

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, 2018 and 2017



**City of Culver City Municipal Bus Lines
 (An Enterprise Fund of the City of Culver City)
 For the Years Ended June 30, 2018 and 2017**

Table of Contents

	<u>Page</u>
Independent Auditors' Reports:	
Report on Financial Statements	1
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 <i>Government Auditing Standards</i>	5
Report on Compliance for the Culver City Municipal Bus Lines And on Internal Control Over Compliance Required by the Transportation Development Act	7
Financial Statements:	
Statements of Net Position.....	11
Statements of Revenues, Expenses, and Changes in Net Position.....	12
Statements of Cash Flows	13
Notes to the Financial Statements.....	15
Required Supplementary Information (Unaudited):	
Schedule of Proportionate Share of the Net Pension Liabilities and Related Ratios - CalPERS.....	40
Schedule of Contributions – Pension.....	41
Schedule of Proportionate Share of the Net OPEB Liabilities and Related Ratios - OPEB.....	42
Schedule of Contributions – OPEB	43
Supplementary Information:	
Schedule of Sources of Operating Revenues and Capital Grants	46
Schedule of Farebox Recovery Ratio Calculation	47
Schedule of 50% Expenditures Limitation Test Article IV Funds	48
Schedule of PTMISEA Proposition 1B Bond Funds.....	49

This page intentionally left blank.



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, 2018 and 2017, and the related Statements of Revenues, Expenses and Changes in Net Position, and Cash Flows for the year then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018 and 2017, and the results of its operations and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

Tel: 949-777-8800 • Fax: 949-777-8850

www.pungroup.com

Emphasis of Matter

As described in Note 1B, the financial statements present only the CCMBL and do not purport to, and do not, present the financial position of the City as of June 30, 2018 and 2017, the changes in its financial position, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis ("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.

Accounting principles generally accepted in the United States of America required that the Schedule of the Proportionate Share of Net Pension Liabilities and Related Ratios - CalPERS, the Schedule of Contributions - CalPERS, the Schedule of Net Other Postemployment Benefits ("OPEB") Liabilities and Related Ratios, and the Schedule of Contributions - OPEB on page 39 to 44 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.

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, 2018 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, 2018 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, 2018.

To the Honorable Mayor and the Members of City Council
of the City of Culver City
Culver City, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018 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.

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 13, 2018

This page intentionally left blank.



**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 standards for financial statement and compliance audits contained in the Transportation Development Act 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 year ended June 30, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated December 13, 2018.

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
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CCMBL's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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.

The PwC Group, LLP

Santa Ana, California
December 13, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE CULVER CITY
MUNICIPAL BUS LINES AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE TRANSPORTATION DEVELOPMENT ACT**

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

Report on Compliance for the CCMBL

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, 2018.

Management's Responsibility

Management is responsible for compliance with §6667 of the California Code of Regulation, Title 21, Division 3, Chapter 3, Article 5.5 of the Transportation Development Act.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the CCMBL based on our audit of the types of compliance requirements referred to above.

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 Guidebook – Statutes and California Codes of Regulations, April, 2013, issued by the California Department of Transportation Division of Mass Transportation. Those standards and Transportation Development Act Guidebook – Statutes and California Codes of Regulations, April, 2013, issued by the California Department of Transportation Division of Mass Transportation require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the CCMBL as a 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. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the CCMBL's Compliance

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Transportation Development Act for the year ended June 30, 2018.

200 East Sandpointe Avenue, Suite 600, Santa Ana, California 92707

Tel: 949-777-8800 • Fax: 949-777-8850

www.pungroup.com

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 with the types of requirements that could have a direct and material effect on the Transportation Development Act to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Transportation Development Act and to test and report on internal control over compliance with the Transportation Development Act, 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. 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 of the Transportation Development Act. Accordingly, this report is not suitable for any other purpose.

The PwC Group, LLP

Santa Ana, California
December 13, 2018

FINANCIAL STATEMENTS

This page intentionally left blank.

