

CITY OF CULVER CITY, CALIFORNIA

Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)

Basic Financial Statements and Supplementary Information  
Year ended June 30, 2010

CITY OF CULVER CITY, CALIFORNIA

Municipal Bus Lines

Year ended June 30, 2010

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City of Culver City  
Culver City, California

Independent Auditors' Report

We have audited the accompanying basic financial statements of the Culver City Municipal Bus Lines, an Enterprise fund of the City of Culver City, California, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Culver City. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the Culver City Municipal Bus Lines for the year ended June 30, 2009 in which we expressed an unqualified opinion.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the Culver City Municipal Bus Lines and do not purport to, and do not, present fairly the financial position of the City of Culver City, California, as of June 30, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Culver City Municipal Bus Lines of the City of Culver City, California, as of June 30, 2010, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Culver City Municipal Bus Lines has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Culver City Municipal Bus Lines of the City of Culver City's basic financial statements. The supplementary information included in Sources of Operating Revenues and Capital Grants and 50% Expenditures Limitation Test are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2010 on our consideration of the Culver City Bus Lines' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 15, 2010

CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)  
Statement of Net Assets  
June 30, 2010  
(With comparative totals for June 30, 2009)

	2010	2009
Assets:		
Current assets:		
Cash and investments (note 2)	\$ 4,193,052	2,671,772
Cash with fiscal agent (note 2)	923,270	938,401
Accounts receivable	211,679	139,937
Accrued interest	13,613	20,933
Prepaid expenses	100,360	52,317
Due from other governments (note 5)	1,893,352	5,370,004
Total current assets	7,335,326	9,193,364
Noncurrent assets:		
Deferred debt issuance costs	115,402	138,483
Capital assets (note 3):		
Capital assets not being depreciated	1,450,214	1,450,214
Capital assets subject to depreciation	54,898,327	54,731,000
Accumulated depreciation	(27,253,606)	(25,090,468)
Total capital assets, net	29,094,935	31,090,746
Total noncurrent assets	29,210,337	31,229,229
Total assets	36,545,663	40,422,593
Liabilities:		
Current liabilities:		
Accounts payable	180,123	121,043
Accrued salaries and benefits payable	245,933	152,049
Interest payable	114,425	129,549
Certificates of participation payable (note 8)	575,000	545,000
Compensated absences payable (note 8)	106,768	95,417
Total current liabilities	1,222,249	1,043,058
Noncurrent liabilities:		
Certificates of participation payable (note 8)	3,415,000	3,990,000
Compensated absences payable (note 8)	393,228	316,017
Total non-current liabilities	3,808,228	4,306,017
Total liabilities	5,030,477	5,349,075
Net Assets:		
Investment in capital assets, net of related debt	26,028,205	27,494,147
Unrestricted	5,486,981	7,579,371
Total net assets	\$ 31,515,186	35,073,518

See accompanying notes to basic financial statements.

CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)  
Statement of Revenues, Expenses, and Changes in Net Assets  
Year ended June 30, 2010  
(With comparative totals for the year ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
Operating revenues		
Charges for services	\$ 3,257,360	2,937,041
Operating expenses:		
Salaries and benefits	9,504,770	8,970,489
Supplies	646,590	313,977
Repairs and maintenance	3,860,595	3,689,275
Insurance, claims and settlements	20,446	120,000
Claims and settlements	-	201,935
Administrative services	1,725,705	1,659,334
Rent and lease expenses	101,276	92,510
Consulting and contract services	126,679	89,004
Depreciation	<u>2,163,138</u>	<u>2,443,471</u>
Total operating expenses	<u>18,149,199</u>	<u>17,579,995</u>
Operating loss	<u>(14,891,839)</u>	<u>(14,642,954)</u>
Nonoperating revenues (expenses):		
Operating grants	9,494,083	11,820,879
Investment income	89,878	103,177
Interest expense	(269,302)	(296,348)
Other income	<u>252,440</u>	<u>170,326</u>
Total nonoperating revenues (expenses)	<u>9,567,099</u>	<u>11,798,034</u>
Net loss before contributions and transfers	<u>(5,324,740)</u>	<u>(2,844,920)</u>
Transfers and capital contributions:		
Capital contributions - grants	52,915	4,325,720
Transfers in from the City of Culver City	2,125,539	842,025
Transfers out to the City of Culver City	<u>(274,500)</u>	<u>(340,000)</u>
Total transfers and capital contributions	<u>1,903,954</u>	<u>4,827,745</u>
Change in net assets	(3,420,786)	1,982,825
Total net assets, beginning of year as restated (note 9)	<u>34,935,972</u>	<u>33,090,693</u>
Total net assets, end of year	<u>\$ 31,515,186</u>	<u>35,073,518</u>

