



LONG BEACH TRANSIT

2016 Comprehensive Annual Financial Report



A component unit of
the City of Long Beach
for the years ended

June 30, 2016
and 2015.
Long Beach, CA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

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Long Beach Public Transportation Company

December 9, 2016

Dear Long Beach Transit Board of Directors:

On behalf of Long Beach Transit, I am pleased to submit for your information and consideration the Comprehensive Annual Financial Report (CAFR) of Long Beach Transit (LBT or Agency) for fiscal year July 1, 2015 to June 30, 2016.

The CAFR has become the standard format used in presenting the results of Agency's annual financial operations for the fiscal year. LBT believes this report is presented in a manner designed to fairly disclose the financial position and results of Agency operations as measured by its financial activities. To the best of LBT's knowledge and belief, the disclosures are accurate in all material respects.

The accompanying basic financial statements, supplemental schedules and statistical information are the representations of the Agency's management which bears the responsibility for their accuracy and completeness. The Independent Auditors' Report, prepared by Windes, Inc., is included, along with other necessary disclosures to enable the reader to gain maximum understanding of the Agency's financial activities.

The independent audit of the accompanying basic financial statements of LBT was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the accompanying basic financial statements, but also on the audited agency's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in LBT's separately issued Single Audit Report.

Governmental Accounting Standards Board (GASB) requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Agency's MD&A can be found immediately following the report of the independent auditors.

Sincerely,

**Kenneth A. McDonald
President and Chief Executive Officer**

REPORTING ENTITY

LBT is a non-profit corporation, formed in 1963 to provide public transportation services to the City of Long Beach and its neighboring cities.

LBT is governed by a seven-member Board of Directors (Board, appointed by the Mayor of Long Beach and confirmed by the City Council), which provides broad policy and financial decisions, setting direction for management.

Additionally, two designees of the City Manager's Office serve as non-voting City Representative members of the Board. The Board appoints a Chief Executive Officer (CEO) who is responsible for the performance of the organization and the day-to-day operation of the business of LBT. LBT's Executive Leadership Team is represented by the Deputy CEO and five Executive Directors/Vice Presidents heading Finance and Budget; Maintenance and Infrastructure; Information Technology; and Transit Service Delivery and Planning. LBT's organizational chart is shown later in this introductory section.

LBT's reporting entity includes only transit operations and there is no other organization within the City of Long Beach providing a similar scope of public transportation service.

In accordance with GASB, LBT is considered a component financial reporting unit of the City of Long Beach (City). As such, the Agency's financial statements are included in the City's comprehensive annual financial report as a discretely presented component unit. LBT has a separate legal status and has historically operated as an independently managed and operated nonprofit corporation, receiving no direct administrative or financial support from the City. Currently, there has been no expressed intent to alter the status of this financial reporting and administrative relationship.

SERVICES

LBT is continuing its strategic planning process which commenced in late 2014 to develop a strategy and structure to obtain optimal organizational effectiveness. For 2016, LBT's focus has been on employees, the financial health of the agency, and service quality for customers. LBT's Vision Statement, Mission Statement, Values and Leadership Competencies are in support of and have a clear connection to LBT's five Strategic Priorities, which are the functional pillars of the organization and guide LBT's organizational strategies, processes and people:

- Improve Safety and Service Quality
- Exercise Financial Accountability
- Foster Employee Engagement
- Enhance Customer Experience
- Promote Community and Industry Focus

LBT is a full-service public transit system, providing a wide range of transit services, including:

- Fixed-route bus service
- Downtown Circulator (Passport route)
- Demand responsive paratransit service (Dial-A-Lift)
- Water taxi service (AquaBus and AquaLink)
- Community Special Services

Fixed Route Bus Service

LBT provides fixed-route bus service to a 100- square-mile area, which includes the cities of Long Beach, Lakewood and Signal Hill; and portions of Artesia, Bellflower, Carson, Cerritos, Compton, Hawaiian Gardens, Los Alamitos, Norwalk, Paramount and Seal Beach. This service covers 35 routes, requiring 223 buses.

Of the 35 fixed routes operated by LBT, 26 radiate from the First Street Transit Gallery. The First Street Transit Gallery, located in downtown Long Beach, is the focal point of the fixed-route system as well as Los Angeles County Metropolitan Transportation Authority (Metro) Blue Line rail service running between Long Beach and downtown Los Angeles. The First Street Transit Gallery provides special features such as exclusive bus lanes and traffic control equipment, special bus stop improvements, customer transit shelters equipped with graphic displays, and electronic monitors displaying real-time schedule information. This location is also a major transfer point for Torrance Transit, Los Angeles Department of Transportation (LADOT), and Metro.

All of Long Beach Transit's fixed-route service fleet are low-floor and mobility device accessible. These buses are maintained and dispatched from two facilities. Approximately two-thirds of the vehicles are stored at the central administrative, operating and maintenance facility located at 1963 E. Anaheim St. in Long Beach. The remaining buses are assigned to a secondary operating and maintenance facility located at 6860 Cherry Street in North Long Beach. Besides the buses, the LBT owns a number of non-revenue vehicles used for supervisory and administrative functions and various maintenance vehicles for emergency road services and bus stop support.

LBT maintains neighborhood transit shelters and benches, providing customer convenience and comfort. There are over 1,900 stops throughout the system and the Agency ensures the stops are well-maintained and meet high cleanliness standards.

Downtown Circulator (*Passport* route)

The *Passport* is a downtown and waterfront service that is a vital mobility component to the City of Long Beach. The *Passport* connects many points of interest such as: the Aquarium of the Pacific, the Pike, the Queen Mary, Pine Avenue, Shoreline Village, the Convention Center, the Long Beach Sports Arena, surrounding hotels, business and government hubs. It is a complimentary service that starts at 3rd Street and the Promenade and links the Pacific Avenue restaurants, shops and offices to the Convention Center, the Pike, Shoreline Village, Aquarium, and Queen Mary. Service operates daily from 5:10 a.m. to 1a.m.

The service is provided by seven low-floor, CNG buses. *Passport* vehicles are stored and maintained at the central administrative, operating and maintenance facility on Anaheim Street. During fiscal year 2016, the *Passport* carried 620,000 customers.

Demand Responsive Paratransit Service (Dial-A-Lift)

LBT offers Dial-A-Lift paratransit service for persons with disabilities. This curb-to-curb, shared-ride service operates on a call-in basis and is provided by a private contractor. All vehicles are owned by LBT, but stored, maintained and dispatched by the contractor. In fiscal year 2016, the Dial-A-Lift service was operated by a local company using a fleet of mini-vans. There were 51,483 boardings on Dial-A-Lift in fiscal year 2016.

Water Taxi Service (AquaBus and AquaLink)

The Aquarium of the Pacific, Convention Center, and the Pike venue with restaurants, retail and theatres, continue to attract many visitors to the City's downtown waterfront. As a complement to the *Passport* shuttles, LBT also operates water taxi service in Queensway Bay and along the Long Beach coastline.

There are two AquaBus boats that provide links to the Queen Mary, Aquarium of the Pacific, and Shoreline Village. These boats, which carry up to 49 customers each, tie directly with the downtown *Passport* shuttle buses and parking facilities, allowing visitors and tourists to see Long Beach's many attractions without using a car.

For customers wanting to travel further down the coast, the AquaLink boats, two 75-seat catamarans, provide service that operates between the Queen Mary, Aquarium of the Pacific, Belmont Pier and Alamitos Bay Landing.

The service is operated by Catalina Express, a private contractor. The vessels are owned by LBT, and stored and maintained at the contractor's docking facilities. This service runs daily during the summer months. Annual ridership for fiscal year 2016 was 64,925 boardings.

Community Special Service

LBT provides a Museum Express bus service to major museums and garden attractions in Los Angeles and Orange counties. Tickets can be purchased in advance for the service, which runs from June through August. The Museum Express offers residents who would not ordinarily use transit an opportunity to experience transit and is particularly beneficial to LBT's senior and transit-dependent customers who can rely on the service to access attractions they could not travel to on their own. Each year, LBT also supports the Toyota Grand Prix of Long Beach and other large-scale, special events by providing supplemental service where needed.

ACCOMPLISHMENTS

2016 marks Long Beach Transit's 53rd year providing transit service to the City of Long Beach and 12 surrounding communities. LBT began operations in 1963 with fewer than 100 buses and carrying about 8 million customers annually. LBT has grown to over 260 buses, vans and water taxis that carry over 28 million customers annually. Rain or shine, through 53 years of achievements and challenges, LBT has served the community by never missing a day of service.

