

City of Culver City, California Municipal Bus Lines

(An Enterprise Fund of the City of Culver City)

Independent Auditors' Reports and Financial Statements

For the Years Ended June 30, 2019 and 2018



**City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
For the Years Ended June 30, 2019 and 2018**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and the Members of City Council
of the City of Culver City
Culver City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Culver City Municipal Bus Lines (the "CCMBL") Enterprise Fund of the City of Culver City, California (the "City"), which comprise of the Statements of Net Position as of June 30, 2019 and 2018, and the related Statements of Revenues, Expenses and Changes in Net Position, and Cash Flows for the years then ended, 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.

Auditors' Responsibility

Our responsibility is to express opinions 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 the 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 auditors' judgment, including the assessment of the risk 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 City's preparation and fair presentation of the CCMBL's 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 City'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 respective financial position of the CCMBL as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1B, the financial statements present only the CCMBL and do not purport to, and do not, present fairly the financial position of the City of Culver City, California, as of June 30, 2019 and 2018, the changes in its financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America required that the Schedule of Proportionate Share of the Net Pension Liabilities and Related Ratios - CalPERS, the Schedule of Contributions – Pension, the Schedule of Proportionate Share of the Net OPEB Liabilities and Related Ratios - OPEB, and the Schedule of Contributions - OPEB on page 38 to 42 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the 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 (“MD&A”) that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (“GASB”), who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the CCMBL’s financial statements. The Schedule of Sources of Operating Revenues and Capital Grants, the Schedule of Farebox Recovery Ratio Calculation, the Schedule of 50% Expenditures Limitation Test for Article IV Funds, and the Schedule of PTMISEA Prop 1B Bond Funds for the year ended June 30, 2019 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the CCMBL’s financial statements. Such information has been subjected to the auditing procedures applied in the audit of the CCMBL’s financial statements for the year ended June 30, 2019 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 Schedule of Sources of Operating Revenues and Capital Grants, the Schedule of Farebox Recovery Ratio Calculation, the Schedule of 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 CCMBL’s financial statements as a whole for the year ended June 30, 2019.

To the Honorable Mayor and the Members of City Council
of the City of Culver City
Culver City, 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 30, 2019, on our consideration of the City's internal control over CCMBL's 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 CCMBL's 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over CCMBL's financial reporting and compliance.

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Santa Ana, California
December 30, 2019

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE (INCLUDING THOSE CONTAINED IN THE TRANSPORTATION
DEVELOPMENT ACT STATUTES AND CALIFORNIA CODES OF REGULATIONS) AND OTHER
MATTERS OF THE CULVER CITY MUNICIPAL BUS LINES
BASED ON AN AUDIT OF THE CULVER CITY MUNICIPAL BUS LINES' FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and the Members of City Council
of the City of Culver City
Culver City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the TDA Statutes and California Codes of Regulations, issued by California Department of Transportation, the financial statements of the Culver City Municipal Bus Lines (the "CCMBL") Enterprise Fund of the City of Culver City, California (the "City"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated December 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the CCMBL's financial statements, we considered the City's internal control over the CCMBL's financial reporting ("internal control") to determine the 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 CCMBL'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.

To the Honorable Mayor and the Members of City Council
of the City of Culver City
Culver City, California
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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 the City's 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 the CCMBL's 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. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 30, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE TRANSIT OPERATOR
REQUIRED BY THE TRANSPORTATION DEVELOPMENT ACT
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

To the Honorable Mayor and the Members of City Council
of the City of Culver City
Culver City, California

Report on Compliance for the Transit Operator Required by the Transportation Development Act

We have audited the City of Culver City, California's (the "City") compliance with the types of compliance requirements described in §6667 of the California Code of Regulation, Title 21, Division 3, Chapter 3, Article 5.5 applicable to the CCMBL's compliance as a Transit Operator for the year ended June 30, 2019.

Management's Responsibility

Compliance with requirements referred to above is the responsibility of the City's management.

Auditors' Responsibility

Our responsibility is to express an opinion on City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Transportation Development Act ("TDA") Statutes and California Code of Regulations, July 2018 ("TDA Guidebook"), issued by the California Department of Transportation Division of Rail and Mass Transportation. Those standards and TDA Guidebook require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the City as transit operator occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with these requirements.

Opinion on the City as Transit Operator

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that are applicable to the City as transit operator for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance to determine the auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies, or material weakness in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of §6667 of the California Codes of Regulation, Title 21, Division 3, Chapter 3, Article 5.5. Accordingly, this report is not suitable for any other purpose.

The PwC Group, LLP

Santa Ana, California
December 30, 2019

FINANCIAL STATEMENTS

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City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Statements of Net Position
June 30, 2019 and 2018

	2019	2018 (As restated)
ASSETS		
Current assets:		
Cash and investments	\$ 10,149,640	\$ 10,884,381
Accounts receivable, net	305,106	408,296
Interest receivable	48,566	35,874
Due from other governments (Note 3)	4,650,690	2,794,356
Total current assets	<u>15,154,002</u>	<u>14,122,907</u>
Noncurrent assets:		
Capital assets:		
Not being depreciated	3,442,511	1,873,692
Being depreciated	65,915,577	67,394,948
Less accumulated depreciation	<u>(34,734,271)</u>	<u>(32,932,931)</u>
Total noncurrent assets	<u>34,623,817</u>	<u>36,335,709</u>
Total assets	<u>49,777,819</u>	<u>50,458,616</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	2,807,396	4,176,893
Other postemployment benefits related amounts	373,630	442,934
Total deferred outflows of resources	<u>3,181,026</u>	<u>4,619,827</u>
LIABILITIES		
Current liabilities:		
Accounts payable	936,141	280,618
Salaries and benefits payable	278,633	271,098
Unearned revenues	3,000,742	2,993,412
Compensated absences, due within one year	410,058	285,067
Total current liabilities	<u>4,625,574</u>	<u>3,830,195</u>
Noncurrent liabilities:		
Compensated absences, due in more than one year	576,730	708,839
Net pension liabilities (Note 8)	18,451,568	18,910,557
Net other postemployment benefits liabilities (Note 9)	6,637,555	6,873,170
Total noncurrent liabilities	<u>25,665,853</u>	<u>26,492,566</u>
Total liabilities	<u>30,291,427</u>	<u>30,322,761</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts	500,394	419,985
Other postemployment benefits related amounts	849,815	1,205,743
Total deferred inflows of resources	<u>1,350,209</u>	<u>1,625,728</u>
NET POSITION		
Investment in capital assets	34,623,817	36,335,709
Unrestricted (deficit)	<u>(13,306,608)</u>	<u>(13,205,755)</u>
Total net position	<u>\$ 21,317,209</u>	<u>\$ 23,129,954</u>

