

CITY OF CULVER CITY, CALIFORNIA

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

Financial Statements and Supplementary Information  
June 30, 2015

CITY OF CULVER CITY, CALIFORNIA

Municipal Bus Lines

June 30, 2015

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**INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Culver City, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of Culver City Municipal Bus Lines, an Enterprise Fund of the City of Culver City, California, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Culver City Municipal Bus Lines, an Enterprise Fund of the City of Culver City, California, as of June 30, 2015, and the changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

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, as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Culver City Municipal Bus Lines, an Enterprise Fund of the City of Culver City, California's financial statements. The schedules of Sources of Operating Revenues and Capital Grants, the 50% Expenditures Limitation Test for Article IV Funds, and the PTMISEA Prop 1B Bond Funds are presented for purposes of additional analysis and are not required parts of the financial statements. The schedules of Sources of Operating Revenues and Capital Grants, the 50% Expenditures Limitation Test for Article IV Funds, and the Schedule of PTMISEA Prop 1B Bond Funds are presented for purposes of additional analysis and are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of Sources of Operating Revenues and Capital Grants, the 50% Expenditures Limitation Test for Article IV Funds, and the PTMISEA Prop 1B Bond Funds are fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, on our consideration of the Culver City Municipal Bus Lines, an Enterprise Fund of the City of Culver City, California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Culver City Municipal Bus Lines, an Enterprise Fund of the City of Culver City, California's internal control over financial reporting and compliance.

## **Report on Summarized Comparative Information**

We have previously audited the Culver City Municipal Bus Lines' June 30, 2014 financial statements and our audit report dated October 23, 2014, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Moss, Levy & Hartzheim LLP  
Culver City, California  
October 30, 2015

CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)  
Statement of Net Position  
June 30, 2015  
(With Comparative Statement as of June 30, 2014)

	June 30, 2015	June 30, 2014
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 14,038,187	\$ 11,361,925
Cash and Investments with Fiscal Agent	828,308	789,621
Accounts Receivable	187,069	113,384
Interest Receivable	32,778	25,588
Due from Other Governments	1,283,187	1,573,435
<b>TOTAL CURRENT ASSETS</b>	<b>16,369,529</b>	<b>13,863,953</b>
<b>CAPITAL ASSETS</b>		
Capital Assets Not Being Depreciated	1,450,214	3,699,156
Capital Assets Subject to Depreciation	61,778,002	61,093,846
Accumulated Depreciation	(30,638,075)	(29,568,848)
<b>TOTAL CAPITAL ASSETS, NET</b>	<b>32,590,141</b>	<b>35,224,154</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,187,139</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>50,146,809</b>	<b>49,088,107</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	286,034	218,281
Accrued Salaries and Benefits Payable	510,828	439,056
Interest Payable	21,850	42,550
Certificates of Participation Payable	760,000	720,000
Unearned Revenue	3,764,828	2,635,678
Compensated Absences Payable	160,767	110,183
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,504,307</b>	<b>4,165,748</b>
<b>NONCURRENT LIABILITIES</b>		
Net Pension Liability	12,986,467	-
Other Post Employment Benefits Payable	8,784,061	1,422,629
Certificates of Participation Payable	-	760,000
Compensated Absences Payable	643,071	438,463
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>22,413,599</b>	<b>2,621,092</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>2,465,459</b>	<b>-</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>30,383,365</b>	<b>6,786,840</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	31,830,141	33,744,154
Restricted for Debt Service	806,458	747,071
Unrestricted	(12,873,155)	7,810,042
<b>TOTAL NET POSITION</b>	<b>\$ 19,763,444</b>	<b>\$ 42,301,267</b>

