Financial Report
June 30, 2021

City of Santa Clarita, California
Transit Enterprise Fund

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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 (City), as of and for the year ended June 30, 2021, 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 entity'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 entity'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, 2021, 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, 2021, the changes in its financial position, or 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 23, 2021, 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 23, 2021

Assets	
Current assets	
Pooled cash and investments	$ 3,912,296
Accounts receivable	1,301
Interest receivable	7,389
Prepaids	18,235
Due from other governments	6,585,829
Total current assets	10,525,050
Noncurrent assets	
Nondepreciable assets	25,416,520
Depreciable assets, net	62,606,990
Net OPEB asset	301,813
Total noncurrent assets	88,325,323
Total assets	98,850,373
Deferred Outflows of Resources	
Deferred outflows related to OPEB	191,495
Deferred outflows related to pensions	614,391
Total deferred outflows of resources	805,886
Liabilities	
Current liabilities	
Accounts payable	2,601,398
Compensated absences payable	36,257
Total current liabilities	2,637,655
Noncurrent liabilities	
Compensated absences payable	105,412
Net pension liability	1,220,809
Total noncurrent liabilities	1,326,221
Total liabilities	3,963,876
Deferred Inflows or Resources	
Deferred inflows related to OPEB	754,765
Deferred inflows related to pensions	18,458
Total deferred inflows of resources	773,223
Net Position	
Net investment in capital assets	88,023,510
Unrestricted	6,895,650
Total net position	$ 94,919,160

Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2021

Operating Revenues	
Metrolink and EZ pass revenues	$ 32,471
Fixed-route passenger fares	299,660
Dial-A-Ride passenger fares	48,073
County of Los Angeles operating assistance	1,915,013
Specialized transit services	1,582,312
Miscellaneous revenues	1,921,835
Total operating revenues	5,799,364
Operating Expenses	
Salaries and benefits	1,132,468
Administrative services	1,557,839
Contract transportation services	16,579,352
FTA funded non-capitalized projects	438,129
Insurance	142,615
Supplies, utilities and other	2,410,168
Depreciation	5,662,334
Total operating expenses	27,922,905
Operating loss	(22,123,541)
Nonoperating Revenues	
Proposition A Discretionary	4,717,718
Proposition A Specialized Transportation	1,411,701
Proposition C Expansion	202,611
Proposition C BSIP	52,591
Proposition C Transit Mitigation	23,560
Proposition C Security Allocation	167,642
Measure R Bus Operations	1,914,414
Measure M Bus Operations	1,887,510
SB1 State Transportation Assistance	622,335
Intergovernmental revenues	176,704
CARES Act	18,263,058
Transit mitigation fees	5,000
Investment income	41,855
Gain on disposal of capital assets	23,950
Total nonoperating revenues	29,510,649
Income before contributions and transfers	7,387,108
Capital Contributions	
Federal Transit Administration capital grants	6,390,902
Proposition C MOSIP	2,075,576
SB1 State of Good Repair	570,049
Total capital contributions	9,036,527
Transfers to the City of Santa Clarita	(347,468)
Change in Net Position	16,076,167
Net Position	
Beginning of year	78,842,993
End of year	$ 94,919,160

Operating Activities	
Cash received from customers and users	$ 3,877,538
Cash payments to suppliers of goods and services	(22,320,276)
Cash payments to employees	(2,746,404)
Cash received from other sources	1,921,835
Net Cash Used In Operating Activities	(19,267,307)
Noncapital Financing Activities	
Cash transfers to the City of Santa Clarita	(4,269,242)
Federal and state funding received	27,668,604
Net Cash Provided By Noncapital Financing Activities	23,399,362
Capital and Related Financing Activities	
Capital contributions	9,036,527
Acquisition of capital assets	(9,314,802)
Proceeds from sale of capital assets	23,950
Net Used In Capital and Related Financing Activities	(254,325)
Investing Activities	
Interest received	34,466
Net Cash Provided By Investing Activities	34,466
Net Decrease In Cash and Cash Equivalents	3,912,196
Pooled Cash and Cash Equivalents	
Beginning of year	100
End of year	$ 3,912,296
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (22,123,541)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	5,662,334
Changes in Pension and OPEB	(78,889)
Pension Expense	
Changes in operating assets and liabilities:	
Decrease in accounts receivable	9
Decrease in prepaids	12,606
Decrease in accounts payable	(2,762,618)
Increase in compensated absences	22,792
Total adjustments	2,856,234
Net Cash Used in Operating Activities	$ (19,267,307)

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 fund 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 fund 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.

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, and legal 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, CARES Act, and State of Good Repair.

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 asset, 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, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

Net position: Net position represents the difference between assets and deferred outflows, and liabilities and deferred inflows, and is classified into two 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.
- **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, 2021 was $141,669 of which $36,257 was considered due within one year, and $105,412 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.