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Statements of Net Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and investments	\$ 10,884,381	\$ 9,973,882
Accounts receivable, net	408,296	324,892
Interest receivable	35,874	22,169
Due from other governments (Note 3)	2,794,356	2,788,688
Total current assets	14,122,907	13,109,631
Noncurrent assets:		
Capital assets:		
Not being depreciated	1,873,692	2,752,376
Being depreciated	67,394,948	67,762,071
Less accumulated depreciation	(32,932,931)	(31,560,542)
Total noncurrent assets	36,335,709	38,953,905
Total assets	50,458,616	52,063,536
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	4,176,893	3,533,327
Other post-employment benefits related amounts	442,934	11,720
Total deferred outflows of resources	4,619,827	3,545,047
LIABILITIES		
Current liabilities:		
Accounts payable	280,618	167,513
Salaries and benefits payable	271,098	258,314
Unearned revenues	2,043,412	2,146,568
Compensated absences, due within one year	285,067	262,545
Total current liabilities	2,880,195	2,834,940
Noncurrent liabilities:		
Compensated absences, due in more than one year	708,839	603,582
Net pension liabilities (Note 8)	18,910,557	17,120,152
Net other post-employment benefits liabilities (Note 9)	6,873,170	7,492,215
Total noncurrent liabilities	26,492,566	25,215,949
Total liabilities	29,372,761	28,050,889
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts	419,985	378,383
Other post-employment benefits related amounts	1,205,743	609,825
Total deferred inflows of resources	1,625,728	988,208
NET POSITION		
Investment in capital assets	36,335,709	38,953,905
Unrestricted (deficit)	(12,255,755)	(12,384,419)
Total net position	\$ 24,079,954	\$ 26,569,486

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, 2018 and 2017

	2018	2017
OPERATING REVENUES:		
Charges for services	\$ 3,041,100	\$ 3,188,558
Total operating revenues	3,041,100	3,188,558
OPERATING EXPENSES:		
Salaries and benefits	15,858,228	13,699,280
Supplies	467,714	397,936
Repairs and maintenance	5,033,985	4,948,745
Insurance	203,258	270,821
Administrative services	1,629,774	1,509,566
Consulting and contractual services	554,896	429,738
Depreciation	3,477,355	2,986,231
Total operating expenses	27,225,210	24,242,317
OPERATING (LOSS)	(24,184,110)	(21,053,759)
NONOPERATING REVENUES (EXPENSES):		
Investment earnings (loss)	(11,001)	(12,621)
Intergovernmental revenue	17,113,188	23,742,716
Measure R sales tax	2,097,943	2,102,170
(Loss) on sale of assets	(321,528)	(333,520)
Other income	392,343	411,639
Total nonoperating revenues	19,270,945	25,910,384
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(4,913,165)	4,856,625
CONTRIBUTIONS AND TRANSFERS:		
Capital contributions	1,272,523	1,621,358
Transfers in from the City of Culver City	1,451,110	1,393,863
Transfers out to the City of Culver City	(300,000)	(300,000)
Total contributions and transfers	2,423,633	2,715,221
Change in net position	(2,489,532)	7,571,846
NET POSITION:		
Beginning of year	26,569,486	18,997,640
End of year	\$ 24,079,954	\$ 26,569,486

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 2,957,696	\$ 3,517,043
Cash payments to suppliers of goods and services	(6,146,748)	(6,101,284)
Cash payments to employees	(14,983,565)	(14,313,111)
Cash payments to administrative services	(1,629,774)	(1,509,566)
Net cash (used in) operating activities	(19,802,391)	(18,406,918)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from operating grants	19,102,307	23,286,064
Transfers to the City of Culver City	(300,000)	(300,000)
Transfers from the City of Culver City	1,451,110	1,393,863
Other income received	392,343	411,639
Net cash provided by noncapital financing activities	20,645,760	24,791,566
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of capital assets	123,279	30,992
Interest paid on debt	(24,706)	(2,953)
Cash received from capital grants	1,272,523	1,621,358
Acquisition of capital assets	(1,303,966)	(12,033,661)
Net cash provided by (used in) capital and related financing activities	67,130	(10,384,264)
Net increase (decrease) in cash and cash equivalents	910,499	(3,999,616)
CASH AND CASH EQUIVALENTS:		
Beginning of year	9,973,882	13,973,498
End of year	\$ 10,884,381	\$ 9,973,882
RECONCILIATION TO THE STATEMENTS OF NET POSITION		
Cash and investments	\$ 10,884,381	\$ 9,973,882
Total cash and investments - statements of net position	\$ 10,884,381	\$ 9,973,882