See accompanying notes to basic financial statements.

CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)  
Statement of Cash Flows  
Year ended June 30, 2010  
(With comparative totals for the year ended June 30, 2009)

	2010	2009
Cash flows from operating activities:		
Cash payments from customers	\$ 3,048,072	2,969,232
Cash payments to suppliers for goods and services	(4,744,549)	(4,484,727)
Cash payments to employees for services	(9,322,324)	(8,818,714)
Cash payments for administrative services	(1,725,705)	(1,659,334)
Other non-operating revenue received	252,440	170,326
Net cash used in operating activities	(12,492,066)	(11,823,217)
Cash flows from noncapital financing activities:		
Operating grants received	12,970,735	10,908,318
Transfer to the City of Culver City	(274,500)	(340,000)
Transfer from City of Culver City	2,125,539	842,025
Net cash provided by noncapital financing activities	14,821,774	11,410,343
Cash flows from capital and related financing activities:		
Principal paid on debt	(545,000)	(520,000)
Interest paid on debt	(254,025)	(272,263)
Acquisition and construction of capital assets	(167,327)	(3,418,579)
Capital grants received	52,915	4,325,720
Net cash provided by (used in) capital and related related financing activities	(913,437)	114,878
Cash flows from investing activities:		
Interest received on investments	89,878	103,177
Net cash provided by investing activities	89,878	103,177
Net (decrease) increase in cash and cash equivalents	1,506,149	(194,819)
Cash and cash equivalents at beginning of year	3,610,173	3,804,992
Cash and cash equivalents at end of year	\$ 5,116,322	3,610,173
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (14,891,839)	(14,642,954)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,163,138	2,443,471
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(209,288)	32,190
(Increase) decrease in prepaid expenses	(48,043)	-
Increase (decrease) in accounts payable	59,081	21,975
Increase (decrease) in accrued salaries and benefits payable	93,884	82,868
Increase (decrease) in compensated absences payable	88,561	68,907
Other nonoperating revenue received	252,440	170,326
Net cash used in operating activities	\$ (12,492,066)	(11,823,217)

There were no noncash investing or financing activities for the years ended June 30, 2010 and 2009.

See accompanying notes to basic financial statements.

CITY OF CULVER CITY, CALIFORNIA

Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)

Notes to Basic Financial Statements  
Year ended June 30, 2010

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Municipal Bus Lines of the City of Culver City, California (CCMBL) was created by the City of Culver City, California (City) in 1928 by resolution of the City Council. The CCMBL follows the uniform system of accounts and records prescribed by the Federal Transit Administration (FTA) and the California State Controller.

The CCMBL provides transportation services to the City and surrounding communities. These operations constitute part of the overall financial reporting entity of the City and are accounted for as an enterprise fund in accordance with generally accepted accounting principles within the City's comprehensive annual financial report. The accounting policies of the CCMBL conform to the accrual basis of accounting.

(b) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The CCMBL accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The CCMBL utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

The CCMBL applies all applicable GASB pronouncements in accounting and reporting for proprietary operations as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure.