Effect of New *Governmental Accounting Standards Board* (GASB) Pronouncements:

Future GASB Pronouncements:

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; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. This Statement is effective for reporting periods beginning after June 15, 2021. The City has not determined the effect of this Statement.

GASB Statement No. 91 – In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations.* The objective of this Statement is to provide a single method of reporting conduit debt obligations by issues and eliminate diversity in practice. The Statement is effective for reporting periods beginning after December 15, 2021. The City has not determined the effect of this Statement.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2021. The City has not determined the effect of this Statement.

GASB Statement No. 93– In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021. The City has not determined the effect of this Statement.

GASB Statement No. 94– In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022. The City has not determined the effect of this Statement.

GASB Statement No. 96– In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. The City has not determined the effect of this Statement.

GASB Statement No. 97– In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No.32*. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021. Certain provisions were implemented during the fiscal year with an immaterial effect on the Transit fund.

Note 2 - Due from Other Governments

Due from other governments consists of the following at June 30, 2021:

Agency	
Los Angeles County	$ 4,399,579
Federal Government	1,399,948
Federal Transit Administration	643,144
Other Agencies	143,158
	$ 6,585,829

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, 2021, consisted of the following:

	July 1, 2020 Balance	Additions	Deletions	June 30, 2021 Balance
Non-depreciable assets				
Land	$ 15,087,880	$ -	$ -	$ 15,087,880
Construction in progress	5,570,040	4,930,902	(172,302)	10,328,640
Total non-depreciable assets	20,657,920	4,930,902	(172,302)	25,416,520
Depreciable assets				
Site improvements	12,941,276	-	-	12,941,276
Building and improvements	41,483,799	172,302	-	41,656,101
Equipment	63,670,065	4,383,899	(2,437,593)	65,616,372
Total depreciable assets	118,095,140	4,556,201	(2,437,593)	120,213,749
Less accumulated depreciation				
Site improvements	(4,968,254)	(568,221)	-	(5,536,475)
Building and improvements	(14,575,773)	(890,239)	-	(15,466,012)
Equipment	(34,837,990)	(4,203,874)	2,437,593	(36,604,272)
Total accumulated depreciation	(54,382,017)	(5,662,334)	2,437,593	(57,606,758)
Total depreciable assets, net	63,713,123	(1,106,133)	-	62,606,990
Total capital assets, net	$ 84,371,043	$ 3,824,770	$ (172,302)	$ 88,023,510

Note 4 - Pension Plan

Plan Description

All qualified permanent, probationary, and some PTS 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. For financial reporting purposes, the Transit Fund reports a proportionate share of the City's collective net pension liability, pension expense, and deferred inflows and outflows of resources. Accordingly, the disclosures and required supplementary information have been reported for the Transit Fund as a cost sharing participant. 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

The Plan's provisions and benefits in effect at June 30, 2021, 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%	6.25%
Required employer contribution rates		9.398%	
Required Unfunded Accrued Liability (UAL) contribution		$3,591,974	
	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 *

* 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 and status when hired.

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 the 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, 2021 were $394,284.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions
As of June 30, 2021, 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 $1,220,809.

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, 2020, 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, 2019, rolled forward to June 30, 2020, 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, 2019 and 2020 were as follows:

Proportion - June 30, 2019	3.51435%
Proportion - June 30, 2020	3.51435%
Change - Increase (Decrease)	0%

For the year ended June 30, 2021, the Transit Fund recognized pension expense of $371,725. At June 30, 2021, 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
Net difference between projected and actual earnings on pension plan investments	$ 66,210	$ -
Changes of assumptions	9,990	17,169
Difference between expected and actual experience	143,907	1,289
Contributions subsequent to the measurement date	394,284	-
Total	$ 614,391	$ 18,458

The amount of $394,284 reported as deferred outflows of resource

Fiscal Year Ending	Deferred Outflows/(Inflows) of Resources
2022	$ 39,734
2023	64,760
2024	62,898
2025	34,257
Total	$ 201,649

Actuarial Assumptions

The total pension liabilities in the June 30, 2019, 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, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount rate	7.15%
Inflation	2.625%
Payroll growth	2.875%
Projected salary increase	(1)
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
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, 2019, 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.

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 [(1)]	Assumed Asset Allocation	Real Return Years 1-10[(2)]	Real Return Years 11+[(3)]
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%		

[(1)] In the System's ACFR, fixed income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

[(2)] An expected inflation rate of 2.0% used for this period.

[(3)] An expected inflation rate of 2.9% 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	$ 2,429,642	$ 1,220,809	$ 233,456

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

Note 5 - Other Post-Employment Benefits (OPEB)

Plan Description
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 ACFR.

