assets	10.0%	4.50	5.13
Infrastructure and Forestland	2.0%	4.50	5.09
Liquidity	1.0%	-0.55	-1.05
	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 (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Transit Fund's proportionate share of the net pension liability	$ 2,277,528	$ 1,388,588	$ 663,346

NOTE 6 – PENSION PLAN (CONTINUED)

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.

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 $750,000 for the year ended June 30, 2017.

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, 2017

	2016	2015	2014
Proportion of the collective net pension liability	3.51419%	3.51419%	3.51419%
Proportionate share of the collective net pension liability	$ 1,388,588	$ 1,084,341	$ 944,480
Covered payroll**	$ 981,713	$ 957,079	$ 944,599
Proportionate Share of the collective net pension liability as a percentage of covered payroll	141.45%	113.30%	99.99%
Plan fiduciary net position as a percentage of the total pension liability	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.

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 CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

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

Note to Schedule:

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