The CCMBL distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with transportation operations. The principal operating revenues of the CCMBL are charges to customers for services, and operating grants. Operating expenses include cost of sales and services, general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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Notes to Basic Financial Statements  
Year ended June 30, 2010

(1) Summary of Significant Accounting Policies (continued)

(c) Capital Assets

Property, plant and equipment purchases are capitalized at original acquisition cost. Donated fixed assets are recorded at their estimated fair market value at the date of donation. Fixed assets acquired under capital leases are recorded at the net present value of the total lease payments. Depreciation is charged to operations, using a straight-line method, based on the estimated useful life of the assets. The estimated useful lives of the assets are as follows:

Buildings	50 years
Building improvements	10 to 15 years
Buses and other vehicles	5 to 10 years
Equipment	5 to 10 years
Furniture and fixtures	20 years

(d) Cash and Cash Equivalents

For purposes of the statement of cash flows, the CCMBL considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. In addition, cash invested in the City's cash management pool and held by trustees are considered to be cash equivalents.

(e) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's prior year financial statements, from which this selected data was derived. Certain minor reclassifications of prior year data may have been made in order to enhance their comparability with current year figures.

(f) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses, during the reporting period. Actual results could differ from those estimates.

CITY OF CULVER CITY, CALIFORNIA

Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)

Notes to Basic Financial Statements  
Year ended June 30, 2010

(2) Cash and Investments

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 4,193,052
Cash and investments with fiscal agent	<u>923,270</u>
Total cash and investments	<u>\$ 5,116,322</u>

Cash and investments as of June 30, 2010 consist of the following:

Investments	<u>\$ 5,116,322</u>
Total investments	<u>\$ 5,116,322</u>

Investments Authorized by the California Government Code and the City of Culver City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds with fiscal agent that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Investment Types</u> <u>Authorized by State Law</u>	<u>Authorized by</u> <u>Investment</u> <u>Policy</u>	<u>Maximum</u> <u>Maturity*</u>	<u>Maximum</u> <u>Percentage</u> <u>of Portfolio*</u>	<u>Maximum</u> <u>Investment</u> <u>In One Issuer*</u>
Local Authority Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	2 years	None	None
U.S. Authority Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	30%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	2 years	30%	None
Repurchase Agreements	Yes	1 year	50%	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	Yes	5 years	30%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

\* Based on state law requirements or investment policy requirements, whichever is more restrictive.

CITY OF CULVER CITY, CALIFORNIA

Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)

Notes to Basic Financial Statements  
Year ended June 30, 2010

(2) Cash and Investments, (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds with fiscal agent are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City of Culver City's investment policy. The table below identifies the investment types that are authorized for investments with fiscal agent. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Authority Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Repurchase Agreements	180 days	None	None
Investment Contracts	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the CCMBL manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the CCMBL's investments (including investments with fiscal agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the CCMBL's investments by maturity:

CITY OF CULVER CITY, CALIFORNIA

Municipal Bus Lines  
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Notes to Basic Financial Statements  
Year ended June 30, 2010

(2) Cash and Investments, (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
Equity in City of Culver City investment pool	\$4,193,052	4,193,052	-	-	-
With fiscal agent: Money market funds	<u>923,270</u>	<u>923,270</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$5,116,322</u>	<u>5,116,322</u>	<u>-</u>	<u>-</u>	<u>-</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City of Culver City's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
Equity in City of Culver City investment pool	\$4,193,052	N/A	-	-	4,193,052
With fiscal agent: Money market funds	<u>923,270</u>	N/A	<u>923,270</u>	<u>-</u>	<u>-</u>
Total	<u>\$5,116,322</u>		<u>923,270</u>	<u>-</u>	<u>4,193,052</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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Notes to Basic Financial Statements  
Year ended June 30, 2010

(2) Cash and Investments, (Continued)

The California Government Code and the City of Culver City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

For investments identified herein as with fiscal agent, the bond trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

(3) Capital Assets

Property, plant and equipment activity for the year ended June 30, 2010 consisted of the following:

