Financial Report
June 30, 2019

The Transit Enterprise Fund of the City of Santa Clarita

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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, 2019

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Independent Auditor's 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, 2019, 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.

Auditor's 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.

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, 2019, 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.

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, 2019, 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, 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 20, 2019 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 20, 2019

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, 2019

ASSETS	
Current assets	
Pooled cash and investments	$ 1,724,245
Accounts receivable	31,376
Interest receivable	8,152
Prepaids	24,602
Due from other governments	4,165,689
Total current assets	5,954,064
Noncurrent assets	
Capital assets	
Nondepreciable assets	18,894,535
Depreciable assets, net	65,011,905
Total noncurrent assets	83,906,440
Total assets	89,860,504
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	44,337
Deferred outflows related to pensions	703,220
Total deferred outflows of resources	747,557
LIABILITIES	
Current liabilities	
Accounts payable	4,450,221
Compensated absences payable	36,645
Total current liabilities	4,486,866
Noncurrent liabilities	
Compensated absences payable	57,966
Net OPEB liability	146,648
Net pension liability	1,468,640
Total noncurrent liabilities	1,673,254
Total liabilities	6,160,120
DEFERRED INFLOWS OR RESOURCES	
Deferred inflows related to OPEB	186,530
Deferred inflows related to pensions	85,855
Total deferred inflows of resources	272,385
NET POSITION	
Net investment in capital assets	83,906,440
Unrestricted	269,116
Total net position	$ 84,175,556

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
FOR THE YEAR ENDED JUNE 30, 2019

Operating revenues:	
Metrolink and EZ pass revenues	$ 239,917
Fixed-route passenger fares	2,919,227
Dial-A-Ride passenger fares	125,370
County of Los Angeles operating assistance	2,359,526
Specialized transit services	1,947,340
Miscellaneous revenues	70,806
Total operating revenues	7,662,186
Operating expenses:	
Salaries and benefits	1,030,449
Administrative services	1,608,435
Contract transportation services	20,863,183
FTA funded non-capitalized projects	524,877
Insurance	109,740
Supplies, utilities and other	2,573,682
Depreciation	5,354,874
Total operating expenses	32,065,240
Operating loss	(24,403,054)
Nonoperating revenues (expenses):	
Proposition A discretionary	4,771,135
Proposition A specialized transportation	657,930
Proposition C expansion	202,611
Proposition C BSIP	52,591
Proposition C transit mitigation	27,595
Proposition C MOSIP	2,359,690
Proposition C security allocation	204,480
Measure R bus operations	2,395,651
Measure M bus operations	2,418,679
SB1 State Transportation Assistance	980,918
Low Carbon Transportation	482,551
Transit mitigation fees	739,160
Investment income	32,613
Gain on disposal of capital assets	71,963
Total nonoperating revenues	15,397,567
Loss before contributions and transfers	(9,005,487)
Capital contributions:	
Federal Transit Administration capital grants	10,218,408
Proposition C MOSIP	215,874
Total capital contributions	10,434,282
Transfers from the City of Santa Clarita	4,589,298
Transfers to the City of Santa Clarita	(153,690)
Change in net position	5,864,403
Net Position:	
Beginning of year	78,311,153
End of year	$ 84,175,556

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
FOR THE YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:	
Cash received from customers and users	$ 7,576,825
Cash payments to suppliers of goods and services	(22,952,483)
Cash payments to employees	(2,769,966)
Cash received from other sources	70,806
Net cash used in operating activities	(18,074,818)
Cash Flows from noncapital financing activities:	
Cash transfers out to the City of Santa Clarita	(153,690)
Cash transfers in from the City of Santa Clarita	4,589,298
Federal and state funding received	14,893,155
Net cash provided by noncapital financing activities	19,328,763
Cash flows from capital and related financing activities:	
Federal and state capital contributions	10,434,282
Acquisition of capital assets	(10,061,843)
Sale of capital assets	71,963
Net cash provided by capital and related financing activities	444,402
Cash flows from investing activities:	
Interest received	25,898
Net Cash provided by investing activities	25,898
Net increase in cash and cash equivalents	1,724,245
Pooled cash and cash equivalents	
Beginning of year	-
End of year	$ 1,724,245
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (24,403,054)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	5,354,874
OPEB Expense	29,119
Pension Expense	282,280
Changes in operating assets and liabilities:	
Decrease in accounts receivable	(14,555)
Decrease in prepaids	(10,016)
Increase in accounts payable	1,417,577
Increase in compensated absences	18,974
Decrease in due to the City of Santa Clarita	(288,562)
Payments related to deferred outflows for pension contributions subsequent to the measurement date	(439,297)
Total adjustments	6,328,236
Net cash used in operating activities	$ (18,074,818)