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES:		
Operating (loss)	\$ (24,184,110)	\$ (21,053,759)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	3,477,355	2,986,231
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(83,404)	328,485
(Increase) decrease in deferred outflows of resources - pension	(643,566)	(2,171,098)
(Increase) decrease in deferred outflows of resources - OPEB	(431,214)	96,103
Increase (decrease) in accounts payable	113,105	(54,044)
Increase (decrease) in salaries and benefits payable	12,784	(389,088)
Increase (decrease) in compensated absences	127,779	176,843
Increase (decrease) in net other postemployment benefits liability	(619,045)	(266,197)
Increase (decrease) in net pension liabilities	1,790,405	2,789,447
Increase (decrease) in deferred inflows of resources - pension	41,602	(675,761)
Increase (decrease) in deferred inflows of resources - OPEB	595,918	(174,080)
Net cash (used in) operating activities	<u>\$ (19,802,391)</u>	<u>\$ (18,406,918)</u>

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, 2018 and 2017

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, 2018 and 2017**

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 employed. Upon retirement or termination, payment of accumulated vacation may not exceed that which can be accumulated within two years of employees. 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, 2018 and 2017**

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>2018</u>	<u>2017</u>
Valuation Date	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2017	June 30, 2016
Measurement Period	July 1, 2016 to June 30, 2017	July 1, 2015 to June 30, 2016

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>2018</u>	<u>2017</u>
Valuation Date	June 30, 2017	June 30, 2015
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 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, 2018 and 2017**

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 related debt 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.

L. New Accounting Pronouncements

GASB Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This statement did not have a significant impact on the CCMBL’s financial statements for the year ended June 30, 2018 and 2017.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2018 and 2017 are reported in the accompanying financial statements as follows:

Statements of Net Position:	2018	2017
Cash and investments	\$ 10,884,381	\$ 9,973,882
Total cash and investments	\$ 10,884,381	\$ 9,973,882

The CCMBL’s share of the City’s cash and investments at June 30, 2018 and 2017 were \$10,884,381 and \$9,973,882, respectively.

**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, 2018 and 2017**

Note 2 – Cash and Investments (Continued)

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.

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

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

Investment Types Authorized by State Law	Authorized		*Maximum	*Maximum
	By Investment Policy	*Maximum Maturity	Percentage of Portfolio *	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.

**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, 2018 and 2017**

Note 2 – Cash and Investments (Continued)

Investments Authorized by Debt Agreements (Continued)

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.

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.

**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, 2018 and 2017**

Note 3 – Due from Other Governments and Intergovernmental Revenue

Amounts due from other governments consist of the following at June 30, 2018 and 2017:

	2018	2017
Due from Federal Transit Agency	\$ 1,491,623	\$ 566,302
Due from City of Santa Monica	92,921	153,699
Due from Metropolitan Transit Agency	499,859	1,404,632
Due from State of California	496,145	233,582
Due from County of Los Angeles	-	430,473
Due from LA Metro	213,808	-
Total	\$ 2,794,356	\$ 2,788,688

Intergovernmental revenue consists of the following at June 30, 2018 and 2017:

	2018	2017
State Transit Assistance (STA)	\$ 232,345	\$ 414,727
Transportation Development Act-Article 4 (LTF)	5,172,364	5,165,678
Caltrans - LCTOP	-	83,023
Proposition A Discretionary	3,433,347	3,326,445
Proposition C	1,952,153	1,172,097
Prop 1B PTIMSEA capital	134,678	1,483,631
Metro Call for Projects/Metro Prop 1B Bridge Funds	-	4,610,493
Federal Transit Administration Section 9 Grant (Sect 9/5307)	2,860,948	7,419,962
CNG Excise Tax Credit	754,200	-
AB 2766 Subvention for Capital Grants	-	66,660
Measure M - OP	1,998,085	-
SB1 Grants	575,068	-
Total	\$ 17,113,188	\$ 23,742,716

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, 2018 and 2017

Note 4 – Capital Assets

Summary of changes in capital assets for the years ended June 30, 2018 and 2017 were as follows:

	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>

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Capital asset, not being depreciated:					
Land	\$ 1,450,214	\$ -	\$ -	\$ -	\$ 1,450,214
Construction in progress	95,484	1,206,678	-	-	1,302,162
Total nondepreciable assets	<u>1,545,698</u>	<u>1,206,678</u>	<u>-</u>	<u>-</u>	<u>2,752,376</u>
Capital asset, being depreciated:					
Machinery and equipment	33,435,711	10,802,135	(4,473,750)	-	39,764,096
Building improvements	28,045,032	24,848	(518,843)	-	27,551,037
Furniture and fixtures	446,938	-	-	-	446,938
Total capital assets, being depreciated	<u>61,927,681</u>	<u>10,826,983</u>	<u>(4,992,593)</u>	<u>-</u>	<u>67,762,071</u>
Less accumulated depreciation:					
Machinery and equipment	(21,878,432)	(2,215,826)	4,396,567	-	(19,697,691)
Building improvements	(10,921,372)	(763,910)	231,514	-	(11,453,768)
Furniture and fixtures	(402,588)	(6,495)	-	-	(409,083)
Total accumulated depreciation	<u>(33,202,392)</u>	<u>(2,986,231)</u>	<u>4,628,081</u>	<u>-</u>	<u>(31,560,542)</u>
Total capital assets, being depreciated, net	<u>28,725,289</u>	<u>7,840,752</u>	<u>(364,512)</u>	<u>-</u>	<u>36,201,529</u>
Total capital assets, net	<u>\$ 30,270,987</u>	<u>\$ 9,047,430</u>	<u>\$ (364,512)</u>	<u>\$ -</u>	<u>\$ 38,953,905</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, 2018 and 2017

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, 2018 and 2017.

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 \$1,629,774 and \$1,509,566 for the years ended June 30, 2018 and 2017, 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 \$1,451,110 and \$1,393,863 for the years ended June 30, 2018 and 2017, respectively.

The CCMBL transferred \$300,000 to the City both years ended June 30, 2018 and 2017 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, 2018 and 2017 were as follows:

	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
Net OPEB liabilities	7,492,215	1,431,312	(2,050,357)	6,873,170	-	6,873,170
Net pension liabilities	17,120,152	8,594,921	(6,804,516)	18,910,557	-	18,910,557
Total	\$ 25,478,494	\$ 11,098,455	\$ (9,799,316)	\$ 26,777,633	\$ 285,067	\$ 26,492,566

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017	Due Within One Year	Due in More Than One Year
Compensated absences	\$ 689,284	\$ 936,518	\$ (759,675)	\$ 866,127	\$ 262,545	\$ 603,582
Net OPEB liabilities	7,758,412	867,507	(1,133,704)	7,492,215	-	7,492,215
Net pension liabilities	14,330,705	4,971,186	(2,181,739)	17,120,152	-	17,120,152
Total	\$ 22,778,401	\$ 6,775,211	\$ (4,075,118)	\$ 25,478,494	\$ 262,545	\$ 25,215,949

**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, 2018 and 2017**

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, 2018 and 2017:

	2018	2017
Deferred outflows of resources:		
Pension contribution made after measurement date:	\$ 1,496,865	\$ 1,471,312
Net difference in projected and actual earnings on pension investments	576,453	2,062,015
Change in assumptions	2,103,575	-
Total deferred outflows of resources	\$ 4,176,893	\$ 3,533,327
Net pension liabilities:		
CalPERS	\$ 18,910,557	\$ 17,120,152
Total net pension liabilities	\$ 18,910,557	\$ 17,120,152
Deferred inflows of Resources:		
Change in assumptions	\$ -	\$ 258,680
Difference in experience	419,985	119,703
Total deferred inflows of resources	\$ 419,985	\$ 378,383

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 June 30, 2016 and 2015 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, 2018 and 2017**

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, 2016 and 2015, the valuation dates, the following employees were covered by the benefit terms under the City’s miscellaneous plan:

Valuation Date	2016	2015
Active employees	152	134
Transferred and terminated employees	28	13
Retired Employees and Beneficiaries	55	49
Total	235	196

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, 2017 and 2016, respectively, the active classic miscellaneous tier I and Tier 2 employee contribution rate was both 7%, respectively; the active PEPRA miscellaneous employee contribution rate was both 6.25% of annual pay; the employer’s contribution rates were 21.763% and 20.628% 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, 2018 and 2017**

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

Net Pension Liability

Actuarial Methods and Assumption Used to Determine Total Pension Liability

For the measurement periods ended June 30, 2017 and 2016, the total pension liability was determined by rolling forward the June 30, 2016 and 2015 total pension liability, respectively. The June 30, 2017 and the June 30, 2016 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	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50%
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

All other actuarial assumptions used in the June 30, 2016 and 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS’ website at www.calpers.ca.gov under Forms and Publications.

Change of Assumptions

The discount rate reduced from 7.65 percent to 7.15 percent for the valuation dated June 30, 2017.