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2019 and 2018

	2019	2018 (As restated)
OPERATING REVENUES:		
Charges for services	\$ 2,908,933	\$ 3,041,100
Total operating revenues	<u>2,908,933</u>	<u>3,041,100</u>
OPERATING EXPENSES:		
Salaries and benefits	15,929,696	15,858,228
Supplies	418,812	467,714
Repairs and maintenance	5,432,101	5,033,985
Insurance	233,950	203,258
Administrative services	1,576,455	1,629,774
Consulting and contractual services	236,512	554,896
Depreciation	3,369,812	3,477,355
Total operating expenses	<u>27,197,338</u>	<u>27,225,210</u>
OPERATING (LOSS)	<u>(24,288,405)</u>	<u>(24,184,110)</u>
NONOPERATING REVENUES (EXPENSES):		
Investment earnings (loss)	206,325	(11,001)
Intergovernmental revenue	17,766,404	17,113,188
Measure R sales tax	2,216,259	2,097,943
(Loss) on sale of assets	(119,691)	(321,528)
Other income	823,058	392,343
Total nonoperating revenues	<u>20,892,355</u>	<u>19,270,945</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(3,396,050)</u>	<u>(4,913,165)</u>
CONTRIBUTIONS AND TRANSFERS:		
Capital contributions	510,463	1,272,523
Transfers in from the City of Culver City	1,372,842	1,451,110
Transfers out to the City of Culver City	(300,000)	(300,000)
Total contributions and transfers	<u>1,583,305</u>	<u>2,423,633</u>
Change in net position	(1,812,745)	(2,489,532)
NET POSITION:		
Beginning of year, as restated (Note 11)	23,129,954	25,619,486
End of year	<u>\$ 21,317,209</u>	<u>\$ 23,129,954</u>

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 3,012,123	\$ 2,957,696
Cash payments to suppliers of goods and services	(5,665,852)	(6,146,748)
Cash payments to employees	(15,460,601)	(14,983,565)
Cash payments to administrative services	(1,576,455)	(1,629,774)
Net cash (used in) operating activities	(19,690,785)	(19,802,391)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from operating grants	18,133,657	19,102,307
Transfers to the City of Culver City	(300,000)	(300,000)
Transfers from the City of Culver City	1,372,842	1,451,110
Transit assistance funds received	823,058	392,343
Net cash provided by noncapital financing activities	20,029,557	20,645,760
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of capital assets	128,476	123,279
Interest received (paid)	193,633	(24,706)
Cash received from capital grants	510,463	1,272,523
Acquisition of capital assets	(1,906,085)	(1,303,966)
Net cash provided by (used in) capital and related financing activities	(1,073,513)	67,130
Net increase (decrease) in cash and cash equivalents	(734,741)	910,499
CASH AND CASH EQUIVALENTS:		
Beginning of year	10,884,381	9,973,882
End of year	\$ 10,149,640	\$ 10,884,381
RECONCILIATION TO THE STATEMENTS OF NET POSITION		
Cash and investments	\$ 10,149,640	\$ 10,884,381
Total cash and investments - statements of net position	\$ 10,149,640	\$ 10,884,381

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2019 and 2018

	2019	2018 (As restated)
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:		
Operating (loss)	\$ (24,288,405)	\$ (24,184,110)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	3,369,812	3,477,355
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	103,190	(83,404)
(Increase) decrease in deferred outflows of resources - pensions	1,369,497	(643,566)
(Increase) decrease in deferred outflows of resources - Other Postemployment Benefits	69,304	(431,214)
Increase (decrease) in accounts payable	655,523	113,105
Increase (decrease) in salaries and benefits payable	7,535	12,784
Increase (decrease) in compensated absences	(7,118)	127,779
Increase (decrease) in net other postemployment benefits liability	(235,615)	(619,045)
Increase (decrease) in net pension liabilities	(458,989)	1,790,405
Increase (decrease) in deferred inflows of resources - pensions	80,409	41,602
Increase (decrease) in deferred inflows of resources - Other Postemployment Benefits	(355,928)	595,918
Net cash (used in) operating activities	\$ (19,690,785)	\$ (19,802,391)

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies

A. *The Reporting Entity*

The Culver City Municipal Bus Lines (the “CCMBL”) was created by the City of Culver City, California (the “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 (the “FTA”) and the California State Controller. The CCMBL is a component unit of the City.

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. *Financial Statement Presentations, Measurement Focus, and Basis of Accounting*

The accompanying financial statements present only the CCMBL and are not intended to present the financial position, changes in financial position, or cash flows of the City in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The accounting policies of the CCMBL are in conformity with U.S. GAAP applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing accounting and financial reporting principles.

The financial statements are prepared using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position.

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 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 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. 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.

C. *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.

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Grant Revenues and Receivables

Grant revenues and receivables are recorded when earned on grants that have been approved and funded by the grantor. Grant sources include Federal Transit Administration, Transportation Development Act, Measure R, Measure M, Proposition 1B, Proposition A, and Proposition C.

E. Capital Assets

The CCMBL's capital assets are capitalized at original acquisition cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. Capital assets acquired under capital leases are recorded at the net present value of the total lease payments. The CCMBL adopts the City's capitalization policy to capitalize assets over \$5,000 with a useful life at least three years. 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

F. Unearned Revenue

Unearned revenue is reported for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues as prepaid charges for services; grants received but not yet earned.

G. Compensated Absences

Liability is recorded for unused vacation and similar compensatory 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 paid time off or payments upon termination or retirement.

Liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

The City's employees earn vacation leave (vary depending on years of service) based on days of employment. Upon retirement or termination, payment of accumulated vacation may not exceed that which can be accumulated within two years of employment. Unused sick leave, based on days employed, may be accumulated up to certain limits. Upon retirement or termination, employees will be paid a maximum of 720 hours of sick pay.

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Pension

For the purpose 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/deduction from the plan’s fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). 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:

<u>CalPERS</u>	<u>2019</u>	<u>2018</u>
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Measurement Period	July 1, 2017 to June 30, 2018	July 1, 2016 to June 30, 2017

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 the further pension expense. The amortization period differs depending on the sources of the gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis 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.