Completed Alamitos Bay Pier (Berth 3) Improvement Project

In partnership with Catalina Express, LBT launched water taxi service with the introduction of the AquaBus and AquaLink services in 1998 and 2001, respectively. LBT was able to provide mobility device accessibility by installing mobility device boarding ramps or lifts at the docks that were in compliance with the Americans with Disabilities Act of 1990 (ADA) except the Alamitos Bay Landing, where LBT's water taxis service the public dock.

LBT worked with City officials and obtained \$687,000 from the Tidelands Oil Revenue Fund to supplement capital funds LBT had for the project. The berth improvements have been completed and the dock is now fully ADA accessible for LBT's 2016 water taxi season which began on May 20, 2016.

Battery Electric Bus (BEB) Program Contract

On September 22, 2014, the Board authorized the President and CEO to re-solicit a Best Value RFP for the purchase of the BEBs. The RFP was issued on September 23, 2014. The current RFP was issued to purchase up to 10 BEBs with options, the associated charging and support equipment. LBT received and evaluated eight proposals from three vendors. The proposals provided a variety of technology options and prices ranging from \$9.5 million to \$11.6 million. On April 27, 2015, the Board awarded the contract to BYD Motors, Inc.

The buses were manufactured in Lancaster, California, with the first article bus delivered in the first quarter of 2016.

Added 21 CNGs to LBT's Fleet

The Board approved the procurement of 21 Compressed Natural Gas (CNG) buses to replace eight 40-foot buses and 13 60-foot articulated buses in February 2014. LBT received its first articulated bus in March 2015 and fully trained Mechanics and Operators to repair and operate the buses. The 21 buses were successfully incorporated into LBT's fleet in August 2015.

During the initial five months of operation, the CNG buses performed above the established 6,000-mile mean distance between failures or MDBF, as it is commonly referred, which means the average distance traveled before a service breakdown.

The buses are currently averaging a 7,152-mile MDBF.

Developed a Five-Year Bus Replacement Procurement Program

LBT operates a diverse fleet of transit buses, including diesel, gasoline hybrid-electric, CNG and now battery-electric buses. Upon placing the battery buses into service, LBT will have 128 additional buses eligible for replacement between 2017 and 2021, and one expansion bus funded by the federal Job Access Reverse Commute (JARC) grant which enabled LBT to expand Route 1 in August 2015.

LBT remains in a period of transition regarding alternative fuels, emissions regulations and availability of technologies, both mature and emerging. Gasoline hybrid-electric buses are no longer manufactured and the South Coast Air Quality Management District continues to prohibit the use of diesel in Southern California. LBT is currently awaiting the final Fleet Rule by the California Air Resources Board of which will likely encourage the use of zero-emission buses and further reductions in oxides of nitrogen.

Therefore, the next five years of bus procurements will include CNGs and BEBs, the most feasible propulsion systems options for the immediate future.

Restated Contract and Salaried Pension Plans

The Internal Revenue Service (IRS) requires that retirement plans qualified under Internal Revenue Code Section 401(a) submit applications for determination of qualified status. Plans submitted for favorable determination must be restated to incorporate amendments and legally required language. Governmental plans, such as the Retirement Plan for Contract Employees of LBT and the Retirement Plan for Salaried Employees of LBT, are required to submit such applications by January 31, 2016.

LBT's Contract Plan and Salaried Plan have been amended extensively since they were last restated in 2003. Furthermore, review of the plan by Counsel and Plan Actuaries revealed that

additional changes were necessary to facilitate the administration of the plan.

The Contract Plan had to be amended to comply with the May 1, 2015 arbitration decision, which requires that the Contract Plan's pension committee be converted to a joint labor-management Board of Trustees made up of both union and LBT representatives. To comply with the IRS application requirements, LBT submitted the restated plans to its Board for adoption in October 2015 for Salaried Plan and in December 2015 for the Contract Plan. Applications have been submitted to the IRS for determination of qualified status.

Expanded LBT Weekend Operation

Prior to CEO McDonald's arrival at LBT, CNG buses were not used for weekend service deployment, although they are 66 percent less expensive to operate than diesel buses. In August 2014, LBT launched a pilot program with 12 CNG buses; in August 2015, the program was expanded to 24 buses; and in February 2016, the number increased to 36 buses. Not only has service quality been improved, but LBT has enhanced the customer experience by providing a newer, sleeker, quieter and more environmentally-friendly bus.

Additionally, LBT has benefited from fuel cost savings by deploying CNG buses in lieu of diesel buses. The savings for the five-month period netted LBT \$244,000 with the expansion of the deployment in August 2015.

Launched 'Text for Next Bus' Texting Feature

In November 2015, LBT launched a new feature for its customers which allows them to text for next bus times. The process is simple; a customer merely texts LBT together with the bus stop ID number to 27299. Route times are returned to customers via text immediately.

Implemented LAX FlyAway Shuttle Service from Downtown Long Beach

LBT created a partnership with Los Angeles World Airports (LAWA) to bring a convenient means of travel for LAX airport travelers to get from Downtown Long Beach to Los Angeles International Airport. The FlyAway began transporting customers in December 2015, from LBT's Downtown Transit Gallery to LAX terminals. One-way tickets cost \$7 per person and can be purchased with credit or debit cards online or onboard buses. The one-way trip time is approximately 50 minutes.

2015 Special Olympics World Games

LBT partnered with the 2015 Special Olympics World Games and provided customer information and special event shuttle service to the competition event venues being held in Long Beach. Service began the weekend of Saturday, July 25, 2015, and continued through Saturday, August 1, 2015. Buses serviced Alamitos Beach, Belmont Pier and Marine Stadium.

LBT provided over 523 hours of shuttle service across eight days of competition, using four buses that made a continuous loop throughout the competition venues, designated parking structures and the First Street Transit Gallery. LBT carried approximately 3,500 spectators and volunteers.

As part of our joint partnership with the Special Olympics World Games, LBT received \$12,500, in addition to the fares collected from spectators.

KEY PERFORMANCE RESULTS

One of the several methods used to monitor performance is through key indicators that track service quality, efficiency, and productivity. The results for fiscal year 2016 are on page 58.

Improving On-Time Performance

At LBT, a bus is considered “on-time” if it leaves a stop no more than five minutes late or one minute early. To improve the actual travel experience of its customers, LBT reviewed individual routes to determine where, within the route, delays were likely to occur so they could be addressed. As a result, LBT’s on-time performance rate has increased from 81 percent in fiscal year 2015 to 85 percent in fiscal year 2016. Improving schedule reliability allows customers to better plan their trips and encourages repeat ridership.

Reducing Ratio of Operator Paid Time Compared to Operator Seat Time

Labor cost is LBT’s biggest cost driver. Assessing the ratio of productive work time (actual Operator seat time) in comparison to non-productive Operator work time (paid leaves, i.e., workers’ compensation, sick-leave, vacation, etc.) provides LBT a measure to improve efficiency by reducing unproductive time. By focusing on this measure, LBT has reduced the ratio from 1.37 in fiscal year 2015 to 1.36 in fiscal year 2016.

Reducing Preventable Accidents

A preventable accident is one in which the Operator failed to do everything that reasonably could have been done to avoid a collision. LBT has a formal method of measuring and evaluating individual and organizational safety performance with an emphasis on continuous improvement. In fiscal year 2016, LBT was able to reduce the number of preventable accidents from 2.07 per 100,000 miles to 1.34 per 100,000 miles.

Declining Passengers per Revenue Hour

Route productivity is measured in “passengers per revenue (in-service) hour,” which represents the total passengers on a route divided by the in-service time. This data may be used to determine if the level of transit service on that route is reasonably well matched with the distribution of demand throughout the day. As observed with many transit systems across the country, LBT’s overall passengers per revenue declined during fiscal year 2016 from 40.40 to 36.86 passengers.

Increasing Mean Distance Between Failures

Mean distance between failures (MDBF) is a transit industry standard that measures the mechanical reliability of the fleet. It measures the average bus miles between reportable mechanical failures, i.e., incidents precluding a revenue vehicle from completing its trip. In 2016 LBT’s MDBF increased from 3,572 to 4,040 miles.

Customer and Community Evaluation Survey

LBT tracks the degree of customer satisfaction with the quality of services provided. An independent research firm is engaged annually to randomly poll customers and non-customers to measure perceptions of LBT’s service quality. Results for 2016 and prior years are shown on page 59. Overall, 96 percent of customers continue to view LBT’s service as good or excellent.

FACTORS AFFECTING FINANCIAL CONDITION

General Economic Conditions

The overall U.S. economy is slowly strengthening and stabilizing from the Great Recession. With a pickup in job growth, U.S. unemployment rates have gradually declined. U.S. unemployment rates have gradually declined and fallen below 5 percent while labor force participation has also stabilized and remained at 62 percent over the same period. Overall, the outlook for job growth remains positive as real GDP, real export and local construction spending are the most influential factors affecting job creation in the local economy.