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>
Capital assets, depreciated:				
Machinery and equipment	\$ 25,032,412	167,327	-	25,199,739
Building and improvements	27,920,503	-	-	27,920,503
Furniture and fixtures	<u>1,778,085</u>	<u>-</u>	<u>-</u>	<u>1,778,085</u>
Subtotal	<u>54,731,000</u>	<u>167,327</u>	<u>-</u>	<u>54,898,327</u>
Less accumulated depreciation:				
Machinery and equipment	(19,454,031)	(1,375,367)	-	(20,829,398)
Building and improvements	(4,917,922)	(768,006)	-	(5,685,928)
Furniture and fixtures	<u>(718,515)</u>	<u>(19,765)</u>	<u>-</u>	<u>(738,280)</u>
Total accumulated depreciation	<u>(25,090,468)</u>	<u>(2,163,138)</u>	<u>-</u>	<u>(27,253,606)</u>
Net depreciable assets	29,640,532	(1,995,811)	-	27,644,721
Capital assets, not depreciated:				
Land	<u>1,450,214</u>	<u>-</u>	<u>-</u>	<u>1,450,214</u>
Capital Assets, Net	<u>\$ 31,090,746</u>	<u>(1,995,811)</u>	<u>-</u>	<u>29,094,935</u>

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Notes to Basic Financial Statements  
Year ended June 30, 2010

(4) Self-Insurance Program

The CCMBL contracts with the City for state unemployment insurance, employee long-term disability and workers' compensation insurance and is therefore subject to the same terms and retention level as the City. The City's retention for workers' compensation is \$1,000,000 per occurrence with excess insurance coverage of \$50,000,000 per occurrence. The CCMBL also carries full individual general liability coverage for claims between \$250,000 and \$10,000,000.

Effective May 1, 1987, the CCMBL became self-insured for the first \$250,000 of each general liability claim. The City has agreed to support the CCMBL liability for self-insurance in the event of the inability of the CCMBL to fund its self-insurance liabilities on a timely basis. Refer to the City of Culver City Comprehensive Annual Financial Report for information about outstanding claims payable at June 30, 2010.

(5) Due from Other Governments

Amounts due from other governments consist of the following at June 30, 2010:

Due from Federal Transit Administration	\$ 28,094
Due from Los Angeles County Metropolitan Transit Authority (Metro)	<u>1,865,258</u>
Total due from other governments	<u>\$ 1,893,352</u>

(6) Transactions with the City of Culver City

The City provides administrative services and allocates certain administrative and overhead costs to the Culver City Municipal Bus Lines (CCMBL) based upon a cost allocation plan. Costs are allocated based on specific relevant measurable units associated with each department. Such allocated costs applicable to the CCMBL aggregated \$1,725,705 for the fiscal year ended June 30, 2010.

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Notes to Basic Financial Statements  
Year ended June 30, 2010

(7) Employee Benefits

Employees of the CCMBL, as employees of the City, are members of the Public Employees' Retirement System (PERS) administered by the State of California into which the City and its employees contribute. Pension expense allocated to the CCMBL by the City for CCMBL employees totaled \$899,291 for the year ended June 30, 2010. Reference is made to the City's Comprehensive Annual Financial Report for further information regarding the City's pension system and other employee benefit programs.

(8) Long Term Debt

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2010</u>	<u>Due Within One year</u>
Certificates of participation	\$ 4,535,000	-	(545,000)	3,990,000	575,000
Compensated absences	<u>411,434</u>	<u>332,284</u>	<u>(243,722)</u>	<u>499,996</u>	<u>106,768</u>
Total	<u>\$ 4,946,434</u>	<u>332,284</u>	<u>(788,722)</u>	<u>4,489,996</u>	<u>681,768</u>

Certificates of Participation

On June 1, 1996, the California Transit Finance Corporation issued certificates of participation totaling \$9,660,000 for the purpose of upgrading and expanding the City's bus facilities.

The City makes debt service payments with respect to the certificates from amounts to be received under FTA Project Grants to the extent these funds are available. If funds from FTA Project Grants are insufficient, the shortfall will be made up from other revenues.

The certificates of participation are issued as term certificates with remaining principal amounts varying from \$575,000 to \$760,000 totaling \$3,990,000 with a current portion due of \$575,000, with interest rates varying from 5.35% to 5.75%. The final maturity date is January 1, 2016.