I. Other Postemployment Benefits (“OPEB”) Plan

For the purpose of measuring the total OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plans and additions to/deduction from the plan’s fiduciary net position have been determined on the same basis as they are reported by the plans (Note 9). For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at amortized cost.

<u>OPEB</u>	<u>2019</u>	<u>2018</u>
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Measurement Period	July 1, 2018 to June 30, 2019	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total OPEB liability and fiduciary net position 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 the further OPEB expense. The amortization period differs depending on the sources of the gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis 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.

**City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018**

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Net Position

Net Investment in Capital Assets– This component of net position capital assets, net of accumulated depreciation, reduced by the outstanding balances of retention payable that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions. These estimate and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2019 and 2018 are reported in the accompanying financial statements as follows:

Statements of Net Position:	2019	2018
Cash and investments	\$ 10,149,640	\$ 10,884,381
Total cash and investments	\$ 10,149,640	\$ 10,884,381

The CCMBL’s share of the City’s cash and investments at June 30, 2019 and 2018 were \$10,149,640 and \$10,884,381, respectively.

Cash is deposited in the City’s internal investment pool, which is reported at the amortized cost. The CCMBL 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 CCMBL are those of the City and are included in the City’s basic financial statements.

For cash flow purposes, all cash and investments of the CCMBL are considered to be cash and cash equivalents due to the funds can be drawn down upon request.

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.

**City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018**

Note 2 – Cash and Investments (Continued)

Investments Authorized by the California Government Code and the City of Culver City’s Investment Policy (Continued)

Investment Types Authorized by State Law	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	N/A	No Limit
U.S. government sponsored enterprise securities	Yes	5 years	N/A	30%
Banker's acceptances	Yes	180 days	25%	5%
Commercial paper	Yes	270 days	25%	5%
Repurchase agreements	Yes	75 days	25%	No Limit
Reverse repurchase agreements	Yes	75 days	15%	No Limit
Corporate medium-term notes	Yes	3-5 years	30%	5%
Money market mutual funds	Yes	N/A	20%	10%
Local agency investment fund ("LAIF")	Yes	N/A	N/A	\$50 million
Cal Trust money market funds and short-term funds	Yes	N/A	N/A	No Limit
Cal Trust medium-term funds	Yes	N/A	15%	No Limit
N/A - Not Applicable				

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

Investments Authorized by Debt Agreements

Investments 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 Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. treasury obligations	None	None	None
U.S. government sponsored enterprise securities	None	None	None
Banker's 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 City 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.

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

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.

Disclosure Relating to Custodial Credit Risk

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 City’s Comprehensive Annual Financial Report.

Note 3 – Due from Other Governments and Intergovernmental Revenue

Amounts due from other governments consist of the following at June 30, 2019 and 2018:

	2019	2018
Due from Federal Transit Agency	\$ 2,644,992	\$ 1,491,623
Due from City of Santa Monica	112,815	92,921
Due from Metropolitan Transit Agency	1,150,564	499,859
Due from State of California	383,460	496,145
Due from County of Los Angeles	356,102	-
Due from LA Metro	-	213,808
Due from City of Torrance	848	-
Due from City of Santa Clarita	740	-
Due from City of Gardena	1,169	-
Total	\$ 4,650,690	\$ 2,794,356

Intergovernmental revenue consists of the following at June 30, 2019 and 2018:

	2019	2018
State Transit Assistance (STA)	\$ 1,379,355	\$ 232,345
Transportation Development Act-Article 4 (LTF)	4,273,279	5,172,364
Caltrans - LCTOP	299,582	-
Proposition A Discretionary	3,526,392	3,433,347
Proposition C	1,490,700	1,952,153
Prop 1B PTMISEA capital	32,952	134,678
Federal Transit Administration Section 9 Grant (Sect 9/5307)	3,985,304	2,860,948
CNG Excise Tax Credit	-	754,200
Measure M - OP	2,237,563	1,998,085
SB1 Grants	270,807	575,068
Low Carbon Fuel Standard Credits	270,470	-
Total	\$ 17,766,404	\$ 17,113,188

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 4 – Capital Assets

Summary of changes in capital assets for the years ended June 30, 2019 and 2018 were as follows:

	Balance July 1, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Capital asset, not being depreciated:					
Land	\$ 1,450,214	\$ -	\$ -	\$ -	\$ 1,450,214
Construction in progress	423,478	1,568,819			1,992,297
Total nondepreciable assets	<u>1,873,692</u>	<u>1,568,819</u>	<u>-</u>	<u>-</u>	<u>3,442,511</u>
Capital asset, being depreciated:					
Machinery and equipment	39,610,320	337,267	(1,697,935)		38,249,652
Building improvements	27,337,690		(102,617)		27,235,073
Furniture and fixtures	446,938	-	(16,086)	-	430,852
Total capital assets, being depreciated	<u>67,394,948</u>	<u>337,267</u>	<u>(1,816,638)</u>	<u>-</u>	<u>65,915,577</u>
Less accumulated depreciation:					
Machinery and equipment	(20,462,465)	(2,660,290)	1,500,650	-	(21,622,105)
Building improvements	(12,054,889)	(703,028)	51,736	-	(12,706,181)
Furniture and fixtures	(415,577)	(6,494)	16,086	-	(405,985)
Total accumulated depreciation	<u>(32,932,931)</u>	<u>(3,369,812)</u>	<u>1,568,472</u>	<u>-</u>	<u>(34,734,271)</u>
Total capital assets, being depreciated, net	<u>34,462,017</u>	<u>(3,032,545)</u>	<u>(248,166)</u>	<u>-</u>	<u>31,181,306</u>
Total capital assets, net	<u>\$ 36,335,709</u>	<u>\$ (1,463,726)</u>	<u>\$ (248,166)</u>	<u>\$ -</u>	<u>\$ 34,623,817</u>