Benefits Provided
After age 65, the City contributes a flat monthly rate of $143 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 $1,017 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.

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.

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. Plan activity is reported within the City's ACFR as a fiduciary component unit.

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 and is not determined based on a level of pay. As a result of reporting a net OPEB asset, the Cash Subsidy component of the annual required contribution for fiscal year 2020-2021 was negative $297,000. An additional $961,682 in benefits was paid directly by the Trust to recipient during the year.

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 require 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 recorded a credit of $7,296 related to the fiscal year 2020-21 implied subsidy 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, 2021, the Transit Funds proportionate share of cash contributions were $8,016 in payments to the Plan and the estimated implied subsidy was $7,296, resulting in total contributions of $15,312.

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

At June 30, 2021, the net OPEB asset reported by the Transit Fund for its proportionate share of the net OPEB asset of the Plan, as allocated by the City, was ($301,813). The net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using actuarial update procedures. The Transit Fund's proportion of the net OPEB asset 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 asset for the Plan as of June 30, 2020 and 2021 were as follows:

Proportion - June 30, 2020	2.40%
Proportion - June 30, 2021	2.40%
Change - Increase (Decrease)	0%

For the year ended June 30, 2021, the Transit Fund recognized OPEB expense of $40,967 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	$ -	$ 234,229
Changes of assumptions	191,495	378,083
Net difference between projected and actual earnings on plan investments	-	142,453
Total	$ 191,495	$ 754,765

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 13-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, 2021 measurement date, the expected average remaining service lifetime is 9.2 years. Deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amortization
2022	$ (90,055)
2023	(87,079)
2024	(86,629)
2025	(92,355)
2026	(50,206)
Thereafter	(156,946)
Total	$ (563,270)

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions	
Actuarial Valuation Date	June 30, 2020
Contribution Policy	Pre-fund cash benefit Actuarially Determined Contribution (ADC) with PARS Balance Fund. Implied subsidy benefit on pay-as-you-go basis.
Discount Rate	6.25% at June 30, 2021 4.17% at June 30, 2020 Expected City contributions projected to be sufficient to pay all benefits from trust.
Long-term Expected Rate of Return	6.25%
Municipal Bond Index	Bond Buyer 20-bond Index 2.16% at June 30, 2021 2.21% June 30, 2020
General Inflation	2.75% per annum
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2019
Salary Increases	Aggregate -3% per annum Merit - CalPERS 1997-2015 Experience Study
Medical Trend	Non-Medicare - 7.25% for 2021, decreasing to an ultimate rate of 4.0% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
PEMHCA Minimum Increases	4.25% per annum
Healthcare participation at	Hired < 1/1/08: 95% 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 1997-2015 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.

Changes of Assumptions
During the measurement period ending June 30, 2021, the City changed certain assumptions used to the measure the net OPEB asset. Refer to the table above for details. The discount rate was updated based on newer Bond Buyer 20-Bond Index and asset information; the overall discount rate was increased from 4.17% to 6.25% during the year. Excise tax was removed during the year. There was a decrease in participation at retirement from 100% to 95% for those hired before January 1, 2008 and a decrease in waived retiree reelection from 10% re-elect at 65 to 5% re-elect at 65. The mortality improvement scale was updated to Scale MP-2019 during the year.

Discount Rate
The discount rate used to measure the total OPEB liability was 6.25% for the Plan. the Plan's fiduciary net position is projected to be sufficient to make all projected future benefit payments of current and inactive employees with no additional contributions necessary.

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 OPEB Asset 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 (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB Liability (Asset)	$ (157,675)	$ (301,813)	$ (419,273)

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

The following presents the Transit Fund's proportionate share of the net OPEB asset, as well as what the Transit Fund's proportionate share of the net OPEB asset 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, 2021:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Net OPEB Liability (Asset)	$ (439,498)	$ (301,813)	$ (129,109)

OPEB Plan Fiduciary Net Position

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

Note 6 - 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 $769,125 for the year ended June 30, 2021.

Note 7 - Coronavirus Aid, Relief, and Economic Security (CARES) Act

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law to provide emergency assistance for workers, families, small businesses, and industries. The Federal Transit Administration (FTA) released the CARES Act apportionments for public transit. These funds are administered by the FTA through its grant funding program. During the year ended June 30, 2021, $18.3M CARES Act funds were received to support transit operations.