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 Position  
For the Fiscal Year Ended June 30, 2015  
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating Revenues		
Charges for Services	\$ 3,760,517	\$ 3,796,169
Total Operating Revenues	<u>3,760,517</u>	<u>3,796,169</u>
Operating Expenses		
Salaries and Benefits	12,136,805	11,937,052
Supplies	68,018	120,707
Repairs and Maintenance	4,847,245	4,298,646
Insurance, Claims, and Settlements	485,976	294,341
Administrative Services	1,498,308	1,637,886
Rent and Lease Expenses	8,085	9,555
Consulting and Contract Services	502,725	317,179
Depreciation	2,637,643	2,769,730
Total Operating Expenses	<u>22,184,805</u>	<u>21,385,096</u>
Operating Income (Loss)	<u>(18,424,288)</u>	<u>(17,588,927)</u>
Non-Operating Revenues (Expenses)		
Loss on Sale of Assets	(75,772)	-
Intergovernmental Revenue	13,761,834	13,838,384
Measure R Sales Tax	2,092,620	1,902,941
Investment Income (Loss)	53,388	72,401
Interest Expense	(64,400)	(106,770)
Other Income	300,209	342,457
Total Non-Operating Revenues (Expenses)	<u>16,067,879</u>	<u>16,049,413</u>
Net Income (Loss) Before Contributions and Transfers	<u>(2,356,409)</u>	<u>(1,539,514)</u>
Transfers and Capital Contributions		
Capital Contributions - Grants	729,378	4,224,835
Transfers In from the City of Culver City	1,219,357	1,146,688
Transfers Out to the City of Culver City	(300,000)	(328,750)
Total Transfers and Capital Contributions	<u>1,648,735</u>	<u>5,042,773</u>
Change in Net Position	<u>(707,674)</u>	<u>3,503,259</u>
Total Net Position, Beginning of Fiscal Year	42,301,267	38,844,169
Prior Period Adjustments	(21,830,149)	(46,161)
Total Net Position, Beginning of Fiscal Year, Restated	<u>20,471,118</u>	<u>38,798,008</u>
Total Net Position, End of Fiscal Year	<u>\$ 19,763,444</u>	<u>\$ 42,301,267</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  
For the Fiscal Year Ended June 30, 2015  
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Cash Flows From Operating Activities:		
Cash Payments from Customers	\$ 3,686,832	\$ 3,805,335
Cash Payments to Suppliers for Goods and Services	(5,844,293)	(4,902,244)
Cash Payments to Employees for Services	(11,940,595)	(12,195,296)
Cash Payments for Administrative Services	(1,498,308)	(1,637,886)
Net Cash Used in Operating Activities	<u>(15,596,364)</u>	<u>(14,930,091)</u>
Cash Flows From Non-Capital Financing Activities:		
Other Non-Operating Revenues	300,209	342,457
Operating Grants Received	17,273,852	16,131,989
Transfers to the City of Culver City	(300,000)	(328,750)
Transfers from City of Culver City	1,219,357	1,146,688
Net Cash Provided by Non-Capital Financing Activities:	<u>18,493,418</u>	<u>17,292,384</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds from Sale of Capital Assets	47,649	-
Principal Paid on Debt	(720,000)	(680,000)
Interest Paid on Debt	(85,100)	(126,320)
Acquisition and Construction of Capital Assets	(127,051)	(4,256,983)
Capital Grants Received	729,378	4,224,835
Net Cash Provided (Used) by Capital and Related Financing Activities:	<u>(155,124)</u>	<u>(838,468)</u>
Cash Flows From Investing Activities:		
Interest Received (Loss) on Investment:	46,198	79,914
Net Cash Provided (Used) by Investing Activities:	<u>46,198</u>	<u>79,914</u>
Net Increase (Decrease) in Cash and Investments	2,788,128	1,603,739
Cash and Investments, Beginning of Fiscal Year	<u>12,151,546</u>	<u>10,547,807</u>
Cash and Investments, End of Fiscal Year	<u>\$ 14,939,674</u>	<u>\$ 12,151,546</u>
Reconciliation to the Statement of Net Position:		
Cash and Investments	\$ 14,038,187	\$ 11,361,925
Cash and Investments with Fiscal Agents	828,308	789,621
Total Cash and Cash Equivalents - Statement of Net Position	<u>\$ 14,866,495</u>	<u>\$ 12,151,546</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations:		
Operating Income (Loss)	<u>\$ (18,424,288)</u>	<u>\$ (17,588,927)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:		
Depreciation	2,637,643	2,769,730
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(73,685)	9,166
Increase (Decrease) in Accounts Payable	67,753	138,184
Increase (Decrease) in Accrued Salaries and Benefits Payable	71,772	14,766
Increase (Decrease) in Compensated Absences Payable	255,192	3,209
Increase (Decrease) in Other Post Employment Benefits Payable	70,398	(276,219)
Increase (Decrease) in Pension Payable	(201,149)	-
Total Adjustments	<u>2,827,924</u>	<u>2,658,836</u>
Net Cash Used in Operating Activities	<u>\$ (15,596,364)</u>	<u>\$ (14,930,091)</u>
Non-Cash Items:		
Actuarial Adjustments to Net Pension Liability - Decrease	\$ (1,703,952)	\$ -
Actuarial Adjustments to OPEB Liability - Increase	763,431	-