	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Capital asset, not being depreciated:					
Land	\$ 1,450,214	\$ -	\$ -	\$ -	\$ 1,450,214
Construction in progress	1,302,162	423,478	(95,484)	(1,206,678)	423,478
Total nondepreciable assets	<u>2,752,376</u>	<u>423,478</u>	<u>(95,484)</u>	<u>(1,206,678)</u>	<u>1,873,692</u>
Capital asset, being depreciated:					
Machinery and equipment	39,764,096	849,715	(2,210,169)	1,206,678	39,610,320
Building improvements	27,551,037	30,773	(244,120)	-	27,337,690
Furniture and fixtures	446,938	-	-	-	446,938
Total capital assets, being depreciated	<u>67,762,071</u>	<u>880,488</u>	<u>(2,454,289)</u>	<u>1,206,678</u>	<u>67,394,948</u>
Less accumulated depreciation:					
Machinery and equipment	(19,697,691)	(2,758,868)	1,994,094	-	(20,462,465)
Building improvements	(11,453,768)	(711,993)	110,872	-	(12,054,889)
Furniture and fixtures	(409,083)	(6,494)	-	-	(415,577)
Total accumulated depreciation	<u>(31,560,542)</u>	<u>(3,477,355)</u>	<u>2,104,966</u>	<u>-</u>	<u>(32,932,931)</u>
Total capital assets, being depreciated, net	<u>36,201,529</u>	<u>(2,596,867)</u>	<u>(349,323)</u>	<u>1,206,678</u>	<u>34,462,017</u>
Total capital assets, net	<u>\$ 38,953,905</u>	<u>\$ (2,173,389)</u>	<u>\$ (444,807)</u>	<u>\$ -</u>	<u>\$ 36,335,709</u>

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 5 – Self-Insurance Program

The CCMBL is part of the City’s self-insured program which covers workers’ compensation, general automobile and public liability. The City pays all claims up to \$1,000,000 per occurrence with excess insurance coverage up to statutory limits. The CCMBL also carries an additional policy for general liability covering claims between \$250,000 and \$10,000,000.

As of May 1, 1987, the CCMBL became self-insured for the first \$250,000 of each general liability claim. The City has agreed to support CCMBL in the event it cannot pay its obligation of self-insured liabilities on a timely basis. Refer to the City’s Comprehensive Annual Financial Report for information about outstanding claims payable at June 30, 2019 and 2018.

Note 6 – Transactions with the City of Culver City

The City provides administrative services and allocates certain administrative and overhead costs to the 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 \$1,576,455 and \$1,629,774 for the years ended June 30, 2019 and 2018, respectively.

The City also transferred a portion of its Proposition “A” and “C” Local Return funds, as well as a portion of Measure R Local Return funds, to CCMBL to assist in operations, in the amounts of \$1,372,841 and \$1,451,110 for the years ended June 30, 2019 and 2018, respectively.

The CCMBL transferred \$300,000 to the City both years ended June 30, 2019 and 2018 for transferring eligible costs – offset overtime costs for the Police Department, portion of Emergency Preparedness Coordinator in the Fire Department.

Note 7 – Long-Term Liabilities

Summary of changes in long-term liabilities activity for the years ended June 30, 2019 and 2018 were as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019	Due Within One Year	Due in More Than One Year
Compensated absences	\$ 993,906	\$ 1,085,923	\$ (1,093,041)	\$ 986,788	\$ 410,058	\$ 576,730
Total	\$ 993,906	\$ 1,085,923	\$ (1,093,041)	\$ 986,788	\$ 410,058	\$ 576,730

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018	Due Within One Year	Due in More Than One Year
Compensated absences	\$ 866,127	\$ 1,072,222	\$ (944,443)	\$ 993,906	\$ 285,067	\$ 708,839
Total	\$ 866,127	\$ 1,072,222	\$ (944,443)	\$ 993,906	\$ 285,067	\$ 708,839

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 8 – California Public Employees’ Retirement System - CalPERS

The following is summary of net pension liabilities, and related deferred outflows and inflows of resources at June 30, 2019 and 2018:

	2019	2018
Deferred outflows of resources:		
Pension contribution made after measurement date:	\$ 1,792,771	\$ 1,496,865
Net difference in projected and actual earnings on pension investments	126,846	576,453
Change in assumptions	866,178	2,103,575
Difference in experience	21,601	-
Total deferred outflows of resources	\$ 2,807,396	\$ 4,176,893
Net pension liabilities:		
CalPERS	\$ 18,451,568	\$ 18,910,557
Total net pension liabilities	\$ 18,451,568	\$ 18,910,557
Deferred inflows of resources:		
Change in assumptions	\$ 334,548	\$ -
Difference in experience	165,846	419,985
Total deferred inflows of resources	\$ 500,394	\$ 419,985

General Information about the Pension Plan

Plan Description

The City contributes to the California Public Employees Retirement System (“CalPERS”), an agent multiple-employer defined benefit pension plan for the CCMBL’s employees in the miscellaneous plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by the state statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Annual Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website under Forms and Publications (www.calpers.ca.gov/page/forms-publications).

Benefit Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A classic tier I and II member becomes eligible for Service Retirement upon attainment of age 55 and 60, respectively with at least 5 years of credited service. PEPRAs miscellaneous members become eligible for Service Retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member’s highest 36 or 12 consecutive months’ full-time equivalent monthly pay. Retirement benefits for classic tier I and tier II employees are calculated as 2.5% and 3.0% of average final 12 and 36 months compensation, respectively. Retirement benefit for PEPRAs miscellaneous employees are calculated as 2% of the average final 36 months compensation.

**City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018**

Note 8 – California Public Employees’ Retirement System - CalPERS (Continued)

General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

Participant is eligible for non-industrial disability retirement if the participant becomes disabled and has at least 5 years credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service.

Industrial disability benefits are not offered to miscellaneous employees.

An employee’s beneficiary may receive the basic death benefit if the employee becomes deceased while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee’s survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employees’ accumulated contributions, where interest is currently credited at 7.65 per year, plus a lump sum in the amount of one month’s salary for each completed year of current service, up to a maximum of six months’ salary. For purpose of this benefit, one month’s salary is defined as the member’s average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump payment of \$500 will be made to the retiree’s designated survivor(s), or to the retiree’s estate.

Benefit terms provide for annual cost-of-living adjustment to each employee’s retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

Employees Covered by Benefit Terms

At June 30, 2017 and 2016, the valuation dates, the following employees were covered by the benefit terms under the City’s miscellaneous plan:

Valuation Date	2017	2016
Active employees	155	152
Transferred and terminated employees	22	28
Retired Employees and Beneficiaries	48	55
Total	225	235

Contributions

Section 20814 (c) of the California Public Employees’ Retirement Law (“PERL”) 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 the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement periods ended June 30, 2018 and 2017, respectively, the active classic miscellaneous tier I employee contribution rate was both 8%; the active classic miscellaneous tier 2 employee contribution rate was both 7%; the active PEPRA miscellaneous employee contribution rate was both 6.25% of annual pay; the employer’s contribution rates were 8.453% and 21.763% for classic miscellaneous tier I and tier II employees, and the employer’s contribution rates were both 6.25% of PEPRA miscellaneous employee annual payroll.