An important economic growth factor in Long Beach is the export market. Instability in economic growth abroad, as well as the strengthening U.S. dollar is expected to stymie export growth making California's merchandise more expensive. International trade tied to the ports of Long Beach and Los Angeles is projected to be driven by U.S. consumers but cautions that exports may be negatively impacted in the short term if the economies of China and its trading partners continue to slow.

As the state and local economies continue to recover, LBT stands on firmer ground. More work in rebuilding the Agency's reserves and ensuring the sustainability of its pension plans. The existing state and federal funding environment is not expected to result in significant additional funding for transit in the near future. LBT's management believes its conservative financial practices will allow it to meet the funding challenges for the upcoming year while maintaining current service levels.

Financial Policies

It is LBT's policy to maintain the fiscal integrity of our operating and capital budgets. The Agency accomplishes this by ensuring that its ongoing operating costs do not exceed the amount of its ongoing revenue. Daily operations are financed by fare revenue, annual sales tax subsidies received from state and county programs, and miscellaneous revenue such as income from advertising on Agency vehicles and investment income. The amount of operating sales tax subsidies received each year is based on a regional formula comprised primarily of fares and revenue miles.

The LBT has no debt and only uses available grant funds to procure capital acquisitions. The Agency has no plans to issue debt and its policy is to continue to fund future capital needs on a pay-as-you-go basis through formula and discretionary grants.

LBT procures the majority of its capital assets through annual grants awarded through the Federal Transit Administration. The federal grants are allocated by region under Section 5307 and 5309 of the Safe, Accountable, Flexible, and Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU) of 2005. The Agency is eligible to receive funds based on a formula allocation and discretionary money for specific projects, such as buses.

During 2006, a state-wide bond initiative was passed that provides Los Angeles County with additional capital funds for buses and security-related projects. The availability of these funds is based on the state's ability to issue bonds. Bond proceeds are distributed based on the existing county formula allocation. Any remaining capital needs not funded by federal or bond monies are financed through state and local grants.

Long Beach Public Transportation Company

Long-Term Financial Planning

LBT's long-term financial planning combines financial forecasting with strategic decision making. Financial forecasts project revenues and expenditures over a five-year period, using assumptions about economic conditions and future spending.

LBT's five-year financial plan aligns the Agency's financial capacity with its five- year service objectives and ensures it is able to maintain existing levels of service. Strategies have been developed, including the transfer of federal capital funds to preventive maintenance operations, to achieve long-term sustainability in light of flat subsidy growth.

The Agency's long-term operating and capital plan helps to stimulate discussion and engenders a long-range perspective for decision makers. It is used as a tool to prevent financial challenges; it stimulates long-term and strategic thinking; and it gives consensus on LBT's long-term financial direction.

RECOGNITION

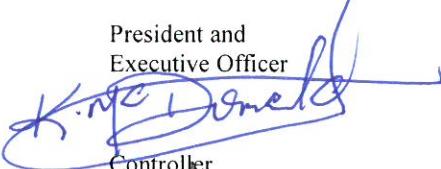
Achievement for Excellence in Financial Reporting

For the 25th straight year, the GFOA of the United States and Canada awarded a Certificate of Achievement for excellence in Financial Reporting to LBT for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. A Certificate of Achievement is valid for a period of one year only. In order to receive the award, a governmental unit must publish an easily readable and efficiently organized CAFR in compliance with the GFOA policies, procedures and program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

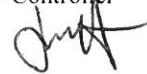
ACKNOWLEDGMENTS

LBT acknowledges the participation and professional contribution of the accountancy firm of Windes, Inc. in providing technical assistance. In addition, LBT recognizes all the Finance and Budget department staff members who contribute their time and efforts to ensure the Agency as accurate and timely daily financials.

President and
Executive Officer


K. Mc Donell

Controller


J. J. Jaff

Treasurer


R. Murphy

Executive Director/VP,
Financial Services


L. Patten

Finance Manager


R. Morallo



Government Finance Officers Association

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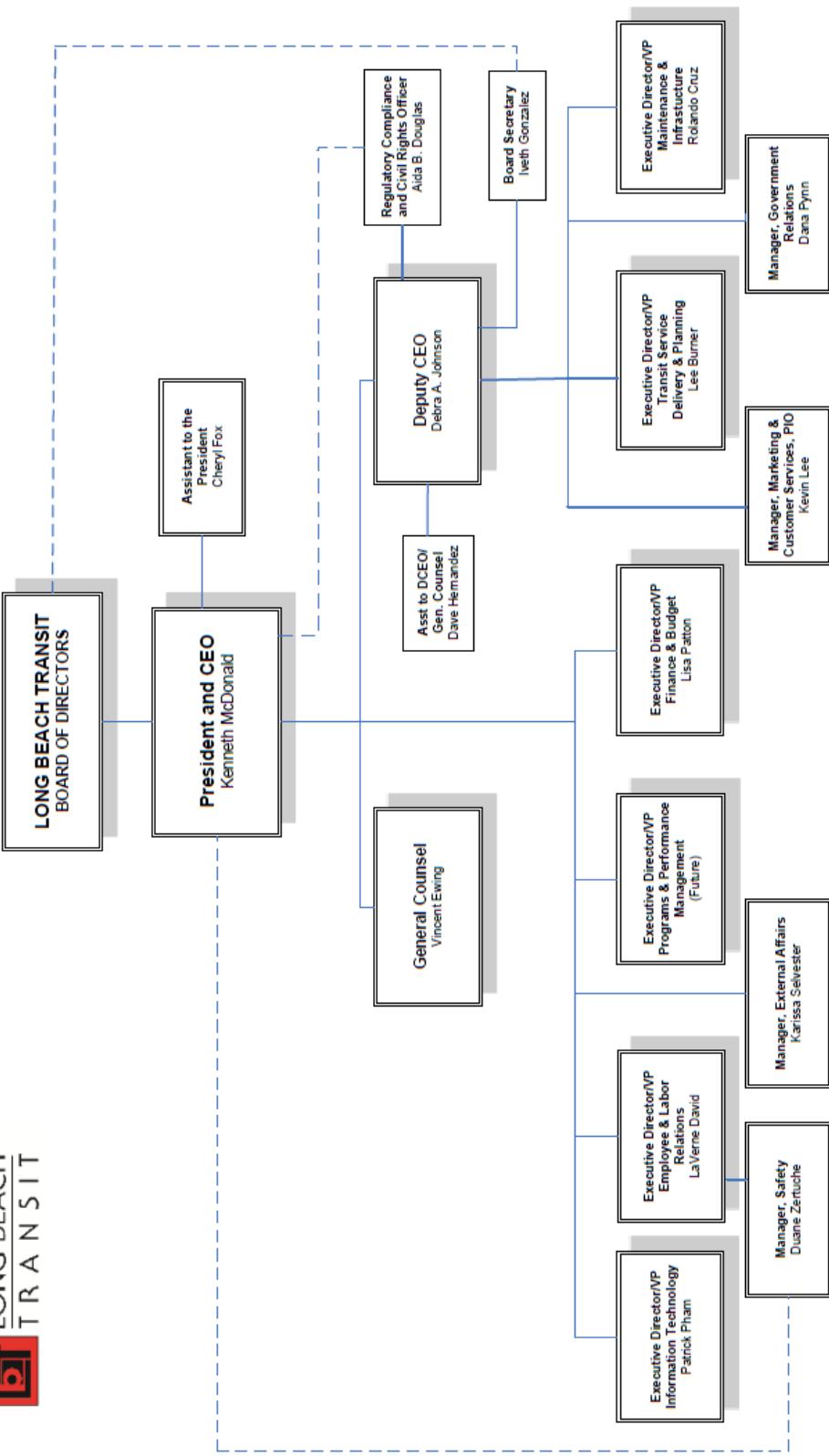
**Long Beach Public Transportation
Company, California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in black ink, appearing to read "Jeffrey P. Enzer".

