

Transit Enterprise Fund of the City of Santa Clarita

Santa Clarita, California

Independent Auditors' Reports and Financial Statements

For the Year Ended June 30, 2023



**Transit Enterprise Fund of the City of Santa Clarita
For the Year Ended June 30, 2023**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Transit Enterprise Fund (the "Transit Fund") of the City of Santa Clarita, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Transit Fund as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of 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, 2023, 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.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, the Schedule of Contributions – Pension, the Schedule of Proportionate Share of the Net Other Postemployment Benefits (“OPEB”) Liability, and the Schedule of Contributions – Other Postemployment Benefits be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with GAAS, 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 financial statements, and other knowledge we obtained during our audit of the 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.

To the Honorable Mayor and the Members of City Council
of the City of Santa Clarita
Santa Clarita, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, 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.

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Santa Ana, California
December 21, 2023

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

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

We have audited, in accordance with the 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 (“*Government Auditing Standards*”), the financial statements of the Transit Enterprise Fund (the “Transit Fund”), of the City of Santa Clarita, California (the “City”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated December 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over the Transit Fund’s financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Honorable Mayor and the Members of City Council
of the City of Santa Clarita
Santa Clarita, California
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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Transit Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Santa Ana, California
December 21, 2023

FINANCIAL STATEMENTS

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Transit Enterprise Fund of the City of Santa Clarita
Statement of Net Position
June 30, 2023

ASSETS:

Current assets:

Pooled cash and investments	\$ 10,796,457
Accounts receivable	11,042
Interest receivable	41,280
Due from other governments	4,613,999
Prepaid items	21,686
Total current assets	15,484,464

Noncurrent assets:

Nondepreciable assets	31,021,805
Depreciable assets, net	65,670,886
Total capital assets	96,692,691
Net other postemployment benefits asset	123,020
Total noncurrent assets	96,815,711
Total assets	112,300,175

DEFERRED OUTFLOWS OF RESOURCES:

Pension related	1,085,956
Other postemployment benefits related	205,250
Total deferred outflows of resources	1,291,206

LIABILITIES:

Current liabilities:

Accounts payable	3,446,034
Accrued payroll	27,961
Compensated absences - due within one year	53,926
Total current liabilities	3,527,921

Noncurrent liabilities:

Compensated absences - due in more than one year	82,730
Net pension liability	1,363,159
Total noncurrent liabilities	1,445,889
Total liabilities	4,973,810

DEFERRED INFLOWS OF RESOURCES:

Pension related	69,320
Other postemployment benefits related	523,520
Total deferred inflows of resources	592,840

NET POSITION:

Investment in capital assets	96,692,691
Unrestricted	11,332,040
Total net position	\$ 108,024,731

Transit Enterprise Fund of the City of Santa Clarita
Statement of Revenues, Expenses and Change in Fund Net Position
For the Year Ended June 30, 2023

OPERATING REVENUES:

Metrolink and EZ pass revenues	\$ 58,293
Fixed-route passenger fares	1,605,641
Dial-A-Ride passenger fares	94,864
County of Los Angeles operating assistance	2,533,640
Specialized transit services	2,207,220
Miscellaneous revenues	803,262
Total operating revenues	7,302,920

OPERATING EXPENSES:

Salaries and benefits	1,429,367
Administrative services	1,873,211
Contract transportation services	21,304,588
FTA funded non-capitalized projects	1,078,763
Insurance	168,804
Supplies, utilities and other	3,567,768
Depreciation	6,084,070
Total operating expenses	35,506,571

OPERATING (LOSS)

(28,203,651)

NONOPERATING REVENUES:

Proposition A Discretionary	5,035,631
Proposition A Specialized Transportation	1,933,689
Proposition C Expansion	213,483
Proposition C BSIP	55,413
Proposition C Transit Mitigation	24,953
Proposition C Security Allocation	319,501
Measure R Bus Operations	2,991,220
Measure M Bus Operations	2,986,530
SBI State Transportation Assistance	652,603
CARES Act	960,043
Investment income	13,527
Gain on disposal of capital assets	35,000
Total nonoperating revenues	15,221,593

INCOME BEFORE CONTRIBUTIONS AND TRANSFERS

(12,982,058)

CAPITAL CONTRIBUTIONS:

Federal Transit Administration capital grants	5,016,536
Proposition C MOSIP	1,030,836
Measure R Regional	2,060,030
Total contributions	8,107,402

TRANSFERS:

Transfers in from the City	8,538,444
Transfers out to the City	(153,690)
Total transfers	8,384,754