**City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018**

Note 8 – California Public Employees’ Retirement System - CalPERS (Continued)

Net Pension Liability

Actuarial Methods and Assumption Used to Determined Total Pension Liability

For the measurement periods ended June 30, 2018 and 2017, the total pension liability was determined by rolling forward the June 30, 2017 and 2016 total pension liability, respectively. The June 30, 2018 and the June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.5% in 2018; 2.75% in 2017
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15% including inflation
Mortality Rate Table ¹	Derived using CalPERS’ Membership Data for all Funds.
Post Retirement Benefit Increase	In 2018, contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter. In 2017, Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

¹ The mortality table used in 2018 was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2018) that can be found on the CalPERS website.

The mortality table used in 2017 was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to 2014 experience study report.

Change of Assumptions

In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Study and Review of Actuarial Assumptions. There were no changes in the discount rate. The discount rate reduced from 7.65 percent to 7.15 percent for the valuation dated June 30, 2017.

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.

**City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018**

Note 8 – California Public Employees’ Retirement System - CalPERS (Continued)

Net Pension Liability (Continued)

Long-Term Expected Rate of Return (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class for 2018 are as followed:

Asset Class ¹	Assumed Asset Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

¹ In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the June 30, 2018 and 2017 total pension liability was both 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 8 – California Public Employees’ Retirement System - CalPERS (Continued)

Net Pension Liability (Continued)

Proportionate Share of Net Pension Liability

The CCMBL’s proportionate share of net pension liability of the City’s miscellaneous plan is determined by the City’s CalPERS long term projected contribution made by the CCMBL over the total miscellaneous plan contribution. The following table shows the CCMBL’s proportionate share of the City’s miscellaneous plan net pension liability over the measurement period periods ended June 30, 2018 and 2017.

	Bus Lines		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2017 (Valuation Date)	\$ 59,828,748	\$ 40,918,190	\$ 18,910,557
Balance at June 30, 2018 (Measurement Date)	62,067,046	43,615,477	18,451,568
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2016 (Valuation Date)	\$ 54,455,918	\$ 37,335,766	\$ 17,120,152
Balance at June 30, 2017 (Measurement Date)	59,828,748	40,918,190	18,910,557

Changes in the Net Pension Liability

The CCMBL’s proportionate shares of the net pension liabilities are as follows:

	2019		2018
June 30, 2017	20.4400%	June 30, 2016	20.4400%
June 30, 2018	20.4400%	June 30, 2017	20.4400%
Change	0.0000%	Change	0.0000%

**City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018**

Note 8 – California Public Employees’ Retirement System - CalPERS (Continued)

Changes in the Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the measurement date of June 30, 2018 and 2017, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Plan's Net Pension Liability			
Measurement Date	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
June 30, 2018	\$ 26,703,953	\$ 18,451,568	\$ 11,625,638

Plan's Net Pension Liability			
Measurement Date	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
June 30, 2017	\$ 27,009,119	\$ 18,910,557	\$ 12,220,066

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS’ website (www.calpers.ca.gov).

For the measurement periods ended June 30, 2018 and 2017, the CCMBL incurred pension expenses of 2,783,688 and \$2,685,306.

As of measurement date of June 30, 2018 and 2017, the CCMBL has deferred outflows and deferred inflows of resources related to pensions as follows for the miscellaneous plan:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 1,792,771	\$ -	\$ 1,496,865	\$ -
Difference between expected and actual experience	21,601	(165,846)	-	(419,985)
Changes of assumptions	866,178	(334,548)	2,103,575	-
Net difference between projected and actual earning on pension plan investments	126,846	-	576,453	-
Total	\$ 2,807,396	\$ (500,394)	\$ 4,176,893	\$ (419,985)

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 8 – California Public Employees’ Retirement System - CalPERS (Continued)

Changes in the Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position (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). The EARSL for the miscellaneous plan for 2017-18 and 2016-17 measurement periods were 2.8 years and 2.7 years, respectively, which were obtained by dividing the total service years of 4,7252 and 4,392 (the sum of remaining service lifetimes of the active employees) by 1,710 and 1,652 (the total of number of participants: active, inactive, and retired), respectively.

\$1,792,771 and \$1,496,865 reported as deferred outflows of resources related to pensions resulting from the CCMBL’s portion of the City’s contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the years ended June 30, 2019 and 2018, respectively. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in the future pension expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources 2019	Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources 2018
2019	\$ 1,049,336	2018	\$ 987,532
2020	(16,182)	2019	1,334,529
2021	(407,591)	2020	234,239
2022	(111,332)	2021	(296,257)
2023	-	2022	-
Thereafter	-	Thereafter	-
Total	\$ 514,231	Total	\$ 2,260,043

Note 9 – Other Postemployment Benefits Liability (“OPEB”)

The following is summary of total OPEB liabilities, and related deferred outflows and inflows of resources at June 30, 2019 and 2018:

	2019	2018
Deferred outflows of resources:		
Change in assumptions	\$ 373,630	\$ 442,934
Total deferred outflows of resources	\$ 373,630	\$ 442,934
Net OPEB obligations	\$ 6,637,555	\$ 6,873,170
Total net OPEB obligations	\$ 6,637,555	\$ 6,873,170
Deferred inflows of resources:		
Difference in projected and actual earnings on pension investments	\$ 25,516	\$ 39,691
Change in assumptions	11,485	-
Difference in experience	812,814	1,166,052
Total deferred inflows of resources	\$ 849,815	\$ 1,205,743

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 9 – Other Postemployment Benefits Liability (“OPEB”) (Continued)

General Information about the OPEB Plan

Plan Description

In addition to the retirement plan described in Note 8, the CCMBL participates in the City’s Retiree Health Insurance Program (“OPEB Plan”) which provides retiree healthcare benefits for eligible City employees and their spouses who retire with CalPERS pension benefits immediately upon termination of employment from the City. Benefit provisions are established and may be amended by the City Council.