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. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States. The financial statements were prepared from only the accounts of the Fund. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

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 operating and maintenance of the local public transit services. The operating revenues consist of charges to customers for the service 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.

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

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

Administrative services: Service costs include contractual, professional, legal, and landscape services.

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 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 (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of 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.

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, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

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, 2019 was $94,611 of which $36,645 was considered due within one year, and $57,966 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.

<u>Pronouncements Issued But Not Yet Adopted:</u>

The GASB has issued pronouncements that have an effective date subsequent to June 30, 2019, which may impact future financial presentations. Management has not determined what, if any, impact implementation of the following Statements may have on future financial statements of the City:

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.

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

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. 90 – In September 2018, the GASB issues Statement No. 90, *Majority Equity Interests, an 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. The 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.

GASB Statement No. 91 – In May 2019, the GASB issues Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Statement is effective for reporting periods beginning after December 15, 2020, or the 2021-22 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, 2019:

Agency	
Los Angeles County	$ 1,857,681
Federal Transit Administration	2,206,038
Other Agencies	101,970
	$ 4,165,689

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

NOTE 3 – CAPITAL ASSETS

Changes in capital assets of the Fund at June 30, 2019, consisted of the following:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Non-depreciable assets:				
Land	$ 15,087,880	$ -	$ -	$ 15,087,880
Construction	2,807,217	999,438	-	3,806,655
Total non-depreciable assets	17,895,097	999,438	-	18,894,535
Depreciable assets:				
Site improvements	12,941,276	-	-	12,941,276
Building and improvements	41,483,799	-	-	41,483,799
Equipment	55,060,617	9,068,128	(2,314,864)	61,813,881
Total depreciable assets	109,485,692	9,068,128	(2,314,864)	116,238,956
Less accumulated depreciation				
Site improvements	(3,831,812)	(568,221)	-	(4,400,033)
Building and improvements	(12,809,079)	(883,347)	-	(13,692,426)
Equipment	(31,540,427)	(3,903,306)	2,309,141	(33,134,592)
Total accumulated depreciation	(48,181,318)	(5,354,874)	2,309,141	(51,227,051)
Total depreciable assets, net	61,304,374	3,713,254	(5,723)	65,011,905
Total capital assets, net	$ 79,199,471	$ 4,712,692	$ (5,723)	$ 83,906,440

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

During the year ended June 30, 2019, the Transit Fund transferred $153,690 to the City of Santa Clarita, $150,000 was to support the senior center transit operations and $3,690 for the proportional share of Metrolink station maintenance. Transfers to the Transit Fund from the City in the amount of $4,589,297 were to transfer TDA Article 8 and Proposition C non-operating revenues in the current year. Transfers from the City were made as follows:

TDA (Art 8) Street and Road	$ 738,472
Proposition C	3,850,825
	$ 4,589,297

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

City employees who have a service retirement from the City at age 50 with five or more years of city service are eligible to receive post-employment medical benefits. Employees who have a disability retirement are also eligible. The benefit for employees hired before January 1, 2008 is up to $1,017 per month. The maximum benefit will be adjusted when the lowest cost employee rate, plus one, exceeds $1,017. No minimum years of service were required for the unrepresented employees hired before January 1, 2008 and retired before January 1, 2012 and represented employees hired before January 1, 2008 and retired after January 1, 2012 and before January 1, 2014. For employees hired before January 1, 2008 the following vesting applies:

Years of Service	Vested Percentage
0 to 5 years	0%
5 to 9 years	50%
10 to 14 years	75%
15 years and greater	100%

Employees hired after January 1, 2008, receive the PERS minimum and are not subject to a vesting schedule.