Discount Rate

The discount rate used to measure the June 30, 2017 and 2016 total pension liability were 7.15 percent and 7.65 percent, respectively. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (“PERF”). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all further years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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, 2018 and 2017

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

Net Pension Liability (Continued)

Discount Rate (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 (PERF) cash flows. Taking into account historical returns of all the PERF asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

Asset Class	New Strategic Allocation		Real Return	Real Return
	June 30, 2017	June 30, 2016	Years 1 - 10 ¹	Years 11+ ¹
Global Equity	47.00%	51.00%	4.90%	5.38%
Global Fixed Income	19.00%	20.00%	0.80%	2.27%
Inflation Sensitive	6.00%	6.00%	0.60%	1.39%
Private Equity	12.00%	10.00%	6.60%	6.63%
Real Estate	11.00%	10.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	2.00%	3.90%	5.36%
Liquidity	2.00%	1.00%	-0.40%	-0.90%
Total	100.00%	100.00%		

¹ An expected inflation of 2.5% and 3.0% used for Years 1-10 and Years 11+, respectively.

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, 2018 and 2017

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, 2017 and 2016.

	Bus Line		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (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
Net Changes during 2016-2017	5,372,830	3,582,424	1,790,405

	Increase (Decrease)		
	Total Pension Liability (a)		
	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)	
Balance at June 30, 2015 (Valuation Date)	\$ 51,978,893	\$ 37,648,188	\$ 14,330,705
Balance at June 30, 2016 (Measurement Date)	54,455,918	37,335,766	17,120,152
Net Changes during 2015-2016	2,477,025	(312,422)	2,789,447

Changes in the Net Pension Liability

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

	2018		2017
June 30, 2016	20.4400%	June 30, 2015	20.4400%
June 30, 2017	20.4400%	June 30, 2016	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, 2018 and 2017**

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, 2017 and 2016, 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, 2017	27,009,119	18,910,557	12,220,066

Plan's Net Pension Liability			
Measurement Date	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
June 30, 2016	24,269,998	17,120,152	11,191,807

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, 2017 and 2016, the CCMBL incurred pension expenses of 2,685,306 and \$1,413,900.

As of measurement date of June 30, 2017 and 2016, the CCMBL has deferred outflows and deferred inflows of resources related to pensions as follows for the miscellaneous plan:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 1,496,865	\$ -	\$ 1,471,312	\$ -
Difference between expected and actual experience	-	(419,985)	-	(119,703)
Changes of assumptions	2,103,575	-	-	(258,680)
Net difference between projected and actual earning on pension plan investments	576,453	-	2,062,015	-
Total	\$ 4,176,893	\$ (419,985)	\$ 3,533,327	\$ (378,383)

The amounts above are net of outflows and inflows recognized in the 2016-2017 and 2015-2016 measurement period expense.

**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, 2018 and 2017**

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 2016-17 and 2015-16 measurement periods were 2.7 years and 2.8 years, respectively, which were obtained by dividing the total service years of 4,392 and 4,420 (the sum of remaining service lifetimes of the active employees) by 1,652 and 1,604 (the total of number of participants: active, inactive, and retired), respectively.

\$1,496,865 and \$1,471,312 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, 2018 and 2017, 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 2018	Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources 2017
2018	\$ 987,532	2017	\$ (60,636)
2019	1,334,529	2018	283,315
2020	234,239	2019	930,456
2021	(296,257)	2020	530,497
2022	-	2021	-
Thereafter	-	Thereafter	-
Total	\$ 2,260,043	Total	\$ 1,683,632

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, 2018 and 2017:

	2018	2017
Deferred outflows of resources:		
Difference in projected and actual earnings on pension investments:	\$ -	\$ 11,720
Change in assumptions	442,934	-
Total deferred outflows of resources	\$ 442,934	\$ 11,720
Net OPEB obligations	\$ 6,873,170	\$ 7,492,215
Total net OPEB obligations	\$ 6,873,170	\$ 7,492,215
Deferred inflows of Resources:		
Difference in projected and actual earnings on pension investments:	\$ 39,691	\$ -
Change in assumptions	-	36,800
Difference in experience	1,166,052	573,025
Total deferred inflows of resources	\$ 1,205,743	\$ 609,825

**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, 2018 and 2017**

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

General Information about the Pension 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”) 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 ages 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, 2018 and 2017**

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 and June 30, 2015, respectively:

Valuation Date	June 30, 2017	June 30, 2015
Active plan members	156	129
Inactive employees or beneficiaries currently receiving benefit payments	46	49
Inactive employees entitled to but not yet receiving benefit payments	2	2
Total	204	180

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, 2018 and 2017, the City’s average contribution rates were 19.9 and 19.6 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, 2018 and 2017, and was determined by an actuarial valuation as of June 30, 2017 and 2015, respectively.