Under the program, the City pays a portion of the premiums for retiree medical coverage as follows:

- Participants who retired before January 1, 2007 are eligible for a City contribution up to 100% of the average of Kaiser and PERS Care Premiums.
- Participants who retired between January 1, 2007 and December 31, 2011 are eligible for a City contribution up to 70% of the PERS Care premium or 95% of the premium for all other plans. Additionally, participants meeting the following additional criteria are also eligible for this benefit level (excluding members of the Culver City Police Officers Association):
 - Employed with the City as of July 1, 2011.
 - Earned a minimum of twenty years of CalPERS service credit (excluding additional retirement service credit purchased under California Government Code Section 20909, i.e., “Air-Time”) as of December 31, 2011.
 - Earn twenty-five years of service with Culver City and retire from the City prior to January 1, 2022.
- Participants employed by the City as of July 1, 2011 and retired after December 31, 2011 earning a minimum of five years of City service are eligible for the following benefit:
 - A monthly premium reimbursement of up to \$542 for single coverage, increasing by up to 4% per year.
 - An additional monthly reimbursement of up to \$473 for his or her enrolled spouse/domestic partner/dependent based on a vesting schedule. This additional reimbursement ends when a spouse or domestic partner becomes Medicare eligible, or when a dependent age out. This amount is subject to an annual increase of up to 4%.
- Participants with at least twenty years of City service that were members of the Culver City Police Officers Association with more than one enrolled dependent are eligible for an additional \$300 per month reimbursement.
- Employees hired after July 1, 2011 are not considered participants, and are only eligible for the legally required Public Employees’ Medical and Hospital Care Act minimum, as stipulated by CalPERS.

**City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018**

Note 9 – Other Postemployment Benefits Liability (“OPEB”) (Continued)

General Information about the Pension Plan (Continued)

Eligibility

Employees of the City are eligible for retiree health benefits if they are between 50-55 years of age as of the last day of work prior to retirement and are a vested member of CalPERS. Membership in the plan consisted of the following at June 30, 2017:

Valuation Date	June 30, 2017
Active plan members	156
Inactive employees or beneficiaries currently receiving benefit payments	46
Inactive employees entitled to but not yet receiving benefit payments	2
Total	204

Contribution

The obligation of the City to contribute to the plan is established and may be amended by the City Council. For the years ended June 30, 2019 and 2018, the City’s average contribution rates were 24.1 percent and 19.9 percent of covered payroll, respectively. Employees are not required to contribute to the plan.

Net OPEB Liability

The City’s Total OPEB liability was measured as of June 30, 2019 and 2018, and was determined by an actuarial valuation as of June 30, 2017.

Actuarial assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Discount Rate	6.50%
Expected Long-Term Rate of Return	6.50%
Municipal Bond Rate	N/A
Source of Municipal Bond Rate	N/A
General Inflation	2.75%
Aggregate Payroll Increases	3.00%
Investment Expenses	0.40%
Trust Administrative Expenses	0.00%
Healthcare Administrative Expenses	0.33% of Premium
Merit Payroll Increases	CalPERS 1997-2015
PEMHCA Minimum Amount Increase	1.25%
Mortality	CalPERS 1997-2011
Termination, Disability	CalPERS 1997-2015
Mortality Improvement Scale	MP-2017

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 9 – Other Postemployment Benefits Liability (“OPEB”) (Continued)

Net OPEB Liability (Continued)

Actuarial assumptions (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

June 30, 2017		
Asset Class	Long-Term Target New Strategic	Expected Geometric Real Return
Growth Assets:		
Domestic Equity	44.00%	4.53%
International Equity	23.00%	4.93%
Income Assets:		
Fixed Income	33.00%	1.47%
Total	100.00%	

Change of Assumptions

The discount rate reduced from 7.00 percent to 6.50 percent for the valuation dated June 30, 2017.

Discount rate

The discount rate used to measure the total OPEB liability for measurement periods ended June 30, 2019 and 2018 was both 6.50%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 9 – Other Postemployment Benefits Liability (“OPEB”) (Continued)

Change in the Net OPEB Liability

Proportionate Share of Net OPEB Liability

The CCMBL’s proportionate share of net pension liability of the City’s miscellaneous plan is determined by the City’s OPEB long term projected contribution made by the CCMBL over the total miscellaneous plan contribution. The following table shows the CCMBL’s proportionate share of the City’s miscellaneous plan net OPEB liability over the measurement periods ended June 30, 2019 and 2018.

	Increase		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2018 (Measurement Date)	\$ 9,994,019	\$ 3,120,850	\$ 6,873,170
Balance at June 30, 2019 (Measurement Date)	10,374,444	3,736,889	6,637,555

	Increase		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2017 (Measurement Date)	\$ 9,963,080	\$ 2,470,865	\$ 7,492,215
Balance at June 30, 2018 (Measurement Date)	9,994,019	3,120,850	6,873,170

The CCMBL’s proportionate shares of the net OPEB liabilities are as follows:

	2019		2018
June 30, 2018	7.81326%	June 30, 2017	7.81326%
June 30, 2019	7.81326%	June 30, 2018	7.81326%
Change	0.0000%	Change	0.0000%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plan as of the measurement date of June 30, 2019, calculated using the discount rate of 6.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate that 1 percentage-point lower (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

	Plan's Net OPEB Liability		
Measurement Date	Discount Rate - 1% (5.50%)	Current Discount Rate (6.50%)	Discount Rate + 1% (7.50%)
June 30, 2019	\$ 7,969,283	\$ 6,637,555	\$ 5,537,191

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 9 – Other Postemployment Benefits Liability (“OPEB”) (Continued)

Change in the Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (Continued)

The following presents the net OPEB liability of the Plan as of the measurement date of June 30, 2018, calculated using the discount rate of 6.50%, as well as what the net OPEB liability would be if it were calculated using a discount rate that 1 percentage-point lower (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

Measurement Date	Plan's Net OPEB Liability		
	Discount Rate - 1% (5.50%)	Current Discount Rate (6.50%)	Discount Rate + 1% (7.50%)
June 30, 2018	\$ 8,178,686	\$ 6,873,170	\$ 5,796,423

Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the CCMBL, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50 percent decreasing to 3.00 percent) or 1-percentage-point higher (8.50 percent decreasing to 5.00 percent) than the current healthcare cost trend rates for the measurement period June 30, 2019:

Measurement Date	Plan's Net OPEB Liability		
	Discount Rate - 1% (6.50% decreasing to 3.00%)	Healthcare Cost Trend Rates (7.50% decreasing to 4.00%)	Discount Rate + 1% (8.50% decreasing to 5.00%)
June 30, 2019	\$ 5,405,085	\$ 6,637,555	\$ 8,051,411

The following presents the net OPEB liability of the CCMBL, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50 percent decreasing to 3.00 percent) or 1-percentage-point higher (8.50 percent decreasing to 5.00 percent) than the current healthcare cost trend rates for the measurement period June 30, 2018:

Measurement Date	Plan's Net OPEB Liability		
	Discount Rate - 1% (6.50% decreasing to 3.00%)	Healthcare Cost Trend Rates (7.50% decreasing to 4.00%)	Discount Rate + 1% (8.50% decreasing to 5.00%)
June 30, 2018	\$ 5,742,121	\$ 6,873,170	\$ 8,171,342

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 9 – Other Postemployment Benefits Liability (“OPEB”) (Continued)

Change in the Net OPEB Liability (Continued)

OPEB Plan Fiduciary Net Position

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued plan financial report.