Executive Director/CEO



Long Beach Public Transportation Company

Board of Directors

Maricela de Rivera	Chair of the Board
Sumire Gant	Vice Chair
Mary Zendejas	Secretary – Treasurer
Barbara Sullivan George	Director
April Economides	Director
Nancy Pfeffer	Director
Colleen Bentley	Director
Amy Bodek	Ex Officio Member, City of Long Beach
Eric Widstrand	Ex Officio Member, City of Long Beach

Management

Kenneth McDonald	President & Chief Executive Officer
Debra Johnson	Deputy Chief Executive Officer
Lisa Patton	Executive Director, VP Finance & Budget
Lee Burner	Executive Director, VP Transit Service Delivery & Planning
Rolando Cruz	Executive Director, VP Maintenance & Facilities
LaVerne David	Executive Director, VP Risk Management, Training & Human Resources
Patrick Pham	Executive Director, VP Information Systems & Technology



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Long Beach Public Transportation Company

Report on the Financial Statements

We have audited the accompanying financial statements of the Long Beach Public Transportation Company (Company), a component unit of the City of Long Beach, California, which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Long Beach Public Transportation Company as of June 30, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The supplemental informational schedules summarizing the funding progress of the Company's defined benefit pension plan and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental informational schedules summarizing the funding progress of the Company's defined benefit pension plan are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental informational schedules summarizing the funding progress of the Company's defined benefit pension plan are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016 on our consideration of Long Beach Public Transportation Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Long Beach Public Transportation Company's internal control over financial reporting and compliance.

Long Beach, California
December 9, 2016

MANAGEMENT'S DISCUSSION and ANALYSIS

As management of Long Beach Public Transportation Company (Long Beach Transit or the Company), we offer readers of Long Beach Transit's financial statements this narrative overview and analysis of the financial activities of the Company for the fiscal years ended June 2016, 2015 and 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-ix of this report.

FINANCIAL HIGHLIGHTS

- Passenger fares decreased \$571 thousand, or 3%, in fiscal year 2016 compared to 2015. Fare categories of regular fare and monthly passes experienced the combined loss of \$1.12 million while transportation partnership with local university increased \$372 thousand. The overall decrease is consistent with the decline in ridership and of other agencies in the region.
- During the year, Long Beach Transit applied for the alternative fuel tax credit and received a total of \$652 thousand.
- As of June 30, 2016, balances in deferred outflows related to pension liability and net pension liability increased by \$11 million and \$7 million, respectively primarily due to the actuarial assumption changes in the Salaried Pension Plan. The interest rate assumption was lowered from 7.5% to 6.0% and the amortization period for the unfunded liability changed from 30 years to 10 years.
- In fiscal year 2016, fuel costs decreased 25%. The average fuel price per gallon was \$2.06 compared to \$2.73 in fiscal year 2015. This resulted in a decrease in fuel costs of \$1.4 million.
- Operating expenses decreased due to a decrease in self-insured programs costs that include workers' compensation and causality and liability.
- Total estimated liability for insurance claims at June 30, 2016 remained consistent with June 30, 2015. However, new claims and adjustments to claims for fiscal year 2016 decreased by \$2.7 million and payouts decreased by \$648 thousand.
- The Company funded preventive maintenance operating expenses with capital grant funds, as permitted by federal law in the amount of \$5.2 million.
- Long Beach Transit's net position in fiscal year 2016 decreased by (\$3.9) million as a result of depreciation exceeding capital purchases.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Long Beach Transit's financial statements and notes to the financial statements.

The statements of net position present information on all of Long Beach Transit's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between the four reported as net position.

The statements of revenues, expenses, and changes in net position present information showing how the Company's net position changed for the two most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Management's Discussion and Analysis, continued

The statements of cash flows present information on the Company's cash receipts, cash payments and net changes in cash (and cash equivalents) for the two most recent fiscal years. Generally accepted accounting principles for governmental units require that cash flows be classified into one of four categories:

- Cash flows from operating activities
- Cash flows from noncapital financing activities
- Cash flows from capital and related financing activities
- Cash flows from investing activities

The Company's financial statements can be found on pages 12-17 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 17-49 of this report.

FINANCIAL STATEMENT ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Company's financial position. In the case of Long Beach Transit, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$70.0 million at the close of fiscal year 2016.

Long Beach Public Transportation Company's Condensed Summary of Net Position

	Year Ended		
	2016	2015	2014 (As Restated)
Current assets	\$ 50,770,849	\$ 54,398,902	\$ 43,496,221
Other noncurrent assets	26,222,401	25,713,285	25,608,449
Capital assets, net	83,154,750	91,276,393	84,858,221
Total assets	<u>160,148,000</u>	<u>171,388,580</u>	<u>153,962,891</u>
Deferred outflows of resources	13,797,903	2,679,713	1,327,862
Current liabilities	43,995,791	47,397,824	37,293,885
Noncurrent liabilities	59,932,165	52,294,375	52,662,821
Total liabilities	<u>103,927,956</u>	<u>99,692,199</u>	<u>89,956,706</u>
Deferred inflows of resources	-	507,481	2,152,634
Net position:			
Invested in capital assets	83,154,750	91,276,393	84,858,221
Restricted	52,306	144,080	156,350
Unrestricted	(13,189,109)	(17,551,860)	(21,833,158)
Total net position	<u>\$ 70,017,947</u>	<u>\$ 73,868,613</u>	<u>\$ 63,181,413</u>

Management's Discussion and Analysis, continued

Net position includes \$83 million invested in capital assets and \$13 million representing unrestricted deficit. In 2015, Long Beach Transit restated its net position for the fiscal year ending 2014 due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Reporting for Pensions. Reporting the net pension liability (non-current) resulted in a deficit in the unrestricted portion of net position. Unrestricted net position are company resources that have no restrictions in terms of its use. One reason a net position deficit is created is because of a significant non-current liability that is paid over time. In the case of Long Beach Transit, this would be the net pension liability that is funded over the years under the pension program.

During the year, Long Beach Transit applied for the alternative fuel tax credit and received a total of \$652 thousand. IRC Section 6426 contains the alternative fuel credit which is a product of 50 cents and the number of gallons of alternative fuel or gasoline equivalents of a non-liquid alternative fuel sold for use or used in a motor vehicle. One of the alternative fuels enumerated in this section is compressed natural gas. The alternative energy tax incentive expired December 31, 2014 and was extended until December 31, 2016.

All of Long Beach Transit's capital assets were procured with federal, state or local grant funds. Long Beach Transit spent \$10.2 million for capital assets, which included the purchase of Long Beach Transit's first battery electric bus, the upgrade of Berth 3 passenger facilities, \$1.1 million in Trapeze vehicle logic upgrades, security surveillance cameras and service cars. In addition, capital expenditures also included routine replacement of bus components, shop, and IT equipment.

For fiscal year 2015, Long Beach Transit's net position increased by \$10.7 million as a result of the annual capital purchased exceeding depreciation. Long Beach Transit spent \$24.8 million for capital assets, which included the purchase of eight forty-foot CNG buses and thirteen sixty-foot CNG buses and the completion of the maintenance bay modernization project, which consisted of the replacement of 12 underground bus lifts. In addition, capital expenditures also included upgrades to passenger facilities, including upgrading the Berth 3 dock, routine replacement of bus components, shop, and IT equipment.

Management's Discussion and Analysis, continued

**Long Beach Public Transportation Company's
Condensed Summary of Revenues, Expenses, and Changes in Net Position**

	Year – Ended		
	2016	2015	2014
Operating revenues:			
Passenger fares and special events	\$ 17,008,704	\$ 17,535,593	\$ 17,991,516
Advertising	743,132	603,029	630,413
Other revenue	804,359	63,585	18,222
Total operating revenues	<u>18,556,195</u>	<u>18,202,207</u>	<u>18,640,151</u>
Non-operating revenues:			
Subsidies	61,703,522	64,700,470	61,008,975
Interest	<u>384,825</u>	<u>229,530</u>	<u>243,911</u>
Total non-operating revenues	<u>62,088,347</u>	<u>64,930,000</u>	<u>61,252,886</u>
Total revenues	<u>80,644,542</u>	<u>83,132,207</u>	<u>79,893,037</u>
Expenses:			
Transportation	40,639,813	39,488,966	38,869,648
Maintenance	19,355,457	20,479,627	21,878,415
Administration	16,378,307	18,894,586	19,144,974
Depreciation	<u>18,355,286</u>	<u>18,343,403</u>	<u>20,605,041</u>
Total expenses	<u>94,728,863</u>	<u>97,206,582</u>	<u>100,498,078</u>
Change before capital grants	(14,084,321)	(14,074,375)	(20,605,041)
Capital grants	10,233,655	24,761,575	7,135,567
Change in net position	\$ (3,850,666)	\$ 10,687,200	\$ (13,469,474)

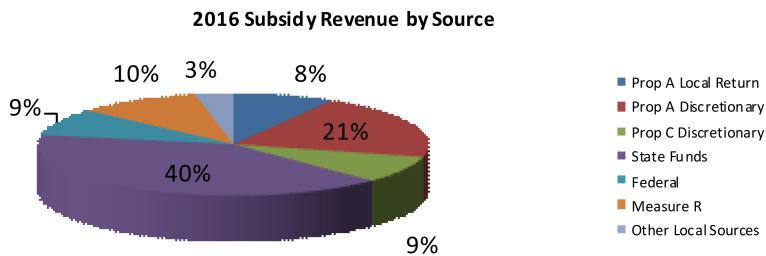
Management's Discussion and Analysis, continued

Operating revenues. Overall total operating revenues for 2016 increased 1.9%. The increase was due to the alternative fuel tax credit totaling \$652 thousand. Fare revenue comprises 91.3% of operating revenues. Fare and special events revenue in 2016 decreased by (\$526,889), or (3.0%).