NOTE 5 – PENSION PLAN (CONTINUED)

The Plan's provisions and benefits in effect at June 30, 2019, 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	50-55	50-60	52-62
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		8.560%	
Required Unfunded Accrued Liability (UAL) contribution		$2,921,910	
	Tier 1	Tier 2	Tier 3
Applies to:	Employees hired before April 9, 2011**	Employees hired between April 9, 2011, and December 31, 2012, or those hired January 1, 2013, or later, who have been a Classic CalPERS member with a public agency or in a Classific reciprocal plan within the last 6 months). **	Employees hired January 1, 2013, or later **

* For unrepresented Tier 1 participants, the City pays 1% of the required employee contribution. For the SEIU Tier 1 participants, the City pays 1% 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.

** Those hired as part-time seasonal (PTS) who later convert to regular full-time will qualify for Tier 1, 2 or 3 depending on their conversion date.

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, 2019 were $439,297.

NOTE 5 – PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions
As of June 30, 2019, 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 $1,468,640.

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, 2018, 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, 2017, rolled forward to June 30, 2018, 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, 2017 and 2018 were as follows:

Proportion - June 30, 2017	3.51435%
Proportion - June 30, 2018	3.51435%
Change - Increase (Decrease)	0%

For the year ended June 30, 2019, the Transit Fund recognized pension expense of $282,280. At June 30, 2019, 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	$ 47,649	$ (30,520)
Changes of assumptions	209,794	(55,335)
Net difference between projected and actual earnings on pension plan investments	6,480	-
Contributions subsequent to the measurement date	439,297	-
Total	$ 703,220	$ (85,855)

The amount of $439,297 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, 2020. 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
2020	$ 129,710
2021	98,602
2022	(37,635)
2023	(12,609)
Total	$ 178,068

NOTE 5 – PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liabilities in the June 30, 2017, 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, 2017
Measurement Date	June 30, 2018
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, 2017, valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 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	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	100%		

(a) An expected inflation rate of 2.0% used for this period
(b) An expected inflation rate of 2.9% used for this period

<u>Sensitivity of the Transit Fund's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u>
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	\$2,536,709	\$1,468,640	\$597,388

<u>Pension Plan Fiduciary Net Position</u>
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 6 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

<u>Plan Description</u>
The City has elected through resolution to provide healthcare benefits as a single 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.

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

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.

Funding Policy
The City conducted an actuarial valuation to determine the City's liability 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 2018-19 was $386,000. The amount contributed totaled $698,250, of which $16,758 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 $5,400 related to the fiscal year 2018-19 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, 2019, the Transit's Funds proportionate share of cash contributions were $16,758 in payments to the Plan and the estimated implied subsidy was $5,400, resulting in total payments of $22,158.

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

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

At June 30, 2019, 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 $146,648. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, 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. The Transit Fund’s proportion of the net OPEB liability for the Plan as of June 30, 2018 and 2019 were as follows:

Proportion - June 30, 2018	2.4%
Proportion - June 30, 2019	2.4%
Change - Increase (Decrease)	0%

For the year ended June 30, 2019, the Transit Fund recognized OPEB expense of $6,961 and reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 156,479
Changes of assumptions	44,337	19,272
Net difference between projected and actual earnings on plan investments	-	10,779
Total	$ 44,337	$ 186,530

Amounts reported as deferred inflows and outflows of resources are amortized in OPEB expense. The amortization period differs depending on the source of the gain or loss. The amortization period is a 15-year fixed period and all other amounts are amortized over the average expected remaining service lives of all members that are provided with benefits. As of June 30, 2019 measurement date, the expected average remaining service lifetime is 9 years. Deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	Amortization
2020	$ (20,685)
2021	(20,685)
2022	(20,661)
2023	(17,685)
2024	(17,235)
2025, and thereafter	(45,241)
Total	$ (142,193)