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

For the measurement periods ended June 30, 2019 and 2018, the CCMBL has incurred OPEB expenses of \$351,078 and \$400,508. At June 30, 2019 and 2018, the CCMBL reported deferred outflows of resources and inflows of resources related to OPEB as follows.

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (812,814)	\$ -	\$ (1,166,052)
Change in assumptions	373,630	(11,485)	442,934	-
Net difference between projected and actual earning on OPEB plan investments	-	(25,516)	-	(39,691)
Total	\$ 373,630	\$ (849,815)	\$ 442,934	\$ (1,205,743)

Amount reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources	Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources
	2019		2018
2020	\$ (254,548)	2019	\$ (269,636)
2021	(92,188)	2020	(258,775)
2022	(69,686)	2021	(96,416)
2023	(59,763)	2022	(73,913)
2024	-	2023	(64,069)
Thereafter	-	Thereafter	-
Total	\$ (476,185)	Total	\$ (762,809)

**City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018**

Note 10 – Deficit Net Position

The CCMBL had a deficit unrestricted net position at June 30, 2019 and 2018 in the amount of \$(13,306,608) and \$(13,205,755), respectively. It was mainly due to the implementation of new accounting standards for net pension liabilities and net other postemployment benefits liabilities. The net pension liabilities were \$18,451,568 and \$18,910,557 at June 30, 2019 and 2018, respectively. The net other postemployment benefits liabilities were \$6,637,555 and \$6,873,170 at June 30, 2019 and 2018, respectively.

Note 11 – Prior Period Adjustments

Fund balance and unearned revenue as of June 30, 2018 were restated as follow:

	Fund Balance	Unearned Revenue
As previously reported	\$ 24,079,954	\$ 2,043,412
Correction of errors	(950,000)	950,000
As restated	\$ 23,129,954	\$ 2,993,412

Fund balance at June 30, 2018 was restated to correct an error in unearned revenue in the amount of \$950,000.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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**City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Required Supplementary Information (Unaudited)
For the Years Ended June 30, 2019 and 2018**

Schedule of Proportionate Share of the Net Pension Liabilities and Related Ratios - CalPERS

Last Ten Fiscal Years					
California Public Employees' Retirement System ("CalPERS") - CCMBL					
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014 ¹
CCMBL's Proportion of the Net Pension Liability	20.44000%	20.44000%	20.44000%	20.44000%	20.44000%
CCMBL's Proportionate Share of the net Pension Liability	\$ 18,451,568	\$ 18,910,557	\$ 17,120,152	\$ 14,330,705	\$ 12,986,467
CCMBL's Covered Payroll	\$ 7,449,189	\$ 7,517,154	\$ 6,854,973	\$ 6,176,208	\$ 5,640,100
CCMBL's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	<u>247.70%</u>	<u>251.57%</u>	<u>249.75%</u>	<u>232.03%</u>	<u>230.25%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>70.27%</u>	<u>68.39%</u>	<u>68.56%</u>	<u>72.43%</u>	<u>73.87%</u>

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on 7.50 percent discount rate.

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2019 and 2018

Schedule of Contributions – Pension

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") - CCMBL

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially determined contribution	\$ 1,792,771	\$ 1,496,865	\$ 1,471,312	\$ 1,362,229	\$ 1,150,885	\$ 1,327,657
Contributions in relation to the actuarially determined contribution	(1,792,771)	(1,496,865)	(1,471,312)	(1,362,229)	(1,150,885)	(1,327,657)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ²	\$ 7,449,189	\$ 7,517,154	\$ 7,413,221	\$ 6,854,973	\$ 6,176,208	\$ 5,640,100
Contributions as a percentage of covered payroll	24.07%	19.91%	19.85%	19.87%	18.63%	23.54%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable.

² Covered payroll represented above is based on pensionable earnings provided by the City.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.50 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on 7.50 percent discount rate.

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2019 and 2018

Schedule of Proportionate Share of the Net OPEB Liabilities and Related Ratios – OPEB

	Last Ten Fiscal Years				
	Other Postemployment Benefits (OPEB) - CCMBL				
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015¹</u>
CCMBL's Proportion of the OPEB Liability	7.81326%	7.81326%	7.81326%	7.81326%	7.81326%
CCMBL's Proportionate Share of the OPEB Liability	<u>\$ 6,637,555</u>	<u>\$ 6,873,170</u>	<u>\$ 6,873,170</u>	<u>\$ 7,758,412</u>	<u>\$ 8,784,061</u>
CCMBL's Covered Payroll	<u>\$ 7,449,189</u>	<u>\$ 7,517,154</u>	<u>\$ 7,413,221</u>	<u>\$ 6,854,973</u>	<u>\$ 6,176,208</u>
CCMBL's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	<u>89.10%</u>	<u>91.43%</u>	<u>92.72%</u>	<u>113.18%</u>	<u>142.22%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>36.02%</u>	<u>31.23%</u>	<u>24.80%</u>	<u>18.96%</u>	<u>13.47%</u>

¹ Historical information is presented only for measurement periods for which GASB 75 information is available.

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2019 and 2018

Schedule of Contributions – OPEB

	Last Ten Fiscal Years							
	Other Postemployment Benefits (OPEB) - CCMBL							
	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12¹</u>
Actuarially determined contributions ²	\$ 707,022	\$ 694,208	\$ 736,165	\$ 722,023	\$ 770,778	\$ 763,981	\$ 673,581	\$ 660,690
Contributions in relation to the actuarially determined contributions	(873,238)	(854,771)	(862,350)	(880,007)	(770,778)	(783,514)	(596,230)	(596,542)
Contribution deficiency (excess)	<u>\$ (166,216)</u>	<u>\$ (160,562)</u>	<u>\$ (126,184)</u>	<u>\$ (157,984)</u>	<u>\$ -</u>	<u>\$ (19,533)</u>	<u>\$ 77,351</u>	<u>\$ 64,148</u>
Covered payroll	\$ 7,449,189	\$ 7,517,154	\$ 7,413,221	\$ 6,854,973	\$ 6,176,208	\$ 5,640,100	\$ 5,837,227	\$ 5,527,398
Contributions as a percentage of covered payroll	9.49%	9.23%	9.93%	10.53%	12.48%	13.55%	11.54%	11.95%

¹ GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's required Supplementary Information for 10 years or as many years as are available upon implementation. The plan was not funded with an OPEB trust prior to 6/30/12.