Actuarial assumptions

The total OPEB liability in the June 30, 2017 and June 30, 2015 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	June 30, 2015
Discount Rate	6.50%	7.00%
Expected Long-Term Rate of Return	6.50%	7.00%
Municipal Bond Rate	N/A	N/A
Source of Municipal Bond Rate	N/A	N/A
General Inflation	2.75%	3.00%
Aggregate Payroll Increases	3.00%	3.25%
Investment Expenses	0.40%	0.30%
Trust Administrative Expenses	0.00%	0.00%
Healthcare Administrative Expenses	0.33% of Premium	0.32% of Premium
Merit Payroll Increases	CalPERS 1997-2015	CalPERS 1997-2011
PEMHCA Minimum Amount Increase	1.25%	4.50%
Mortality	CalPERS 1997-2011	CalPERS 1997-2011
Termination, Disability	CalPERS 1997-2015	CalPERS 1997-2011
Mortality Improvement Scale	MP-2017	Modified MP-2014

**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, 2018 and 2017**

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

Net OPEB Liability (Continued)

Actuarial assumptions (Continued)

The actuarial assumptions used in the June 30, 2017 and June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017 and July 1, 2014 through June 30, 2015, respectively.

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%	
June 30, 2015		
Asset Class	Long-Term Target New Strategic	Expected Geometric Real Return
Growth Assets:		
Domestic Equity	44.00%	5.35%
International Equity	23.00%	5.35%
Income Assets:		
Fixed Income	33.00%	1.55%
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.

**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, 2018 and 2017**

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

Net OPEB Liability (Continued)

Discount rate

The discount rate used to measure the total OPEB liability for measurement periods ended June 30, 2018 and 2017 was 6.25% and 7.00%, respectively. 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.

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, 2018 and 2017.

	Increase		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016 (Measurement Date)	\$ 9,963,080	\$ 2,470,865	\$ 7,492,215
Balance at June 30, 2017 (Measurement Date)	9,994,019	3,120,850	6,873,170
Net Changes during July 1, 2016 to June 30, 2017	30,939	649,985	(619,046)

	Increase		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2016 (Measurement Date)	\$ 9,574,058	\$ 1,815,646	\$ 7,758,412
Balance at June 30, 2017 (Measurement Date)	9,963,080	2,470,865	7,492,215
Net Changes during July 1, 2016 to June 30, 2017	389,022	655,219	(266,197)

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

	2018		2017
June 30, 2017	7.81326%	June 30, 2016	7.81326%
June 30, 2018	7.81326%	June 30, 2017	7.81326%
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, 2018 and 2017

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

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%	Current Discount	Discount Rate + 1%
	(5.50%)	Rate (6.50%)	(7.50%)
June 30, 2018	\$ 8,178,686	\$ 6,873,170	\$ 5,796,423

The following presents the net OPEB liability of the Plan as of the measurement date of June 30, 2017, calculated using the discount rate of 7.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that 1 percentage-point lower (6.00%) or 1 percentage-point higher (8.00%) than the current rate:

Measurement Date	Plan's Net OPEB Liability		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.00%)	Rate (7.00%)	(8.00%)
June 30, 2017	\$ 8,811,560	\$ 7,492,215	\$ 6,409,452

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, 2018:

Measurement Date	Plan's Net OPEB Liability		
	Discount Rate - 1%	Healthcare Cost	Discount Rate + 1%
		Tread Rates	
	(6.50% decreasing	(7.50% decreasing	(8.50% decreasing
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, 2018 and 2017

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 Healthcare Cost Trend Rates (Continued)

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 (6.2 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.2 percent decreasing to 6.0 percent) than the current healthcare cost trend rates for the measurement period June 30, 2017:

Measurement Date	Plan's Net OPEB Liability		
	Discount Rate - 1%	Healthcare Cost	Discount Rate + 1%
	Tread Rates		
	(6.20% decreasing to 4.00%)	(7.20% decreasing to 5.00%)	(8.20% decreasing to 6.00%)
June 30, 2017	\$ 6,162,240	\$ 7,492,215	\$ 9,133,545

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, 2018 and 2017, the CCMBL has incurred OPEB expenses of \$400,508 and \$518,254. At June 30, 2018 and 2017, the CCMBL reported deferred outflows of resources and inflows of resources related to OPEB as follows.