See accompanying notes to basic financial statements

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CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)  
Notes to Basic Financial Statements  
June 30, 2015

Note 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 is 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: 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 nonoperating revenues and expenses.

CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)  
Notes to Basic Financial Statements  
June 30, 2015

Note 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 assets are as follows:

Buildings	50 years
Building improvements	10 to 20 years
Buses and other vehicles	5 to 12 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 accounting principles generally accepted in the United States of America. 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 Accounting Principles Generally Accepted in the United States of America (USGAAP) 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  
June 30, 2015

Note 2 Cash and Investments

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 14,038,187
Cash and Investments with Fiscal Agents	<u>828,308</u>
Total Cash and Investments	<u>\$ 14,866,495</u>

Cash and Investment as of June 30, 2015 consist of the following:

Total Cash and Investments	<u>\$ 14,866,495</u>
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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.

Investment Types <u>Authorized by State Law</u>	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer*
Local Agency Bonds	Yes	3-5 years	30%	5%
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	30%
Banker's Acceptances	Yes	180 days	25%	5%
Commercial Paper	Yes	270 days	25%	5%
Repurchase Agreements	Yes	75 days	25%	None
Reverse Repurchase Agreements	Yes	75 days	15%	None
Medium-Term Notes	Yes	3-5 years	30%	5%
Money Market Mutual Funds	Yes	N/A	20%	10%
Cal-Trust Money Market Funds and Short-Term	Yes	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	\$50 million
Cal-Trust Medium-Terms Funds	Yes	N/A	15%	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  
June 30, 2015

Note 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.

Authorized <u>Investment Type</u>	Maximum <u>Maturity</u>	Maximum Percentage <u>Allowed</u>	Maximum Investment <u>In One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Bankers' Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	None	None	None
Repurchase Agreements	180 days	None	None
Investment Agreements	None	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:

<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	\$ 14,038,187	\$ 14,038,187	\$ -	\$ -	\$ -
Held with fiscal agent:					
Money market funds	828,308	828,308			
<b>Total</b>	<b>\$ 14,866,495</b>	<b>\$ 14,866,495</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)  
Notes to Basic Financial Statements  
June 30, 2015

Note 2 Cash and Investments (Continued)

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 fiscal year end for each investment type.

Investment Type	Total	Minimum Legal Rating	Rating as of Year End		
			AAA	AA	Not Rated
Equity in City of Culver					
City investment pool	\$ 14,038,187	N/A	\$ -	\$ -	\$ 14,038,187
Held with fiscal agent:					
Money market funds	<u>828,308</u>	N/A	<u>828,308</u>		
Total	<u>\$ 14,866,495</u>		<u>\$ 828,308</u>	<u>\$ -</u>	<u>\$ 14,038,187</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.

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 fair 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.

For further information regarding cash and investments refer to the City's Comprehensive Annual Financial Report.

CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)  
Notes to Basic Financial Statements  
June 30, 2015

Note 3 Capital Assets

Property, plant, and equipment activity for the fiscal year ended June 30, 2015 consisted of the following:

	Balance at July 1, 2014	Transfers/ Reclassifications/ Adjustments	Additions	Deletions	Balance at June 30, 2015
Capital assets, not depreciated:					
Land	\$ 1,450,214	\$ -	\$ -	\$ -	\$ 1,450,214
Construction in progress	2,248,942	(2,248,942)	-	-	-
Total capital assets, not depreciated	3,699,156	(2,248,942)	-	-	1,450,214
Capital assets, depreciated:					
Machinery and equipment	32,464,430	2,240,659	107,440	(1,503,167)	33,309,362
Building and improvements	28,182,478	8,283	19,611	(188,670)	28,021,702
Furniture and fixtures	446,938	-	-	-	446,938
Subtotal	61,093,846	2,248,942	127,051	(1,691,837)	61,778,002
Less accumulated depreciation:					
Machinery and equipment	(19,742,283)	-	(1,852,416)	1,503,167	(20,091,532)
Building and improvements	(9,436,964)	-	(778,734)	65,249	(10,150,449)
Furniture and fixtures	(389,601)	-	(6,493)	-	(396,094)
Total accumulated depreciation	(29,568,848)	-	(2,637,643)	1,568,416	(30,638,075)
Net depreciable assets	31,524,998	2,248,942	(2,510,592)	(123,421)	31,139,927
Capital Assets, Net	\$ 35,224,154	\$ -	\$ (2,510,592)	\$ (123,421)	\$ 32,590,141

Note 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, 2015.

CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)  
Notes to Basic Financial Statements  
June 30, 2015

Note 5 Due from Other Governments

Amounts due from other governments consist of the following at June 30, 2015:

Due from Federal Transit Agency	\$	6,184
Due from City of Santa Monica		62,132
Due from Metropolitan Transit Agency		590,105
Due from State of California		34,529
Due from Los Angeles County		590,237
Total due from other governments	\$	1,283,187

Note 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 \$1,207,219 for the fiscal year ended June 30, 2015.

The City also transferred a portion of its Proposition “A” and “C” Local Return funds to CCMBL to assist in operations.

The CCMBL transferred funds to the City in the amount of \$300,000. The City transferred funds to the CCMBL in the amount of \$1,219,357.

Note 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 \$938,606 for the fiscal year ended June 30, 2015. 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.

The City implemented GASB Statement Nos. 68 and 71 as of July 1, 2014, which affects the way pension liabilities are reported. Due to these Statements the City is required to report its entire liability for pension benefits. The CCMBL, based on allocation formula, has reported a total pension liability (obligation) including deferred inflows and outflows as of June 30, 2015 of \$12,986,467 to record the net pension liability as of June 30, 2014.

There was a prior period adjustment required for this implementation which amounted to \$14,539,116 to record the net pension liability as of June 30, 2014.

CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)  
Notes to Basic Financial Statements  
June 30, 2015

Note 8 Deferred Inflows and Outflows of Resources – Pension Plan

The deferred outflow of resources in the amount of \$1,187,139 represents employee benefit payments from the measurement date used for GASB 68 and 75 net pension and OPEB liability actuarial calculations at the end of the current fiscal year.

The deferred inflow of resources in the amount of \$2,465,459 represents an actuarially determined difference between projected and actual earnings on plan investments for both the pension and OPEB plans.

Note 9 Long Term Debt

Long-term liability activity for the fiscal year ended June 30, 2015 was as follows:

	Balance at July 1, 2014	Prior Period Adjustments	Additions	Deletions	Balance at June 30, 2015	Due Within One Year
Other post employment benefits	\$ 1,422,629	\$ 7,291,034	\$ 879,920	\$ (809,522)	\$ 8,784,061	\$ -
Certificates of participation	1,480,000			(720,000)	760,000	760,000
Compensated absences	548,646		851,385	(596,193)	803,838	160,767
Net Pension Liability	<u>                    </u>	<u>15,866,772</u>	<u>4,499,867</u>	<u>(7,380,172)</u>	<u>12,986,467</u>	<u>                    </u>
Total	<u>\$ 3,451,275</u>	<u>\$ 23,157,806</u>	<u>\$ 6,231,172</u>	<u>\$ (9,505,887)</u>	<u>\$ 23,334,366</u>	<u>\$ 920,767</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 one remaining principal payment of \$760,000 with an interest rate of 5.75%. The final maturity date is January 1, 2016.

The annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service Payment
2016	<u>\$ 760,000</u>	<u>\$ 43,700</u>	<u>\$ 803,700</u>



CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
(An Enterprise Fund of the City of Culver City)  
Notes to Basic Financial Statements  
June 30, 2015

Note 10 Other Post Employment Benefits

Employees of the CCMBL, as employees of the City, are part of the City's Retiree Insurance Program (RIP) which provides retiree healthcare benefits for eligible employees who retire with CalPERS pension benefits. For the fiscal year ended June 30, 2015, the total cost of retiree health care benefits of CCMBL was \$727,177. Reference is made to the City of Culver City's Comprehensive Annual Financial Report for further information regarding the City's Post Employment Benefits program.

As of July 1, 2014, the City early implemented GASB Statement No. 75 "Accounting for Postemployment Benefits other than Pensions". This statement requires the City to report its entire amount of retiree health benefit liability. An actuarial report was prepared with an actuarial valuation date of June 30, 2014. The CCMBL, based on allocation formulae, has reported a total OPEB liability as of June 30, 2015 in the amount of \$8,784,061. This amount includes a prior period adjustment in the amount of \$7,291,034 which was required upon implementation.

Note 11 Prior Period Adjustments

The prior period adjustments of \$21,830,149 reflected in the Statement of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2015 is a result of implementation of Governmental Accounting Standards Board (GASB) Statement Nos. 68, 71, and 75. These pronouncements change the method of reporting pension liability and OPEB liabilities.

The net pension liability as of June 30, 2014 was \$15,866,772 less an amount representing deferred outflows of resources in the amount of \$1,327,657.

The net OPEB liability at June 30, 2014 was \$8,713,663 less the amount previously reported of \$1,422,629.

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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  
For the Fiscal Year Ended June 30, 2015  
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
The following is detail of the sources of operating revenues received:		
Passenger Fares, TAP Card, EZ Pass, BruinGO	\$ 3,760,517	\$ 3,796,169
Operating Grants:		
Capital grant revenues used to fund operating expenses (FTA) (Sec 9/5307)	2,079,368	2,317,400
Capital grant revenues used to fund interest expense (FTA) (Sec 9/5307)	784,344	784,479
Transportation Development Act-Article 4 (LTF)	5,145,474	4,715,097
State Transit Assistance (STA)	645,792	1,064,421
Proposition A Discretionary	3,255,542	3,052,252
Proposition C Transit Service Expansion	227,638	222,520
Proposition C BSIP Overcrowding	159,075	155,498
Proposition C Foothill Mitigation	144,761	145,370
Proposition C Discretionary Operating (Security)	335,430	304,106
Proposition C Discretionary - MOSIP	600,000	901,770
Measure R - Sales Tax	2,092,620	1,902,941
Caltrans - LCTOP	34,529	-
Total Operating Grants	<u>15,504,573</u>	<u>15,565,854</u>
Other Revenues:		
CNG Excise Tax Credit	349,881	175,471
Interest Earnings	53,388	72,401
Miscellaneous	300,209	342,457
Proposition C Local Return (Transfer in)	369,196	278,162
Proposition A Local Return (Transfer in)	686,592	662,465
Measure R (Transfer in)	163,569	206,061
Total Other Revenues	<u>1,922,835</u>	<u>1,737,017</u>
Total Operating and Other Revenues	<u>\$ 21,187,925</u>	<u>\$ 21,099,040</u>
Capital Grants/Revenues:		
Proposition C Discretionary - MOSIP	\$ 173,082	\$ -
EIR Transit Mitigation	-	1,375,247
Federal Transit Administration Section 9 Grant (Sect 9/5307)	170,993	2,060,578
MTA Projects	85,484	-
Proposition 1B Metro Bridge/Metro Bridge Transit Security	60,467	318,620
Proposition 1B Transit Security	239,352	22,885
Proposition 1B PTMISEA	-	10,000
Measure R Sales Tax - Clean Fuel	-	127,505
State Transit Assistance (STA) Capital Reserve Disbursement	-	310,000
Total Capital Grants	<u>\$ 729,378</u>	<u>\$ 4,224,835</u>

CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
50% Expenditures Limitation Test  
Article IV Funds  
For the Fiscal Year Ended June 30, 2015  
(With Comparative Totals for the Fiscal Year Ended June 30, 2014)

	2015	2014
1 Total Operating Expenses before Depreciation	\$ 19,547,162	\$ 18,615,366
2 Total Depreciation	2,637,643	2,769,730
3 Total Capital Outlay	127,051	4,256,983
4 Debt Service Requirement (Principal)	720,000	680,000
5 Total (Lines 1, 2, 3, and 4)	23,031,856	26,322,079
6 Less Federal Grants Expended	3,034,705	5,162,457
7 Less Local Transportation Fund Capital Intensive Programs		
8 Less State Transit Assistance Fund Monies Received	645,792	1,374,421
9 Total (Lines 6, 7 and 8)	3,680,497	6,536,878
10 Total (Line 5 Less Line 9)	19,351,359	19,785,201
11 50% of Line 10	9,675,680	9,892,601
12 Add Amount of Local Transportation Funds Claimed in Excess of Line 9 for Match to Federal Operating Grants	-	-
13 Add Local Transportation Funds Capital Intensive Programs	-	-
14 Total Permissible Local Transportation Funds Expenditure (Sum of Lines 11, 12 and 13)	\$ 9,675,680	\$ 9,892,601

CITY OF CULVER CITY, CALIFORNIA  
Municipal Bus Lines  
Schedule of PTMISEA PROPOSITION 1B  
Bond Funds  
For the Fiscal Year Ended June 30, 2015

Proposition 1B – The Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) Fund is a part of the State of California’s Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of \$19.8 billion was deposited into the PTMISEA fund, \$3.6 billion of which was made available to fund grants to project sponsors in California for approved eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation or replacement.

Proposition 1B activity during the fiscal year ended June 30, 2015 was as follows:

	FY13	FY14	FY15
Unspent Prop 1B funds, beginning	1,108,780	968,043	1,613,451
Proposition 1B funds allocated during fiscal year	-	651,856	892,558
Interest earned on unspent funds	9,263	3,552	8,488
Proposition 1B expenses paid	150,000	(10,000)	-
Unexpended project allocations, ending	968,043	1,613,451	2,514,497

The remaining balance is allocated towards the purchase of 20 compressed natural gas buses to be purchased in Fiscal Year 2016.



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INDEPENDENT AUDITOR'S 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*

To the City Council  
City of Culver City, 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, the financial statements of the Culver City Municipal Bus Lines, an Enterprise Fund of the City of Culver City, California, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Culver City Municipal Bus Lines, an Enterprise Fund of the City of Culver City, California's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Culver City Municipal Bus Lines, an Enterprise Fund of the City of Culver City, California's internal control. Accordingly, we do not express an opinion on the effectiveness of the Culver City Municipal Bus Lines, an Enterprise Fund of the City of Culver City, California'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 may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Culver City Municipal Bus Lines, an Enterprise Fund of the City of Culver City, California'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 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.

In prior years these tests included certain procedures contained in the Transportation Development Act Statutes and California Code of Regulations in connection with a review of the City's compliance with applicable laws and regulations of the Transportation Development Act. Based on the below exemption claimed by the Culver Municipal Bus Lines for the fiscal year, the results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Transportation Development Act and California Code of Regulations.

### Exemption from State of California Efficiency Statistics

The Culver City Municipal Bus Lines, an Enterprise Fund of the City of Culver City, California represents that under California Public Utilities Code Section 99314.6(e), statistical information related to compliance with efficiency standards is not required as this code section states in part "allocation of funds made pursuant to applicable code sections 99313 and 99314 from January 1, 2011 through the fiscal year 2014-2015 are no longer applicable". The Culver City Municipal Bus Lines meets these requirements.

### 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.



Moss, Levy & Hartzheim LLP  
Culver City, California  
October 30, 2015