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

Actuarial Assumptions
The total OPEB liability in the June 30, 2018 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, 2018
Contribution Policy	City contributes full cash benefit ADC. Implied Subsidy benefit on pay-as-you-go basis.
Discount Rate	5.17% at June 30, 2019 5.60% at June 30, 2018 Expected City contributions projected to be insufficient to pay all benefits from trust.
Municipal Bond Index	Bond Buyer 20-bond Index 3.50% June 30, 2019 3.87% June 30, 2018
Long Term Return on Assets	6.50%
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Fully generational Scale MP-2018
Salary Increases	Aggregate -3% per annum Merit - CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare - 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 and later years
PEMHCA Minimum Increases	4.25% per annum
Healthcare participation at	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 5.17 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 35 using the Bond Buyer 20-bond index rate as of June 30, 2019. Before year 35, 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 5.17 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 PARS-Balance	Expected Real Rate of Return
Global Equity	58%	4.82%
Fixed Income	35%	1.47%
REITS	2%	3.76%
Cash	5%	0.06%

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 (4.17%)	Discount Rate (5.17%)	1% Increase (6.17%)
Net OPEB Liability (Asset)	$ 341,673	$ 146,648	$ (9,627)

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, 2019:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Net OPEB Liability (Asset)	$ (37,429)	$ 146,648	$ 382,671

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 $736,323 for the year ended June 30, 2019.

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, 2019

	2018	2017	2016	2015	2014
Proportion of the collective net pension liability	3.51435%	3.51435%	3.51419%	3.51419%	3.51419%
Proportionate share of the collective net pension liability	$ 1,468,640	$ 1,641,432	$ 1,388,588	$ 1,084,341	$ 944,480
Covered payroll	$ 1,053,068	$ 1,052,000	$ 981,713	$ 957,079	$ 944,599
Proportionate Share of the collective net pension liability as a percentage of covered payroll	139.46%	156.03%	141.45%	113.30%	99.99%
Plan fiduciary net position as a percentage of the total pension liability	78.57%	74.42%	75.27%	79.11%	80.58%

Note to Schedule:

* Fiscal year 2015 was the first year of implementation.

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, 2019

	2019	2018	2017	2016	2015
Actuarially determined contributions	$ 135,308	$ 339,564	$ 157,588	$ 139,129	$ 131,436
Contributions in relation to the actuarially determined contribution	(439,297)	(339,564)	(157,588)	(139,129)	(131,436)
Contribution deficiency (excess)	$ (303,989)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,173,778	$ 1,053,068	$ 1,052,000	$ 981,713	$ 957,079
Contributions as a percentage of covered payroll	37.43%	32.25%	14.98%	14.17%	13.73%

Note to Schedule:

* Fiscal year 2015 was the first year of implementation.

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, 2019

	2019	2018*
Transit Fund's proportion of the net OPEB liability	$ 146,648	$ 247,416
Transit Fund's proportionate share of the net OPEB liability	2.40%	2.40%
Transit Fund's covered-employee payroll	813,498	735,216
Transit Fund's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	18.03%	33.65%
Plan fiduciary net position as a percentage of the total OPEB liability	87.12%	79.08%

Notes to Schedule:
* Fiscal year 2018 was the first year of implementation, therefore only 2 years are shown.

SCHEDULE OF THE TRANSIT FUND'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018*
Contractually determined contribution	$ 27,048	$ 42,120
Contributions in relation to the contractually determined contributions	22,159	29,448
Contribution deficiency (excess)	$ 4,889	$ 12,672
Covered-employee payroll	813,498	735,216
Contributions as a percentage of covered payroll	2.72%	4.01%

Notes to Schedule:
* Fiscal year 2018 was the first year of implementation, therefore only 2 years are shown.

Methods and Assumptions for 2018/19 Actuarially Determined Contributions

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percent of pay
Amortization Period	15-year fixed period for 6/30/19
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.50%
General Inflation	2.75%
Medical Trend	Non-Medicare -Actual premiums for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years Medicare -Actual premiums for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Mortality projected post-retirement mortality projected with Scale MP-18

Historical information is required only for measurement periods for which GASB 75 is applicable.
Future years' information will be displayed up to 10 years as information becomes available.