	2018		2017	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	\$ -	\$ (1,166,052)	\$ -	\$ (573,025)
Changes of assumptions	442,934	-	-	(36,800)
Net difference between projected and actual earning on OPEB plan investments	-	(39,691)	11,720	-
Total	\$ 442,934	\$ (1,205,743)	\$ 11,720	\$ (609,825)

**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, 2018 and 2017**

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

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
(Continued)***

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 2018	Measurement Period Ended June 30	Deferred Outflows/ (Inflows) of Resources 2017
2019	\$ (269,636)	2018	\$ (195,566)
2020	(258,775)	2019	(195,566)
2021	(96,416)	2020	(184,705)
2022	(73,913)	2021	(22,268)
2023	(64,069)	2022	-
Thereafter	-	Thereafter	-
Total	\$ (762,809)	Total	\$ (598,105)

Note 10 – Deficit Net Position

The CCMBL had a deficit unrestricted net position at June 30, 2018 and 2017 in the amount of \$(12,255,755) and \$(12,384,419), respectively. It was mainly due to the net pension liabilities and total other post-employment benefits liabilities. The net pension liabilities were \$18,910,557 and \$17,120,152 at June 30, 2018 and 2017, respectively. The net other post-employment benefits liabilities were \$6,873,170 and \$7,492,215 at June 30, 2018 and 2017, respectively.

This page intentionally left blank.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

**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, 2018 and 2017**

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

Last Ten Fiscal Years

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

Measurement Date	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%
CCMBL's Proportionate Share of the net Pension Liability	\$ 18,910,557	\$ 17,120,152	\$ 14,330,705	\$ 12,986,467
CCMBL's Covered Payroll	\$ 7,413,221	\$ 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	255.09%	249.75%	232.03%	230.25%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	68.39%	68.56%	72.43%	73.87%

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

Notes to Schedule:

Change in Benefit Terms: There were no changes in benefit terms.

Changes of Assumptions: In 2017, the discount rate reduced from 7.65 percent to 7.15 percent.

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, 2018 and 2017

Schedule of Contributions – Pension

Last Ten Fiscal Years

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

	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially determined contribution	\$ 1,496,865	\$ 1,471,312	\$ 1,362,229	\$ 1,150,885	\$ 1,327,657
Contributions in relation to the actuarially determined contribution	(1,496,865)	(1,471,312)	(1,362,229)	(1,150,885)	(1,327,657)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll ²	\$ 7,517,154	\$ 7,413,221	\$ 6,854,973	\$ 6,176,208	\$ 5,640,100
Contributions as a percentage of covered payroll	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:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016 as they have minimal cost impact. 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 2017, the accounting 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 the 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, 2018 and 2017

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

	Last Ten Fiscal Years			
	Other Postemployment Benefits (OPEB) - CCMBL			
	<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%
CCMBL's Proportionate Share of the OPEB Liability	<u>\$ 6,873,170</u>	<u>\$ 7,492,215</u>	<u>\$ 7,758,412</u>	<u>\$ 8,784,061</u>
CCMBL's Covered-employee Payroll	<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-employee Payroll	<u>91.43%</u>	<u>101.07%</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>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, 2018 and 2017

Schedule of Contributions – OPEB

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

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 available upon implementation. The plan was not funded with an OPEB trust prior to 6/30/12.

Notes to Schedule:

Valuation date:

June 30, 2017 for the year ended June 30, 2018

Changes of Assumptions: There were no changes of assumptions.

This page intentionally left blank.

SUPPLEMENTARY INFORMATION

City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Supplementary Information
For the Years Ended June 30, 2018 and 2017