Change in net position

3,510,098

NET POSITION:

Beginning of year	104,514,633
End of year	\$ 108,024,731

Transit Enterprise Fund of the City of Santa Clarita
Statement of Cash Flows
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers and users	\$ 6,564,911
Cash payments to suppliers for goods and services	(29,560,366)
Cash payments to employees	(1,466,025)
Cash received from other sources	803,262
Net cash (used in) operating activities	(23,658,218)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers in from the City	8,538,444
Transfers out to the City	(153,690)
Federal and state funding received	17,783,728
Net cash provided by noncapital financing activities	26,168,482

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital contributions	8,107,402
Acquisition of capital assets	(7,179,440)
Proceeds from sale of capital assets	35,000
Net cash provided by capital and related financing activities	962,962

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment loss	(13,979)
Net cash (used in) investing activities	(13,979)
Net change in cash and cash equivalents	3,459,247

CASH AND CASH EQUIVALENTS:

Beginning of year	7,337,210
End of year	\$ 10,796,457

**RECONCILIATION OF OPERATING (LOSS) TO NET CASH
(USED IN) OPERATING ACTIVITIES:**

Operating (loss)	\$ (28,203,651)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation	6,084,070
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase) decrease in accounts receivable	65,253
(Increase) decrease in prepaid items	(18,152)
Increase (decrease) in accounts payable	(1,549,080)
Increase (decrease) in accrued payroll	6,558
Increase (decrease) in compensated absences	(6,109)
Increase (decrease) in pension and pension related deferred outflows and inflows of resources	(7,034)
Increase (decrease) in OPEB and OPEB related deferred outflows and inflows of resources	(30,073)
Net cash (used in) operating activities	\$ (23,658,218)

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Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies

A. Description of the Financial Reporting Entity

The financial statements of the Transit Enterprise Fund (the “Transit Fund”) of the City of Santa Clarita, California (the “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 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.

B. Measurement Focus, Basis of Accounting and Financial Statements Presentation

The accounting policies of the Fund are in accordance 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.

The financial statements of the Transit Fund include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, and a 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 only charges to customers for the service provided (bus fares). 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.

C. Cash and Cash Equivalents

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.

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

D. 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, State of California, and Los Angeles Metropolitan Transportation Authority.

E. Administrative Services

Service costs include contractual, professional, and legal services.

F. Prepaids Items

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

G. 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:

<u>Assets</u>	<u>Years</u>
Site improvements	5 to 25
Building an improvements	5 to 50
Equipment	5 to 25

H. Deferred Outflows and Inflows of Resources

The statement of financial position reports separate sections for deferred outflows of resources and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods. The Transit Fund reports pension contribution after measurement date, deferred loss related to pension and other postemployment benefits in this category.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods. The Transit Fund reports deferred gain related to pension and other postemployment benefits in this category.

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Compensated Absences

Liability is reported for unused vacation and comp time off leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either time off taken by employees or payment upon termination or retirement.

J. Pensions

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.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2022
Measurement Period:	July 1, 2021 to June 30, 2022

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

K. 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.

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Other Post-Employment Benefits (“OPEB”) (Continued)

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, 2022
Measurement Date:	June 30, 2023
Measurement Period:	July 1, 2022 to June 30, 2023

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The gain and loss are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

L. Net position

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

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation.

Unrestricted – This amount represents the residual of amounts not classified in investment in capital assets and represents the net position available for the Transit Fund.

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.

M. 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.

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Cash Equivalent

The Transit Fund’s share of the City’s cash and investment at June 30, 2023 was in the amount of \$10,796,457.

Cash is deposited in the City’s internal investment pool, which is reported at the amortized cost. The Transit Fund does not own specifically identifiable securities in the City’s pool. Interest income is allocated based on average cash balances. Investment policies and associated risk factors applicable to the Transit Fund are those of the City and are included in the City’s basic financial statements. Please refer to the City’s Annual Comprehensive Financial Report for related disclosures for cash and investments.