Overall total operating revenues for 2015 decreased 2.3%. Fare revenue comprises 96.3% of operating revenues. Fare and special events revenues in 2015 decreased by \$455,923, or 2.5%.

Non-operating revenues. To make up for the decrease in state and local subsidies, we have had to transfer a portion of our capital grants to the operating budget to pay for maintenance costs. Subsidies in 2016, which comprise 77 % of total revenues, decreased \$(3.0) million, or (4.6)%, in 2016.

In 2015, subsidy revenue increased \$3.7 million, or 6.0%. The primary increase, \$2.5 million, was the use of preventive maintenance operating expenses with capital grant funds. This increased funds were needed as a result of increased labor, fringe benefit expenses and casualty and liability costs costs and offset by lower fuel costs.

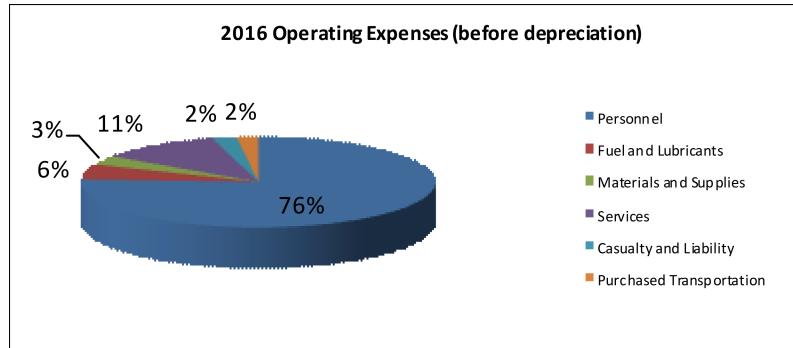


Expenses. Fiscal year 2016 operating expenses, before depreciation and pension adjustment related to the implementation of GASB 68, decreased. This decrease is due to lower workers' compensation expenses of \$1.1 million, lower fuel costs of \$1.4 million and lower casualty and liability costs of \$1.9 million. These offset pension and wages increases by \$2 million primarily due to a 3.13% wage increase.

Fiscal year 2015 operating expenses, before depreciation and pension adjustment related to the implementation of GASB 68, increased. This increase is due to increased labor expenses of \$1.3 million, which was a result of wage increases. In addition, pension cost increased \$1.7 million and casualty and workers' compensation increased due to increasing reserves for new claims and adjustments to existing claims. However, these costs were offset by \$1.3 million in lower fuel costs.

Management's Discussion and Analysis, continued

In 2016, depreciation expense increased 0.1% and depreciation expense exceeded capital acquisitions by \$8.1 million. In 2015, depreciation expense decreased 11% and capital acquisitions exceeded depreciation by \$6.4 million.



CAPITAL ASSETS

Long Beach Transit's investment in capital assets as of June 30, 2016 amounted to \$83.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, fleet, communication and farebox systems, machinery and equipment, and passenger facilities. All assets have been purchased with federal, state or local grants awarded to the Company, and Long Beach Transit has never issued any debt to fund the procurement of capital assets.

The total net decrease in the Company's investment in capital assets for the current fiscal year was 8.9%. Long Beach Transit had \$10.2 million in new capital acquisitions during the year, a decrease of \$14.5 million when compared to 2015. Fiscal year 2016, included the purchase of Long Beach Transit's first battery electric bus, the upgrade of Berth 3 passenger facilities, \$1.1 million in Trapeze vehicle logic upgrades, security surveillance camera project and service cars. In addition, capital expenditures also included routine replacement of bus components, shop, and IT equipment.

As noted above, all assets are purchased with grants, the majority coming from federal funding. Total grant awards will vary each year as Long Beach Transit is eligible for a formula percentage of the County's federal funding, plus one-time grants available for specific projects, such as bus replacement. Grant requirements allow, on average, three years to expend these funds. As of June 30, 2016, the Company had \$107.7 million in grant funds designated for capital procurements. This is a \$13.3 million increase from the available balance at the end of fiscal year 2015.

Management's Discussion and Analysis, continued

Significant capital asset acquisitions during 2016 included the following:

- Routine replacement of engines, transmissions, tires and bus components totaling \$3.5 million
- Information systems and surveillance cameras totaling \$1.8 million
- Trapeze Vehicle Logic Upgrade \$1.1 million
- One battery electric bus totaling \$1 million
- Upgrades to passenger facilities including the completion of Berth 3 dock totaling \$ 959 thousand
- Bus cosmetic rehab and detailing \$500 thousand
- Replacement of service and dial-a-lift vehicles \$328 thousand

Long Beach Public Transportation Company's Capital Assets (net of depreciation)

	Year – Ended		
	2016	2015	2014
Land	\$ 5,525,000	\$ 5,525,000	\$ 5,525,000
Buildings and improvements	12,073,320	13,683,808	12,495,346
Fleet	55,961,508	56,609,606	53,940,659
Communications systems	193,021	257,209	372,231
Fare collection system	219,140	280,399	666,130
Office, shop and garage equipment	2,089,621	1,771,018	2,253,251
Passenger facilities	2,360,698	2,847,367	4,616,726
Construction in progress	4,732,442	10,301,986	4,988,878
Total capital assets, net of depreciation	\$ 83,154,750	\$ 91,276,393	\$ 84,858,221

Long Beach Transit's investment in capital assets as of June 30, 2015, amounted to \$91.3 million (net of accumulated depreciation). The Company had \$24.8 million in new capital acquisitions during the year, an increase of \$17.6 million, when compared to 2014.

Significant capital asset acquisitions during 2015 included the following:

- Purchased eight forty-foot and thirteen sixty-foot CNG buses totaling \$12.7 million
- Software upgrade and information systems equipment totaling \$817 thousand
- Completion of the Maintenance Bay Modernization Project, which consisted of the replacement of 12 underground bus lifts and associated flooring work totaling \$496 thousand
- Upgrades to passenger facilities including the Berth 3 dock totaling \$1.1 million
- Routine replacement of engines, transmissions, tires and bus components totaling \$2.5 million

Management's Discussion and Analysis, continued

Additional information on Long Beach Transit's capital assets can be found in note (8) in the notes to the accompanying financial statements beginning on page 29 of this report.

ECONOMIC FACTORS and NEXT YEAR'S FINANCIAL PLAN

The state and local economies continue with a slow recovery from the recession. As we move into 2017, Long Beach Transit will focus on improving efficiency, controlling costs and ensuring the sustainability of our pensions. The existing state and federal funding environment is not expected to result in significant additional funding for transit in the future.

We continue to face escalating pension and health care costs. During fiscal year 2016-17 we are focusing on addressing a structural challenge within our pension plans by decreasing the expected rate of return. The results of this change in assumptions requires us to put more funds into the pension plans to ensure they are sustainable for the future. By being more conservative now, Long Beach Transit will be better positioned heading into the future.

In addition to escalating pension costs, health care costs continue their steady climb. While health care costs continue to outpace inflation, offering competitive benefits are important in order to retain and attract high quality employees. With the rapid changes occurring within the health care industry, we will continue to look at concepts that may help to minimize our exposure in the future.

The Labor Agreement between Long Beach Transit and the Amalgamated Transit Union, Local 1277, is effective from July 1, 2013, to June 30, 2017. The Agreement provides the parties with specific procedures governing the duration and renewal of the Agreement. Long Beach Transit has no reason to expect any service disruption with regard to this Agreement.

The way we will achieve our mission in this environment is to continue to improve all aspects of our core business processes including our service delivery, customer experience and staff development. While management believes Long Beach Transit's conservative financial practices will allow us to meet the funding challenges for the upcoming year, we will closely monitor all of the issues. The Company's objective is to maintain current service levels for 2017.

Despite challenges, Long Beach Transit remains financially healthy. Our FY 2017 budget is balanced with current revenues equal to current expenditures. Through improvements in efficiency, Long Beach Transit has been able to increase wages while controlling cost increases. The financial plan approved in May 2016 for fiscal year 2017 totals \$86.6 million and is less than a one percent increase over fiscal year 2016.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Long Beach Public Transportation Company's finances for all those with an interest in the Company's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director & Vice President of Finance and Budget, Long Beach Transit, P.O. Box 731, Long Beach, California, 90801.