Schedule of Sources of Operating Revenues and Capital Grants

	<u>2018</u>	<u>2017</u>
The following is detail of the sources of operating revenues received:		
Passenger fares, TAP Card, EZ Pass, BruinGo	<u>\$ 3,041,100</u>	<u>\$ 3,188,558</u>
Operating Grants:		
Capital grant revenues used to fund operating expenses (FTA) (sec 9/5307)	2,500,000	2,500,000
Transportation Development Act-Article 4 (LTF)	5,172,364	5,165,678
State Transit Assistance (STA)	232,345	414,727
Proposition A Discretionary	3,433,347	3,326,445
Proposition C Transit Service Expansion	234,516	236,417
Proposition C BSIP Overcrowding	154,092	165,209
Proposition C Foothill Mitigation	151,248	150,655
Proposition C Discretionary Operating (security)	374,954	313,167
Proposition C Discretionary - MOSIP	1,037,343	306,649
Measure R - Sales Tax	2,097,943	2,102,170
Caltrans - LCTOP	-	83,023
Measure M - OP	1,998,085	-
SB1 - State grant funds	<u>575,068</u>	<u>-</u>
Total operating grants	<u>17,961,305</u>	<u>14,764,140</u>
Other revenues:		
CNG excise tax credit	754,200	-
Interest earnings	(11,001)	(12,621)
Miscellaneous	392,343	411,639
Proposition C local return (transfer in)	464,828	421,735
Proposition A local return (transfer in)	752,278	741,499
Measure R (transfer in)	234,003	230,629
EIR Transit Mitigation	<u>741,943</u>	<u>690,338</u>
Total other revenues	<u>3,328,594</u>	<u>2,483,219</u>
Total passenger fares, operating grants and other revenues	<u>\$ 24,330,999</u>	<u>\$ 20,435,917</u>
Capital grants/revenues:		
Proposition C Discretionary - MOSIP	123,271	621,586
Federal Transit Administration Section 9 Grant (Sect 9/5307)	410,830	5,009,571
MTA projects	212,540	4,305,606
Proposition 1B Metro Bridge/Metro Bridge Transit Security	92,014	458,622
Proposition 1B Transit Security	52,872	66,090
Prop 1B PTIMSEA capital	134,678	1,483,631
AB 2766 Subvention for capital projects	<u>-</u>	<u>66,660</u>
Total capital grants/revenues	<u>\$ 1,026,205</u>	<u>\$ 12,011,766</u>

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, 2018 and 2017

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, 2018 and June 30, 2017, the CCMBL's Farebox recovery ratio of operating revenues to operating expenses were as follows:

	2018	2017
Operating revenues:		
Passenger fares	\$ 3,041,100	\$ 3,188,558
Local support:		
Measure R Operating Revenues	1,386,651	676,487
Bus Advertising and Rent/Concessions	321,851	386,172
Total operating revenues	\$ 4,749,602	\$ 4,251,217
Operating expenses	\$ 27,225,210	\$ 24,242,317
Less: Depreciation expense	(3,477,355)	(2,986,231)
Total operating expenses, excluding depreciation	\$ 23,747,855	\$ 21,256,086
Farebox recovery ratio	20%	20%

**City of Culver City Municipal Bus Lines
(An Enterprise Fund of the City of Culver City)
Supplementary Information (Continued)
For the Years Ended June 30, 2018 and 2017**

Schedule of 50% Expenditures Limitation Test Article IV Funds

	<u>2018</u>	<u>2017</u>
1 Total operating expenses before depreciation	\$ 23,747,855	\$ 21,256,086
2 Total depreciation	3,477,355	2,986,231
3 Total capital outlay	1,303,966	12,033,661
4 Debt service requirement (principal)	<u>-</u>	<u>-</u>
5 Total (lines 1, 2, 3, and 4)	<u>28,529,176</u>	<u>36,275,978</u>
6 Less federal grants expended	2,910,830	7,509,571
7 Less Local Transportation Fund capital intensive programs	-	-
8 Less State Transit Assistance Fund monies received	<u>232,345</u>	<u>414,727</u>
9 Total (lines 6, 7, and 8)	<u>3,143,175</u>	<u>7,924,298</u>
10 Total (lines 5 less 9)	<u>25,386,001</u>	<u>28,351,680</u>
11 50% of line 10	12,693,001	14,175,840
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>\$ 12,693,001</u>	<u>\$ 14,175,840</u>

**City of Culver City Municipal Bus Lines
 (An Enterprise Fund of the City of Culver City)
 Supplementary Information (Continued)
 For the Years Ended June 30, 2018 and 2017**

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, 2018 and 2017 are as follows:

	2018	2017
Unspent Prop 1B funds, beginning	\$ 2,546,666	\$ 2,531,721
Proposition 1B funds allocated during fiscal year	-	-
Interest earned on unspent funds	10,700	14,945
Unexpended project allocations, ending	\$ 2,557,366	\$ 2,546,666

This page intentionally left blank.