Note 3 – Due From Other Governments

Due from other governments consists of the following at June 30, 2023:

Agency	Amount
Los Angeles County	\$ 709,114
Federal Government	440,929
Federal Transit Administrator	132,658
Other Agencies	3,331,298
Total	\$ 4,613,999

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

Note 4 – Capital Assets

Changes in capital assets of the Fund at June 30, 2023, consisted of the following:

	Balance July 1, 2022	Additions	Deletions	Reclassification	Balance June 30, 2023
Capital assets, not being depreciated:					
Land and right of way	\$ 15,087,880	\$ -	\$ -	\$ -	\$ 15,087,880
Construction in progress	14,121,301	2,893,135	-	(1,080,511)	15,933,925
Total capital assets, not being depreciated	29,209,181	2,893,135	-	(1,080,511)	31,021,805
Capital assets, being depreciated:					
Site improvement	12,941,276	-	-	-	12,941,276
Building improvements	45,601,926	-	-	1,080,511	46,682,437
Equipment	68,798,721	4,286,305	(3,991,323)	-	69,093,703
Total capital assets, being depreciated	127,341,923	4,286,305	(3,991,323)	1,080,511	128,717,416
Less accumulated depreciation for:					
Site improvement	(6,104,695)	(568,221)	-	-	(6,672,916)
Building improvements	(16,446,532)	(983,291)	-	-	(17,429,823)
Equipment	(38,402,556)	(4,532,558)	3,991,323	-	(38,943,791)
Total accumulated depreciation	(60,953,783)	(6,084,070)	3,991,323	-	(63,046,530)
Total capital assets, being depreciated, net	66,388,140	(1,797,765)	-	1,080,511	65,670,886
Total capital assets, net	\$ 95,597,321	\$ 1,095,370	\$ -	\$ -	\$ 96,692,691

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Pension Plan

A. General Information about the 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.

The Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	Tier 3
Benefit formula	2.7% @ 55	2% @ 60	2% @ 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
Required employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution during measurement period	8.850%	8.850%	8.850%
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 classic reciprocal Plan within the last 6 months *	Employees hired January 1, 2013 or later

* Those hired as part 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. 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.

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Contributions (Continued)

Contributions made to pension plan by the Transit Fund for the year ended June 30, 2023 were \$320,601.

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

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2021 valuation for the City’s Miscellaneous Plan was rolled forward to determine the June 30, 2022 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rates	6.90%
Inflation	2.300%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS's Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power

¹ The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre- retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Change of Assumption

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds’ asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as follows:

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Long-Term Expected Rate of Return (Continued)

Asset Class ¹	Assumed Asset Allocation	Real Return ^{1,2}
Global Equity Cap-weighted	30.00%	4.54%
Global Equity Non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Private Debt	5.00%	3.57%
Emerging Market Sovereign Bonds	5.00%	2.48%
High Yield Bonds	5.00%	2.27%
Investment Grade Corporates	10.00%	1.56%
Mortgage-backed Securities	5.00%	0.50%
Treasuries	5.00%	0.27%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	<u>100.00%</u>	

¹ An expected inflation of 2.30% used for this period.

² Figures are based on 2021 Asset Liability Management Study

Discount Rate

The discount rate used to measure the total pension liability was 6.90 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.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the Transit Fund's proportionate share of the risk pool collective net pension liability over the measurement period:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2021 (Valuation Date)	\$ 8,512,373	\$ 8,527,588	\$ (15,215)
Balance at June 30, 2022 (Measurement Date)	9,326,982	7,963,823	1,363,159
Net changes during 2021-22	\$ 814,609	\$ (563,765)	\$ 1,378,374

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The Transit Fund’s proportion of the net pension liability (asset) 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 was as follows:

<u>Measurement Date</u>	
June 30, 2021	3.51435%
June 30, 2022	<u>3.51435%</u>
Change - Increase (Decrease)	<u><u>0.00000%</u></u>

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:

Measurement Date	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate</u>	<u>Current Discount</u>	<u>Discount Rate</u>
	<u>- 1% (5.90%)</u>	<u>Rate (6.90%)</u>	<u>+ 1% (7.90%)</u>
June 30, 2022	<u>\$ 2,798,181</u>	<u>\$ 1,363,159</u>	<u>\$ 196,679</u>

Pension Plan Fiduciary Net Position

Detail information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website under Forms and Publications.

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the Transit Fund recognized pension expense of \$313,590.

At measurement date June 30, 2022, the Transit Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Contribution made after the measurement date	\$ 320,601	\$ -
Difference between expected and actual experience	59,561	(69,320)
Changes in assumption	297,223	-
Net difference between projected and actual earning on pension plan investments	408,571	-
Total	<u>\$ 1,085,956</u>	<u>\$ (69,320)</u>

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for miscellaneous plan for the 2021-22 measurement period is 4.5 years, which was obtained by dividing the total service years of 5,489 (the sum of remaining service lifetimes of the active employees) by 1,217 (the total number of participants: active, inactive, and retired).