Long Beach Public Transportation Company

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Long Beach Public Transportation Company

Statements of Net Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents (note 2)	\$ 43,162,289	\$ 44,314,746
Accounts receivable (note 4)	5,877,305	8,710,830
Materials and supplies inventory	1,153,822	1,001,935
Prepaid expenses	577,433	371,391
Total current assets	50,770,849	54,398,902
Noncurrent Assets:		
Investments (note 2)	26,222,401	25,713,285
Capital assets:		
Land	5,525,000	5,525,000
Construction-in-progress	4,732,442	10,301,986
Capital assets, net of accumulated depreciation:		
Buildings and improvements	12,073,320	13,683,808
Fleet	55,961,508	56,609,606
Communications systems	193,021	257,209
Fare collection system	219,140	280,399
Office, shop and garage equipment	2,089,621	1,771,018
Passenger facilities	2,360,698	2,847,367
Total noncurrent assets	109,377,151	116,989,678
Total assets	<u>\$ 160,148,000</u>	<u>\$ 171,388,580</u>
DEFERRED OUTFLOWS OF RESOURCES		
Net difference of changes related to pension liability	<u>\$ 13,797,903</u>	<u>\$ 2,679,713</u>

The notes to the financial statements are an integral part of these statements.

Long Beach Public Transportation Company

Statements of Net Position, Continued
June 30, 2016 and 2015

	2016	2015
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 2,010,228	\$ 8,727,929
Accrued payroll expenses	1,047,398	1,442,969
Compensated absences payable (note 11)	3,014,117	2,832,830
Retiree health care benefits (note 11)	172,278	146,682
Subsidy deferral (note 9)	23,405,203	19,768,145
Estimated liability for insurance claims (note 6)	14,346,567	14,479,269
Total current liabilities	<u>43,995,791</u>	<u>47,397,824</u>
Noncurrent Liabilities:		
Unearned revenue (note 5)	25,768,072	25,671,678
Retiree health care benefits (note 11)	3,624,595	3,437,908
Net pension liability (note 13)	<u>30,539,498</u>	<u>23,184,789</u>
Total noncurrent liabilities	<u>59,932,165</u>	<u>52,294,375</u>
Total liabilities	<u>103,927,956</u>	<u>99,692,199</u>
DEFERRED INFLOWS OF RESOURCES		
Net difference of changes related to pension liability	\$ _____ -	\$ 507,481
NET POSITION		
Invested in capital assets	83,154,750	91,276,393
Restricted for:		
Restricted for capital procurement	52,306	144,080
Unrestricted	<u>(13,189,109)</u>	<u>(17,551,860)</u>
Total net position	<u>\$ 70,017,947</u>	<u>\$ 73,868,613</u>

The notes to the financial statements are an integral part of these statements.

Long Beach Public Transportation Company

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Passenger fares	\$ 16,945,561	\$ 17,516,839
Special events	63,143	18,754
Advertising	743,132	603,029
Other revenue	804,359	63,585
Total operating revenues	<u>18,556,195</u>	<u>18,202,207</u>
Operating expenses:		
Transportation	40,639,813	39,488,966
Maintenance	19,355,457	20,479,627
Administration	16,378,307	18,894,586
Depreciation (note 8)	18,355,286	18,343,403
Total operating expenses	<u>94,728,863</u>	<u>97,206,582</u>
Operating loss	<u>(76,172,668)</u>	<u>(79,004,375)</u>
Nonoperating income:		
Subsidies (note 3)	61,703,522	64,700,470
Interest income	384,825	229,530
Total nonoperating income	<u>62,088,347</u>	<u>64,930,000</u>
Change in net position before capital grants	(14,084,321)	(14,074,375)
Capital grants	<u>10,233,655</u>	<u>24,761,575</u>
Change in net position	(3,850,666)	10,687,200
Total net position, July 1	<u>73,868,613</u>	<u>63,181,413</u>
Total net position, June 30	<u>\$ 70,017,947</u>	<u>\$ 73,868,613</u>

The notes to the financial statements are an integral part of these statements.

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from customers	\$ 18,513,743	\$ 18,177,775
Cash paid to employees for services	(41,131,259)	(39,473,820)
Cash paid to other suppliers of goods or services	<u>(46,778,555)</u>	<u>(33,776,255)</u>
Net cash used in operating activities	<u>(69,396,071)</u>	<u>(55,072,300)</u>
Cash flows provided by noncapital financing activities:		
Operating subsidies received	<u>65,033,491</u>	<u>66,112,456</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	25,898	27,384
Purchase of capital assets	(10,233,655)	(24,761,575)
Capital grant contributions received	<u>13,614,386</u>	<u>20,020,331</u>
Net cash provided by (used in) capital and related financing activities	<u>3,406,629</u>	<u>(4,713,860)</u>
Cash flows provided by investing activities:		
Proceeds from sales and maturities of investments	14,062,335	15,531,677
Purchase of investments	(14,203,139)	(15,396,487)
Realized and unrealized (gains)/losses	(368,312)	(240,026)
Interest received on cash and investments	<u>312,610</u>	<u>296,954</u>
Net cash provided by (used in) investing activities	<u>(196,506)</u>	<u>192,118</u>
Net increase in cash and cash equivalents	<u>(1,152,457)</u>	<u>6,518,414</u>
Cash and cash equivalents, July 1	<u>44,314,746</u>	<u>37,796,332</u>
Cash and cash equivalents, June 30 (note 2)	<u>\$ 43,162,289</u>	<u>\$ 44,314,746</u>

The notes to the financial statements are an integral part of these statements.

**Statements of Cash Flows, Continued
Years Ended June 30, 2016 and 2015**

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	2016	2015
Operating loss	\$ (76,172,668)	\$ (79,004,375)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	18,355,286	18,343,403
Increase in accounts receivable from operations	(91,728)	(44,378)
Decrease/(increase) in materials and supplies inventory	(151,887)	82,698
Decrease/(increase) in prepaid expenses	(206,042)	687,650
Increase in deferred flows of resources	(11,625,671)	(2,997,004)
Increase/(decrease) in accounts payable	(6,723,367)	6,741,823
Increase/(decrease) in accrued payroll expenses, compensated absences payable, and retiree health care benefits	(2,001)	491,365
Increase/(decrease) in net pension liability	7,354,709	(1,272,026)
Increase/(decrease) in estimated liability for insurance claims	<u>(132,702)</u>	<u>1,898,544</u>
Total adjustments	<u>6,776,597</u>	<u>23,932,075</u>
Net cash used in operating activities	<u>\$ (69,396,071)</u>	<u>\$ (55,072,300)</u>

The notes to the financial statements are an integral part of these statements.

**Notes to Financial Statements
June 30, 2016 and 2015**

(1) Summary of Significant Accounting Policies

Accounting Changes

During fiscal year ended June 30, 2016, Long Beach Transit has implemented the following GASB pronouncements:

Statement No. 72 *Fair Value Measurement and Application*. The provisions of this Statement establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The requirements of this Statement are effective for financial statement statements for fiscal years beginning after June 15, 2015.

Reporting Entity

Long Beach Public Transportation Company (Long Beach Transit or the Company) is a nonprofit corporation organized to provide public transportation services in Long Beach, California. The Company is governed by a seven-member Board of Directors appointed to serve four-year terms by the Mayor, with the approval of the Long Beach City Council. In turn, the Board Members appoint a Chief Executive Officer who is responsible for overseeing the Company's daily operations. The Company is responsible for the preparation of its own annual financial plan.

In accordance with U.S. generally accepted accounting principles (GAAP), the Company is considered a component financial reporting unit of the City of Long Beach (City), California. As such, the Company's financial statements are included in the City's comprehensive annual financial report as a discretely presented component unit. Long Beach Transit has a separate legal status and has historically operated as an independently managed and operated nonprofit corporation, receiving no direct administrative or financial support from the City. For the present, there has been no expressed intent to alter the status of this financial reporting and administrative relationship.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

Notes to Financial Statements, Continued

Deferred Outflows of Resources – represent outflow of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense at that time.

Deferred Inflows of Resources – (acquisition of net position) that apply to future periods and that, therefore, are not be recognized as revenue until that time.

The Company distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Company's principal ongoing operations. The principal operating revenues of the Company include passenger fares charged for transportation service to the community and advertising fees. Operating expenses include the cost of transportation services, maintenance of capital assets and facilities, administrative expenses and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. Principal areas requiring the use of estimates include determination of useful lives of capital assets, liability for insurance claims, accrued retiree sick leave and defined benefit plan assumptions.