² The June 30, 2015 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ended 6/30/16 and 6/30/17 and June 30, 2017 actuarial valuation provided the Actuarially Determined Contributions for fiscal year ended 6/30/18 and 6/30/19.

Notes to Schedule:

Valuation date:

June 30, 2017 Actuarially Determined Contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll
Remaining amortization period	21-year fixed period for the 2018/19 ADC
Asset valuation method	Investment gains and losses spread over a 5-year rolling period.
Inflation	2.75%
Medical trend	Non-Medicare: 7.50% for 2019, decreasing to an ultimate rate of 4.00% in 2076; Medicare: 6.50% for 2019, decreasing to an ultimate rate of 4.00% in 2076.
Salary increases	3.00%
Investment rate of return	6.50%
Retirement age	Based on CalPERS 1997-2015 Experience Study.
Mortality	Mortality rates were based on CalPERS 1997-2001 Healthy Annuitant Mortality Table for Male or Females, as appropriate, with adjustments for mortality improvements based on MP-2017 to converge to ultimate mortality improvement rates in 2022.

SUPPLEMENTARY INFORMATION

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City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Supplementary Information
For the Years Ended June 30, 2019 and 2018

Schedule of Sources of Operating Revenues and Capital Grants

	2019	2018
The following is detail of the sources of operating revenues received:		
Passenger fares, TAP Card, EZ Pass, BruinGo	\$ 2,908,933	\$ 3,041,100
Operating Grants:		
Capital grant revenues used to fund operating expenses (FTA) (sec 9/5307)	3,556,553	2,500,000
Transportation Development Act-Article 4 (LTF)	4,273,280	5,172,364
State Transit Assistance (STA)	1,379,355	232,345
Proposition A Discretionary	3,526,392	3,433,347
Proposition C Transit Service Expansion	164,783	234,516
Proposition C BSIP Overcrowding	172,727	154,092
Proposition C Foothill Mitigation	195,526	151,248
Proposition C Discretionary Operating (security)	457,664	374,954
Proposition C Discretionary - MOSIP	500,000	1,037,343
Measure R - Sales Tax	2,216,259	2,097,943
Caltrans - LCTOP	299,582	-
Measure M - OP	2,237,563	1,998,085
SB1 - State grant funds	270,807	575,068
Total operating grants	19,250,491	17,961,305
Other revenues:		
CNG excise tax credit	-	754,200
Interest earnings	206,325	(11,001)
Miscellaneous	823,058	392,343
Proposition C local return (transfer in)	343,757	464,828
Proposition A local return (transfer in)	784,926	752,278
Measure R (transfer in)	244,158	234,003
LCFS credit	270,470	-
Total other revenues	2,672,694	2,586,651
Total passenger fares, operating grants and other revenues	\$ 24,832,118	\$ 23,589,056
Capital grants/revenues:		
Proposition C Discretionary - MOSIP	\$ 211,869	\$ 123,271
Federal Transit Administration Section 9 Grant (Sect 9/5307)	428,750	410,830
MTA projects	189,141	212,540
Proposition 1B Metro Bridge/Metro Bridge Transit Security	109,452	92,014
Proposition 1B Transit Security	-	52,872
Prop 1B PTMISEA capital	32,952	134,678
Total capital grants/revenues	\$ 972,164	\$ 1,026,205

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Supplementary Information (Continued)
For the Year Ended June 30, 2019 and 2018

Schedule of Farebox Recovery Ratio Calculation

The CCMBL is subject to the provisions of TDA Section 99268.3 and must maintain a minimum fare ratio of 20%. In 2004, various regulatory changes (including the Salinas Act) were made to the components of this calculation.

For the year ended June 30, 2019 and June 30, 2018, the CCMBL's Farebox recovery ratio of operating revenues to operating expenses were as follows:

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Passenger fares	\$ 2,908,933	\$ 3,041,100
Local support:		
Measure R Operating Revenues, net	1,553,550	1,386,651
Bus Advertising and Rent/Concessions	<u>303,281</u>	<u>321,851</u>
Total operating revenues	<u>\$ 4,765,764</u>	<u>\$ 4,749,602</u>
Operating expenses	\$ 27,197,338	\$ 27,225,210
Less: Depreciation expense	<u>(3,369,812)</u>	<u>(3,477,355)</u>
Total operating expenses, excluding depreciation	<u>\$ 23,827,526</u>	<u>\$ 23,747,855</u>
Farebox recovery ratio	<u>20%</u>	<u>20%</u>

City of Culver City Municipal Bus Lines
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Schedule of 50% Expenditures Limitation Test Article IV Funds

		<u>2019</u>	<u>2018</u>
1	Total operating expenses before depreciation	\$ 23,827,526	\$ 23,747,855
2	Total depreciation	3,369,812	3,477,355
3	Total capital outlay	1,906,086	1,303,966
4	Debt service requirement (principal)	<u>-</u>	<u>-</u>
5	Total (lines 1, 2, 3, and 4)	<u>29,103,424</u>	<u>28,529,176</u>
6	Less federal grants expended	3,985,303	2,910,830
7	Less Local Transportation Fund capital intensive programs	-	-
8	Less State Transit Assistance Fund monies received	<u>1,379,355</u>	<u>232,345</u>
9	Total (lines 6, 7, and 8)	<u>5,364,658</u>	<u>3,143,175</u>
10	Total (lines 5 less 9)	<u>23,738,766</u>	<u>25,386,001</u>
11	50% of line 10	11,869,383	12,693,001
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	<u>-</u>	<u>-</u>
14	Total permissible Local Transportation Funds expenditures (Sum of lines 11, 12, and 13)	<u>\$ 11,869,383</u>	<u>\$ 12,693,001</u>

**City of Culver City Municipal Bus Lines
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Supplementary Information (Continued)
For the Years Ended June 30, 2019 and 2018**

Schedule of PTMISEA Proposition 1B Bond Funds

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.

The Proposition 1B activity for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Unspent Prop 1B funds, beginning	\$ 950,000	\$ 1,063,004
Proposition 1B funds allocated during fiscal year	32,952	134,678
Interest earned on unspent funds	13,844	10,700
Expense incurred	(65,905)	(258,382)
Unexpended project allocations, ending	\$ 930,891	\$ 950,000