The certificates maturing on or after January 1, 2007, are subject to redemption prior to their respective maturity dates in whole or in part in integral multiples of \$5,000, on any date selected by the City on or after January 1, 2006, at the option of the City from moneys deposited in the Debt Service Fund, at the prices (expressed as a percentage of principal amount of certificates so redeemed) set forth below plus accrued interest to the date fixed for redemption:

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Notes to Basic Financial Statements  
Year ended June 30, 2010

(8) Long Term Debt (Continued)

<u>Redemption Period</u>	<u>Redemption Price</u>
January 1, 2006 through December 31, 2006	102%
January 1, 2007 through December 31, 2007	101%
January 1, 2008 and thereafter	100%

The certificates maturing on January 1, 2016, are subject to mandatory redemption in part by lot prior to their stated maturity date on and after January 1, 2012, without premium together with accrued interest from the Redemption Fund in amounts from \$610,000 to \$760,000.

The annual debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Payment</u>
2011	\$ 575,000	228,850	803,850
2012	610,000	196,362	806,362
2013	645,000	161,288	806,288
2014	680,000	124,200	804,200
2015	720,000	85,100	805,100
2016	760,000	43,700	803,700
	<u>\$3,990,000</u>	<u>839,500</u>	<u>4,829,500</u>

(9) Restatement of Fund Balance/Net Assets

Beginning fund balance/net assets have been restated as follows:

Fund balance/net assets at June 30, 2009	35,073,518
To reduce accounts receivable and grant revenue for grant funds never received	<u>(137,546)</u>
Fund balance/net assets at June 30, 2009, as restated	<u>34,935,972</u>

SUPPLEMENTARY INFORMATION

CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)  
Sources of Operating Revenues and Capital Grants  
Year ended June 30, 2010  
(With comparative totals for the year ended June 30, 2009)

	2010	2009
The following is detail of the sources of operating revenues received:		
Passenger fares, Metrocard, Hollywood Bowl, EZ Pass, BruinGO	\$ 3,257,360	2,937,041
Operating grants:		
Transportation Development Act-Article 4 (LTF)	3,302,201	4,543,841
State Transit Assistance (STA)	492,425	332,922
Proposition 1B Transit Security	-	71,456
Proposition "A" Discretionary	3,023,591	2,775,205
Proposition "A" Discretionary (Interest)	625,664	-
Special Overcrowding Fund	204,611	200,698
Proposition C BSIP	158,062	140,249
Proposition C Foothill Mitigation	85,795	160,671
Proposition C Discretionary Operating (Security)	278,763	311,381
Proposition "C" Discretionary-MOSIP	815,954	-
Clean Natural Gas Tax Credit	356,749	-
Capital grant revenues used to fund interest expense (FTA) (Sect 9/5307)	111,774	784,456
Capital grant revenues used to fund operating expenses (FTA)	38,494	2,500,000
Total operating grants	9,494,083	11,820,879
Other revenues:		
Interest earnings	89,878	103,177
Miscellaneous	252,440	170,326
Gain (loss) on sale of property	-	752
Proposition "A" Local Return and Prop "C" Local Return	2,125,539	842,025
Total other revenues	2,467,857	1,116,280
Total operating and other revenues	\$ 15,219,300	15,874,200
The following is a detail of the sources of capital grants:		
State Transit Administration (STA)	\$ -	154,005
Federal Transit Administration Section 3 Grant (Sect 3/5309)	-	2,096,000
Federal Transit Administration Section 9 Grant (Sect 9/5307)	-	89,346
Proposition 1B Transit Security	-	132,180
Proposition "C" Discretionary Ineterest Capital	52,915	1,033,196
Proposition "C" Discretionary MOSIP Capital	-	820,993
Total capital grants	\$ 52,915	4,325,720

CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
50% Expenditures Limitation Test  
Article IV Funds  
Year ended June 30, 2010  
(With comparative totals for the year ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
1. Total operating expenses before depreciation	\$ 15,986,061	15,136,524
2. Total depreciation	2,163,138	2,443,471
3. Total capital outlay	167,326	3,418,579
4. Debt Service Requirement (Principal)	<u>545,000</u>	<u>520,000</u>
5. Total (lines 1, 2, 3, and 4)	<u>18,861,525</u>	<u>21,518,574</u>
6. Less Federal grants expended	150,268	5,469,802
7. Less Local Transportation Fund capital intensive programs	-	-
8. Less State Transit Assistance Fund monies received	<u>492,425</u>	<u>486,927</u>
9. Total (lines 6, 7 and 8)	<u>642,693</u>	<u>5,956,729</u>
10. Total (line 5 less line 9)	<u>18,218,832</u>	<u>15,561,845</u>
11. 50% of line 10	9,109,416	7,780,923
12. Add amount of Local Transportation Funds claimed in excess of line 9 for match to Federal operating grant	-	-
13. Add Local Transportation Funds capital intensive programs	<u>-</u>	<u>-</u>
14. Total permissible Local Transportation Funds expenditure (sum of lines 11, 12 and 13)	<u>\$ 9,109,416</u>	<u>7,780,923</u>



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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*

City Council  
City of Culver City  
Culver City, California

We have audited the basic financial statements of the Culver City Municipal Bus Lines (“CCMBL”), an enterprise fund of the City of Culver City, California as of and for the year ended June 30, 2010, and have issued our report thereon dated October 15, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CCMBL’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCMBL’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CCMBL’s internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CCMBL’s financial statements are free of 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 determination of financial statement amounts. 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.

City Council  
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 Culver City, California

These tests included certain procedures contained in the Transportation Development Act Statutes and California Codes of Regulations in connection with a review of the City's compliance with applicable laws, rules and regulations of the Transportation Development Act (TDA). The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* or the Transportation Development Act Statutes and California Codes of Regulations.

In accordance with Section 99314.6 of the TDA, the operator must meet one of the following efficiency standards:

1. The operator's total operating cost per revenue vehicle hour in the latest year for which audited data are available does not exceed the sum of the preceding year's total operating cost per revenue vehicle hour and an amount equal to the product of the percentage change in the Consumer Price Index for the same period multiplied by the preceding year's total operating cost per revenue vehicle hour.

Our calculation is as follows:

Operating cost per revenue vehicle hour at 6/30/09	\$112.02
Consumer Price Index at 6/30/09	223.91
Consumer Price Index at 6/30/10	225.88
Rate of increase	0.88%
Allowable cost per revenue vehicle hour	113.06
Actual operating cost per revenue vehicle hour	112.97

Based upon the above, this operator's qualifying criterion has been met.

2. The operator's average total operating cost per revenue vehicle hour in the latest three years for which audited data are available does not exceed the sum of the average of the total operating cost per revenue vehicle hour in the three years preceding the latest year for which audited data are available and an amount equal to the product of the average percentage change in the Consumer Price Index for the same period multiplied by the average total operating cost per revenue vehicle hour in the same three years.

Our calculation is as follows:

Operating cost per revenue vehicle hour at 6/30/10	\$112.97
Operating cost per revenue vehicle hour at 6/30/09	112.02
Operating cost per revenue vehicle hour at 6/30/08	110.84
Average	111.94
Operating cost per revenue vehicle hour at 6/30/09	\$112.02
Operating cost per revenue vehicle hour at 6/30/08	110.84
Operating cost per revenue vehicle hour at 6/30/07	105.83
Average	109.56

City Council  
City of Culver City  
Culver City, California

<u>Year</u>	<u>CPI</u>	<u>Change</u>	<u>% Change</u>
6/30/06	211.1		
6/30/07	217.3	6.2	2.94%
6/30/08	229.0	11.73	5.40%
6/30/09	223.9	-5.13	-2.24%
Average			2.03%

Average cost per revenue vehicle hour for the preceding three years, adjusted by the average change in the CPI for the same years (allowable) 111.79

Based upon the above, this operator's qualifying criterion has not been met.

This report is intended solely for the information and use of the City Council and management of the City of Culver City and the Culver City Municipal Bus Lines and is not intended to be and should not be used by anyone other than these specified parties.

*Mayer Hoffman McCann P.C.*

Irvine, California  
October 15, 2010