Material and Supplies Inventory

Inventory is valued at cost on a first-in, first-out basis as applied on a moving-average-cost method, or market, whichever is lower.

Capital Assets

Capital assets, which include property, plant and equipment, are defined by the Company as assets with initial project values exceeding \$5,000, with individual federally funded items costing more than \$500 and having an estimated useful life of more than one year. The Federal Transit Administration (FTA) excludes the bus tire lease from this requirement as it is depreciated over a twelve-month period. Capital assets are valued at historical cost. Depreciation is provided using the straight-line method, with no allowance for salvage values. Donated capital assets are recorded at estimated fair market at the date of donation. The Company did not receive any donated capital assets during fiscal years 2016 and 2015.

Estimated useful lives of the Company's capital assets are as follows:

Buildings and improvements	5-25 years
Buses and vessels	12 years
Fareboxes	10 years
Smaller coaches	7 years
Furniture, equipment and passenger facilities	5 years
Service trucks	4 years
EDP equipment	3 years
Bus components	3 years
Service autos	3 years
Bus tires	1 year

Notes to Financial Statements, Continued

Financial Plan

The Company adopts an annual financial plan for management information purposes only. Accordingly, financial statements presenting comparison of budgeted and actual results are not included.

Government Grants

Grants, with the exception of Proposition A's local share (noted below) for operating assistance, for the acquisition of equipment or other capital outlay are not formally recognized in the accounts until the grant becomes a valid receivable as a result of the Company complying with appropriate grant requirements.

Operating assistance grants are included in non-operating revenues in the year in which a related reimbursable expenditure is incurred or in deferred revenue for use in the subsequent fiscal year.

The Company's policy is to report revenues from capital grants separately after non-operating revenues as the related expenditures are incurred. Assets acquired with capital grant funds are included in capital assets. Capital monies received prior to an expenditure being incurred are recorded as deferred revenue.

The City allocates a portion of its Proposition A local share funding to the Company in accordance with an agreement between the Company, the City and the Los Angeles County Metropolitan Transportation Authority (Metro) (see notes 3 and 5). The Company records such Proposition A funds received from the City as deferred revenue until used for operating assistance and/or capital expenditures. Those Proposition A funds used for operating assistance are included in non-operating subsidies income and those funds used for capital expenditures are included in capital assets.

Statements of Cash Flows

For purposes of the statements of cash flows, the Company considers all of its cash deposits and investments with an original maturity of three months or less to be cash and cash equivalents. Monies invested with the State Treasurer's Local Agency Investment Fund (LAIF) may have maturities longer than 90 days; however, LAIF functions as a demand deposit account. Therefore, the Company considers such investments to be cash equivalents. There were no significant noncash capital and related financing activities in 2016 and 2015.

Notes to Financial Statements, Continued

(2) Cash and Investments

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

	2016	2015
Cash on hand	\$ 59,595	\$ 65,323
Deposits with financial institutions	2,312,572	1,269,960
Outstanding checks	(2,600,261)	(484,933)
Cash equivalents	<u>43,390,383</u>	<u>43,464,396</u>
 Total cash and cash equivalents	 <u>43,162,289</u>	 <u>44,314,746</u>
 Investments	 <u>26,222,401</u>	 <u>25,713,285</u>
Total cash, cash equivalents, and investments	<u>\$ 69,384,690</u>	<u>\$ 70,028,031</u>

Investments Authorized by the California Government Code and Long Beach Public Transportation Company's Investment Policy

The table below identifies the investment types that are authorized for Long Beach Transit by the Company's investment policy. The table also identifies certain provisions of the Company's investment policy that address interest rate risk, credit risk, and concentration of credit risk. During fiscal year 2016 and 2015, the Company elected to have its investments with LAIF and a similarly structured investment vehicle managed by an independent manager.

	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Percentage In One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	10%	10%
Money Market Mutual Funds	N/A	None	None
Bankers Acceptances	180 days	40%	10%
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	92 days	20%	None
Mutual Funds	N/A	15%	10%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Medium-Term Notes	5 years	30%	None
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Bonds	5 years	10%	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. The Company manages its exposure to declines in fair values by limiting the weighted average maturity of the investment portfolio to no more than two years.

Information about the sensitivity of fair values of the Company's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment at June 30, 2016 and 2015, respectively.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

Type	2016	Weighted Average Maturity (Yrs)
Cash Equivalents		
Local Agency Investment Fund (LAIF)	\$ 43,350,781	0.66
Fidelity Municipal Money Market	39,602	N/A
Total cash equivalents	<u>\$ 43,390,383</u>	
Corporate Bonds		
Amgen Inc 2.125% Due 05-15-17	\$ 705,838	0.9
Apple Inc 0.900% Due 05-12-17	701,288	0.9
Berkshire Hathaway Fin Corp 1.600% Due 05-15-17	604,980	0.9
Blackrock Inc 5.000% Due 12-10-19	671,964	3.5
Pepsi Bottling Group LLC 5.125% Due 01-15-19	768,208	2.6
EMC Corp. 1.875% Due 06-01-18	686,049	1.9
General Elec Cap Corp 5.625% Due 05-01-18	758,870	1.8
NYSE Euronext 2.000% Due 10-05-17	706,895	1.3
Pfizer Inc 6.050% Due 03-30-17	726,831	0.8
Target Corp 5.875% Due 07-15-16	700,889	-
Wells Fargo Co Mtn Be 2.625% Due 12-15-16	705,866	0.5
Corporate Bonds Total	<u>\$ 7,737,678</u>	
Government Bonds		
Federal Hm Ln Bk 1.250% Due 05-25-21	\$ 2,000,740	4.9
Federal Farm Cr Bks 0.780% Due 09-14-17	1,252,400	1.2
Federal Farm Cr Bks 1.650% Due 09-08-20	1,500,030	4.2
Federal Hm Ln Bk 5.000% Due 11-17-17	2,119,080	1.4
Federal Nat/Mtg Assoc 1.875% Due 02-19-19	2,055,340	2.6
Federal Nat/Mtg Assoc 0.900% Due 11-14-17	1,000,160	1.4
US Treasury Note 1.375% Due 11-30-18	2,288,948	2.4
US Treasury Note 0.875% Due 02-28-17	2,005,160	0.7
US Treasury Note 1.000% Due 03-31-17	2,007,420	0.8
US Treasury Note 0.750% Due 10-31-17	2,255,445	1.3
Government & Government Agency Bonds Total	<u>\$ 18,484,723</u>	
Total Investment Value	<u><u>\$ 26,222,401</u></u>	

As of June 30, 2016, there was \$117,831 of accrued bond interest which is included in accounts receivable.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

Type	2015	Weighted Average Maturity (Yrs)
Cash Equivalents		
Local Agency Investment Fund (LAIF)	\$ 43,173,995	0.46
Fidelity Municipal Money Market	290,401	N/A
Total cash equivalents	<u><u>\$ 43,464,396</u></u>	
Corporate Bonds		
Amazon.com 0.650% Due 11-27-15	\$ 700,021	0.4
Amgen Inc 2.125% Due 05-15-17	711,039	1.9
Bp Cap Mkts P L C Sr Nt 0.700% Due 11-06-15	700,581	0.4
E M C Corp Mass Sr Nt 1.875% Due 06-01-18	701,358	2.9
General Elec Cap Corp 5.625% Due 05-01-18	774,774	2.8
JPMorgan Chase & Co Mtn 1.350% Due 02-15-17	700,609	1.6
NYSE Euronext Nt 2.000% Due 10-05-17	708,414	2.3
Prudential Financial Inc. 5.500% Due 03-15-16	722,183	0.7
Target Corp 5.875% Due 07-15-16	737,548	1.0
Wells Fargo Co Mtn Be 2.625% Due 12-15-16	715,988	1.5
Corporate Bonds Total	<u><u>\$ 7,172,515</u></u>	
Government Bonds		
Federal Hm Ln Bk 1.750% Due 09-11-15	\$ 1,504,740	0.2
Federal Farm Cr Bks 0.400% Due 11-09-15	1,251,012	0.4
Federal Farm Cr Bks 1.620% Due 06-03-19	1,498,635	3.9
Federal Hm Ln Bk 5.000% Due 11-17-17	2,194,160	2.4
Federal Hm Ln Bk 1.500% Due 02-28-19	1,503,195	3.7
Federal Nat/Mtg Assoc 1.875% Due 02-19-19	2,037,700	3.6
Federal Nat/Mtg Assoc 2.000% Due 09-28-15	1,255,563	0.3
Federal Nat/Mtg Assoc 0.625% Due 11-14-16	998,970	1.4
Federal Nat/Mtg Assoc 0.900% Due 11-14-17	995,660	2.4
US Treasury Note 1.750% Due 05-31-16	2,026,100	0.9
US Treasury Note 1.000% Due 03-31-17	1,259,575	1.8
US Treasury Note 1.375% Due 11-30-18	2,015,460	3.4
Government and Government Agency Bonds Total	<u><u>\$ 18,540,770</u></u>	
Total Investment Value	<u><u>\$ 25,713,285</u></u>	

As of June 30, 2015, there was \$103,502 of accrued bond interest which is included in accounts receivable.