\$320,601 deferred outflows of resources related to pensions resulting from the Transit Fund’s contributions made subsequent to the measurement date will be recognized as a reduction of the collective net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Deferred Outflows/(Inflows) of Resources</u>	
<u>Measurement Period</u>	
<u>Ending June 30,</u>	<u>Miscellaneous Plan</u>
2023	\$ 171,092
2024	142,449
2025	101,507
2026	280,987
2027	-
Thereafter	-
	<u>\$ 696,035</u>

Note 6 – Other Post-Employment Benefits (“OPEB”)

A. General Information about the OPEB Plan

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.

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Other Post-Employment Benefits (OPEB) (Continued)

A. General Information about the OPEB Plan (Continued)

Benefits Provided

At retirement, the City contributes a flat monthly rate of \$151 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:

<u>Years of Service</u>	<u>Vested Percentage</u>
0 to 4 years	0%
5 to 9 years	50%
10 to 14 years	75%
15 years and greater	100%

Funding Policy

Please refer to the City’s Annual Comprehensive Financial Report for details related to the funding policy.

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, 2023, the Transit Funds proportionate share of cash contribution was \$0 to the Plan and the estimated implied subsidy was in the amount of \$6,073, resulting in total contribution of \$6,073.

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Other Post-Employment Benefits (OPEB) (Continued)

B. OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Actuarial Valuation Date	June 30, 2022
Contribution Policy	Pre-fund cash benefit ADC with PARS Balanced Fund Implied subsidy benefit on pay-as-you-go basis
Discount Rate and Long-Term Expected Rate of Return	6.00% at June 30, 2023 and 6.25% at June 30, 2022 Expected City contributions projected to keep sufficient plan assets to pay all benefits from trust
Inflation	2.50% annually
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2021
Salary Increases	Aggregate - 2.75% annually
Medical Trend	Non-Medicare - 8.50% for 2024, decreasing to an ultimate rate of 3.45% in 2076; Medicare (Non-Kaiser) - 7.50% for 2024, decreasing to an ultimate rate of 3.45% in 2076; Medicare (Kaiser) - 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076
PEMHCA Minimum Increases	3.50% annually
Participation at Retirement	Hired < 1/1/08 - 95% Hired > 1/1/08 - 60%
Waived Retirees Reelection	5% re-elect at 65 for pre-65
Cap Increase	No increase in \$1,016.58 cap; Medical trend for EE+1 cap

Changes of Assumptions

The discount rate was changed from 6.25% at June 30, 2022 to 6.00% at June 30, 2023.

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Other Post-Employment Benefits (OPEB) (Continued)

B. OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Long-Term Expected Rate of Return

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 long-term expected real rates of return are presented as geometric means. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected Real
Global Equity	60.00%	4.56%
Fixed Income	35.00%	0.78%
Cash	5.00%	-0.50%
	<u>100.00%</u>	
Assumed Long-Term Rate of Inflation		2.50%
Expected Long-Term Net Rate of Return, Rounded		6.00%

Discount Rate

The discount rates used to measure the total OPEB liability was 6.00%.

Proportionate Share of Net OPEB Liability

The following table shows the Fund’s proportionate share of the net OPEB liability (asset) over the measurement period:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2022	\$ 1,007,777	\$ 1,057,489	\$ (49,712)
Balance at June 30, 2023 (Measurement Date)	998,490	1,121,510	(123,020)
Net changes during 2022-23	<u>\$ (9,287)</u>	<u>\$ 64,021</u>	<u>\$ (73,308)</u>

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 was as follows:

Measurement Date	
June 30, 2022	2.40%
June 30, 2023	2.40%
Change - Increase (Decrease)	<u>0.00%</u>

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Other Post-Employment Benefits (OPEB) (Continued)

B. OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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:

<u>Measurement Date</u>	<u>Plan's Net OPEB Liability/(Asset)</u>		
	<u>Discount Rate - 1% (5%)</u>	<u>Current Discount Rate (6%)</u>	<u>Discount Rate + 1% (7%)</u>
June 30, 2023	\$ 10,921	\$ (123,020)	\$ (234,339)

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, 2023:

<u>Measurement Date</u>	<u>Plan's Net OPEB Liability/(Asset)</u>		
	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
June 30, 2023	\$ (254,906)	\$ (123,020)	\$ 39,036

OPEB Plan Fiduciary Net Position

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

OPEB Expenses and Deferred Outflows and Inflows of Resources

For the measurement period ended June 30, 2022, the Transit Fund reported OPEB expense / (credit) in the amount of (\$24,000).