Note 8 - Internal Revenues Services (IRS) Compressed Natural Gas (CNG) Rebate

During the year ended June 30, 2021, the IRS extended the alternative fuel credit retroactively for fuel use and sales for FY 2018-19 through FY 2020-21. The alternative fuel credit is a non-refundable tax credit available for entities that use or sell non-alcohol alternative fuels such as hydrogen, compressed natural gas, and propane. During FY 2020-21 a total of $1.3~~4~~M in CNG rebates were claimed and recorded as miscellaneous revenue. Retroactive credits claimed were as follows:

Fiscal Year Ended	
FY 2018-19	$ 561,016
FY 2019-20	354,244
FY 2020-21	386,718
	$ 1,301,978

Note 9 – Transfers to the City of Santa Clarita

During the year ended June 30, 2021, the Transit fund transferred $347,468 to the City of Santa Clarita, $150,000 was to support the senior center transit operations, $193,778 was to support the City's share of pension costs, and $3,690 for the proportional share of Metrolink station maintenance.

Required Supplementary Information
June 30, 2021

City of Santa Clarita, California
Transit Enterprise Fund

Schedule of the Transit Fund's Proportionate Share of the Net Pension Liability
Last Ten Years*
For the Measurement Date Ended June 30, 2021

	2020	2019	2018	2017	2016	2015	2014
Proportion of the collective net pension liability	3.51435%	3.51435%	3.51435%	3.51435%	3.51419%	3.51419%	3.51419%
Proportionate share of the collective net pension liability	$ 1,220,809	$ 1,367,413	$ 1,468,640	$ 1,641,432	$ 1,388,588	$ 1,084,341	$ 944,480
Covered payroll	$ 1,225,894	$ 1,173,778	$ 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	99.59%	116.50%	139.46%	156.03%	141.45%	113.30%	99.99%
Plan fiduciary net position as a percentage of the total pension liability	84.69%	81.56%	78.57%	74.42%	75.27%	79.11%	80.58%

Note to Schedule:

* Fiscal year 2015 was the first year of implementation. The schedule presents information based on applicable measurement periods.

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.

Transit Enterprise Fund

(an Enterprise Fund of the City of Santa Clarita, California)
Schedule of the Transit Fund's Pension Contributions
Last Ten Years*
For the Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	$ 394,284	$ 222,244	$135,308	$ 339,564	$ 157,588	$ 139,129	$ 131,436
Contributions in relation to the actuarially determined contribution	(394,284)	(561,485)	(439,297)	(339,564)	(157,588)	(139,129)	(131,436)
Contribution deficiency (excess)	$ -	$ (339,241)	$ (303,989)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,193,797	$ 1,225,894	$1,173,778	$ 1,053,068	$ 1,052,000	$ 981,713	$ 957,079
Contributions as a percentage of covered payroll	33.03%	45.80%	37.43%	32.25%	14.98%	14.17%	13.73%

Note to Schedule:
* Fiscal year 2015 was the first year of implementation.

Schedule of the Transit Fund's Proportionate Share of the Net OPEB Liability
For the Year Ended June 30, 2021

	2021	2020	2019	2018*
Transit Fund's proportion of the net OPEB liability (asset)	$ (301,813)	$ 400,077	$ 146,648	$ 247,416
Transit Fund's proportionate share of the net OPEB liability (asset)	2.40%	2.40%	2.40%	2.40%
Transit Fund's covered-employee payroll	855,299	919,082	813,498	735,216
Transit Fund's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	-35.29%	43.53%	18.03%	33.65%
Plan fiduciary net position as a percentage of the total OPEB liability	131.67%	71.67%	87.12%	79.08%

Notes to Schedule:
* Fiscal year 2018 was the first year of implementation, therefore only 4 years are shown.

Changes of Assumptions - The discount rate was changed from 5.60% at the June 30, 2018 measurement to 5.17% at the June 30, 2019 measurement date. The discount rate was changed to 4.17% for the June 30, 2020 measurement date and the changed to 6.25% for the June 30, 2021 measurement date.

Schedule of the Transit Fund's OPEB Contributions

For the Year Ended June 30, 2021

	2021	2020	2019	2018*
Contractually determined contribution	$ 12,408	$ 26,688	$ 27,048	$ 42,120
Contributions in relation to the contractually determined contributions	15,312	15,264	22,159	29,448
Contribution deficiency (excess)	$ (2,904)	$ 11,424	$ 4,889	$ 12,672
Covered-employee payroll	855,299	919,082	813,498	735,216
Contributions as a percentage of covered payroll	1.79%	1.66%	2.72%	4.01%

Notes to Schedule:
* Fiscal year 2018 was the first year of implementation, therefore only 4 years are shown.

Methods and Assumptions for 2020-21 Actuarially Determined Contributions

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percent of pay
Amortization Period	13-year fixed period for 2020/21
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 - 7.25% for 2021, decreasing to an ultimte rate of 4.0% in 2076 Medicare - 6.3% for 2021, decreasing to an ultimate rate of 4.0% in 2076
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2019

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.