At June 30, 2023, the Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (240,954)
Changes of assumptions	152,630	(282,566)
Net difference between projected and actual earnings on plan investments	52,620	-
Total	<u>\$ 205,250</u>	<u>\$ (523,520)</u>

Transit Enterprise Fund of the City of Santa Clarita
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Other Post-Employment Benefits (OPEB) (Continued)

B. OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

OPEB Expenses and Deferred Outflows and Inflows of Resources (Continued)

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>	<u>OPEB Plan</u>
2024	\$	(49,823)
2025		(55,549)
2025		(13,400)
2027		(62,945)
2028		(42,964)
Thereafter		(93,589)
	<u>\$</u>	<u>(318,270)</u>

Note 7 – Compensated Absences

Changes in compensated absences of the Fund at June 30, 2023, consisted of the following:

	<u>Balance</u>		<u>Balance</u>	<u>Due within</u>	<u>Due in More</u>	
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>	<u>One Year</u>	<u>Than One Year</u>
Compensated absences	<u>\$ 142,765</u>	<u>\$ 47,817</u>	<u>\$ (53,926)</u>	<u>\$ 136,656</u>	<u>\$ 53,926</u>	<u>\$ 82,730</u>

Note 8 – 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 in the amount of \$3,302,578 were reported as part of supplies, utilities, and other operating expenses for the year ended June 30, 2023.

Note 9 – Transfers from the City of Santa Clarita

During the year ended June 30, 2023, the City of Santa Clarita transferred \$2,462,730, \$6,074,505 and \$1,209 from the City's Prop C, Prop A and Federal Grants Special Revenue Funds, respectively, to support the allowable transit operation. 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.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Transit Enterprise Fund of the City of Santa Clarita
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS")

Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Proportion of the Net Pension Liability	3.51435%	3.51435%	3.51435%	3.51435%
Proportionate Share of the Net Pension Liability (Asset)	\$ 1,363,159	\$ (15,215)	\$ 1,220,809	\$ 1,367,413
Covered Payroll	\$ 1,277,951	\$ 1,255,802	\$ 1,225,894	\$ 1,173,778
Proportionate Share of the Net Pension Liability as a Percentage of the Covered Payroll	106.67%	-1.21%	99.59%	116.50%
Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	85.38%	100.18%	84.69%	81.56%

¹ Historical information is presented only for measurement periods after GASB 68 implementation in 2013-14. Additional years of information will be displayed as it becomes available.

Notes to Schedule:

Changes of Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2017 through 2021, 7.65% for measurement dates 2015 through 2016, and 7.50% for measurement date 2014.

Transit Enterprise Fund of the City of Santa Clarita
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios (Continued)
For the Years Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS")

Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014¹</u>
Proportion of the Net Pension Liability	<u>3.51435%</u>	<u>3.51435%</u>	<u>3.51419%</u>	<u>3.51419%</u>	<u>3.51419%</u>
Proportionate Share of the Net Pension Liability	<u>\$ 1,468,640</u>	<u>\$ 1,641,432</u>	<u>\$ 1,388,588</u>	<u>\$ 1,084,341</u>	<u>\$ 944,480</u>
Covered Payroll	<u>\$ 1,053,068</u>	<u>\$ 1,052,000</u>	<u>\$ 981,713</u>	<u>\$ 957,079</u>	<u>\$ 944,599</u>
Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	<u>139.46%</u>	<u>156.03%</u>	<u>141.45%</u>	<u>113.30%</u>	<u>99.99%</u>
Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>78.57%</u>	<u>74.42%</u>	<u>75.27%</u>	<u>79.11%</u>	<u>80.58%</u>

1 Historical information is presented only for measurement periods after GASB 68 implementation in 2013-14. Additional years of information will be displayed as it becomes available.

Transit Enterprise Fund of the City of Santa Clarita
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS")

Fiscal Year	2022-23	2021-22	2020-21	2019-20	2018-19
Actuarially determined contribution	\$ 250,337	\$ 228,804	\$ 217,547	\$ 222,244	\$ 198,133
Contributions in relation to the actuarially determined contribution ²	(320,601)	(297,419)	(394,284)	(561,483)	(439,293)
Contribution deficiency (excess)	<u>\$ (70,264)</u>	<u>\$ (68,615)</u>	<u>\$ (176,737)</u>	<u>\$ (339,240)</u>	<u>\$ (241,161)</u>
Covered Payroll ³	\$ 1,313,733	\$ 1,277,951	\$ 1,255,802	\$ 1,196,042	\$ 1,109,265
Contributions as a percentage of covered payroll	24.40%	23.27%	31.40%	46.95%	39.60%

¹ Historical information is presented only for measurement periods after GASB 68 implementation in 2013-14. Additional years of information will be displayed as it becomes available.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Covered payroll represented above includes one year's payroll growth using 2.75% payroll growth assumption for fiscal years ended June 30, 2018-22; 3.00% payroll growth assumption for fiscal years ended June 30, 2014-17.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2021-22 were derived from the June 30, 2019 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Inflation	2.50%
Salary increases	Varies by entry age and service
Payroll Growth	2.75%
Investment rate of return	7% net of pension plan investment expenses; includes Inflation.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience study for the period from 1997 to 2015
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

Transit Enterprise Fund of the City of Santa Clarita
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pensions (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS")

Fiscal Year	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 163,846	\$ 157,588	\$ 139,123	\$ 131,436	\$ 125,184
Contributions in relation to the actuarially determined contribution ²	<u>(339,563)</u>	<u>(157,588)</u>	<u>\$ (139,129)</u>	<u>(131,436)</u>	<u>(125,184)</u>
Contribution deficiency (excess)	<u>\$ (175,718)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll ³	\$ 1,030,631	\$ 1,017,646	\$ 1,004,503	\$ 984,582	\$ 944,599
Contributions as a percentage of covered payroll	32.95%	15.49%	13.85%	13.35%	13.25%

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Transit Enterprise Fund of the City of Santa Clarita
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of Net Other Postemployment Benefits Liability and Related Ratios
For the Year Ended June 30, 2023

Last Ten Fiscal Years

Retiree Healthcare Plan

Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018 ¹
Proportion of the Net OPEB Liability	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
Proportionate Share of the Net OPEB Liability (Asset)	\$ (123,020)	\$ (49,718)	\$ (301,813)	\$ 400,077	\$ 146,648	\$ 247,416
Covered-employee payroll	\$ 1,093,980	\$ 993,256	\$ 855,299	\$ 919,082	\$ 813,498	\$ 735,216
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	-11.25%	-5.01%	-35.29%	43.53%	18.03%	33.65%
Proportionate Share of the Fiduciary Net Position as a percentage of the total OPEB Liability	112.30%	104.90%	131.67%	71.67%	87.12%	79.08%

¹ Historical information is presented only for measurement periods after GASB 75 implementation in 2017-18.

Note to Schedule:

Changes of Assumptions: The discount rate was changed from 5.60% at the June 30, 2018 measurement date 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 then changed to 6.25% for the June 30, 2021 and June 30, 2022 measurement date. The discount rate was changed to 6.00% for the June 30, 2023 measurement date.

Transit Enterprise Fund of the City of Santa Clarita
Required Supplementary Information (Unaudited)
Schedule of Contributions - Other Postemployment Benefits
For the Year Ended June 30, 2023

Last Ten Fiscal Years

Retiree Healthcare Plan

Fiscal Year	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18 ¹
Actuarially determined contribution	\$ 5,568	\$ 11,568	\$ 12,408	\$ 26,688	\$ 27,048	\$ 42,120
Contributions in relation to the actuarially determined contribution	6,073	7,224	15,312	15,264	22,159	29,448
Contribution deficiency (excess)	\$ (505)	\$ 4,344	\$ (2,904)	\$ 11,424	\$ 4,889	\$ 12,672
Covered-employee payroll	\$ 1,093,980	\$ 993,256	\$ 855,299	\$ 919,082	\$ 813,498	\$ 735,216
Contributions as a percentage of covered-employee payroll	0.56%	0.73%	1.79%	1.66%	2.72%	4.01%

Notes to Schedule:

¹ Historical information is presented only for measurement periods after GASB 75 implementation in 2017-18.

Methods and assumptions used to determine contribution rates:

Contribution valuation date	June 30, 2022
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll
Remaining amortization period	11-year fixed period for 2022/23
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Discount rate	6.00%
General inflation	2.50%
Medical trend	Non-Medicare - 8.50% for 2024, decreasing to an ultimate rate of 3.45% in 2076; Medicare (Non-Kaiser) - 7.50% for 2024, decreasing to an ultimate rate of 3.45% in 2076; Medicare (Kaiser) - 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076
Mortality	CalPERS 2000-2019 Experience Study.
Mortality improvement	Mortality projected fully generational with Scale MP-2021.