Notes to Financial Statements, Continued

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization. Ratings on the investments, excluding LAIF and money market accounts, are as follows at June 30, 2016.

Investment Type	Rating
Investments	
Amgen Inc 2.125% Due 05-15-17	A
Apple Inc 0.900% Due 05-12-17	AA+
Berkshire Hathaway Fin Corp 1.600% Due 05-15-17	AA
Blackrock Inc 5.000% Due 12-10-19	AA-
Pepsi Bottling Group LLC 5.125% Due 01-15-19	A
EMC Corp. 1.875% Due 06-01-18	A
General Elec Cap Corp 5.625% Due 05-01-18	AA+
NYSE Euronext 2.000% Due 10-05-17	A
Pfizer Inc 6.050% Due 03-30-17	AA
Target Corp 5.875% Due 07-15-16	A
Wells Fargo Co Mtn Be 2.625% Due 12-15-16	A
Investment Type	Rating
Government Bonds	
Federal Hm Ln Bk 1.250% Due 05-25-21	AA+
Federal Farm Cr Bks 0.780% Due 09-14-17	AA+
Federal Farm Cr Bks 1.650% Due 09-08-20	AA+
Federal Hm Ln Bk 5.000% Due 11-17-17	AA+
Federal Nat/Mtg Assoc 1.875% Due 02-19-19	AA+
Federal Nat/Mtg Assoc 0.900% Due 11-14-17	AA+
US Treasury Note 1.375% Due 11-30-18	AA+
US Treasury Note 0.875% Due 02-28-17	AA+
US Treasury Note 1.000% Due 03-31-17	AA+
US Treasury Note 0.750% Due 10-31-17	AA+

Notes to Financial Statements, Continued

Concentration of Credit Risk

The investment policy of the Company contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Company will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Company's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to the Company's indirect investment in securities through the use of mutual funds or government investment pools, such as LAIF.

Fair Value

The Company follows the provisions of GASB No. 72 for fair value measurements of financial assets and financial liabilities and for fair value measurements that are recognized or disclosed at fair value in the financial statements on a recurring basis. GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset.

The following table sets forth by level, within the fair value hierarchy, the Company's investments at fair value measurements:

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

Fair Value Measurements at June 30, 2016

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Money Market	\$ 39,602			\$ 39,602
US Treasury Securities:				
Corporate Bonds	7,737,678			7,737,678
Government Bonds	18,484,723			18,484,723
State of California Local				
Agency Investment Fund	43,350,781			43,350,781
Total assets at fair value	<u>None</u>	<u>\$ 69,612,784</u>	<u>None</u>	<u>\$ 69,612,784</u>

Fair Value Measurements at June 30, 2015

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Money Market	\$ 290,401			\$ 290,401
US Treasury Securities:				
Corporate Bonds	7,172,515			7,172,515
Government Bonds	18,540,770			18,540,770
State of California Local				
Agency Investment Fund	43,173,995			43,173,995
Total assets at fair value	<u>None</u>	<u>\$ 69,177,681</u>	<u>None</u>	<u>\$ 69,177,681</u>

(3) Operating Subsidies

Subsidies from the following sources were earned during the years ended June 30:

	<u>2016</u>	<u>2015</u>
Proposition A, County of Los Angeles	\$ 12,680,667	\$ 12,767,792
TDA,STA and LCTOP, State of California	24,914,119	24,826,792
Proposition C, County of Los Angeles	5,284,705	5,298,741
Proposition A Allocation, City of Long Beach	5,190,603	5,190,603
Preventative Maintenance, Federal	5,325,398	5,929,059
Measure R	6,343,909	8,970,933
Other local sources	1,964,121	1,716,550
Total	<u>\$ 61,703,522</u>	<u>\$ 64,700,470</u>

Notes to Financial Statements, Continued

The voters of the County of Los Angeles approved Proposition A in November 1980 and Proposition C in November 1990. These voter approved sales tax initiatives each provide a 1/2% sales tax within the County to be used for mass transit and transportation purposes. A substantial portion of these funds are distributed to the various County transit operators by Metro on both a formula and discretionary basis.

Additionally, each city in Los Angeles County receives a formula allocation of certain Proposition A revenues. The City of Long Beach in turn allocates a portion of its Proposition A local share funding to the Company in accordance with an agreement between the Company and the City. The portion of the local Proposition A funds used for operating assistance is included above.

The State of California's Transportation Development Act (TDA) of 1971 designated a portion of County sales tax receipts to finance transit operations and development. This financing is made available to eligible transit operators within the County through allocations from the Local Transportation Fund of Los Angeles County and administered by Metro. State Transit Assistance Funds (STA) are generated from state fuel taxes and are disbursed to transit agencies based on a formula allocation by Metro.

The Low Carbon Transit Operations Program (LCTOP) is one of several programs that are part of the Transit Affordable Housing and Sustainable Communities Program established by the California Legislature in 2014 in Senate Bill 862, which will draw on the funds from the GGIF. The LCTOP is designed to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with serving disadvantaged communities being a priority.

In accordance with the Federal Transit Administration (FTA) regulations, the Company is allowed to use a portion of federal grant monies for operating preventative maintenance expenditures. These funds are shown as subsidy income in the Company's accompanying financial statements. The FTA funds 100% of the costs and FTA local match requirement is met by utilizing Transportation Development Credits.

Measure R, approved by the voters in November 2009, provides a ½ cent sales tax for transportation improvements.

Other local monies are reimbursement for service hours supplied to seven surrounding cities and Job Access Reverse Commute funds (JARC) awarded for service for route 176 weekday service that provides a direct connection between major employment centers in Long Beach and Lakewood with the Metro Blue Line Pacific Coast Highway (PCH) station and Route 1 Service Expansion project that provides direct connection between major employment centers in the City of Carson, downtown Long Beach, and the Metro Blue Line Del Amo Station.

Notes to Financial Statements, Continued

(4) Accounts Receivable

Accounts receivable were comprised of the following at June 30:

	2016	2015
Subsidies	\$ 492,475	\$ 65,440
Insurance reimbursements	418,114	368,839
Interest	175,717	103,502
Trade Receivables	617,981	575,527
Proposition A funds due from City	1,125,000	1,210,000
Capital grants receivable	1,371,060	5,695,404
STA	1,676,958	692,118
 Total	 <u>\$ 5,877,305</u>	 <u>\$ 8,710,830</u>

Accounts are written off when determined to be uncollectible. In the opinion of management, all significant accounts receivable at June 30, 2016 and 2015 are fully collectible.

(5) Unearned Revenue

At June 30, 2016 and 2015, the balances of unearned revenue are as follows:

	2016	2015
Capital grant funds	\$ 25,282,339	25,308,318
Other	485,733	363,360
Total unearned revenue	<u>\$ 25,768,072</u>	<u>\$ 25,671,678</u>

Capital grants receivable are grant funds earned and shown as capital contributions through purchase or construction of qualifying capital assets, but not yet received. Capital grant funds included in unearned revenue are funds the Company has received in advance for capital asset acquisition or construction but which have not been expended at the date of the statements of net position.

Other unearned revenue includes proceeds from the sale of assets originally purchased with capital grant contributions, which will be used for future asset acquisitions, and escheat checks.

(6) Estimated Liability for Insurance Claims

Under its insurance programs, the Company retains the risk for each occurrence of workers' compensation and public liability and property damage claimed up to \$1.5 million and \$2 million respectively. Workers' compensation maximum limit of indemnity per occurrence is statutory and employer's liability is \$2,000,000 per aggregate. Individual claim settlements for both workers' compensation and public liability and property damage did not exceed insurance coverage limits in fiscal years 2016 and 2015.

The level of risk retention is dictated by the insurance market and the rates available to the Company. The Company weighs the increased premium costs against the risk level attempting to minimize overall program expenses.

Notes to Financial Statements, Continued

The Company's policy is to estimate and recognize losses on the accrual basis based on the report of the Company's independent claims manager or an actuarial report and to maintain designated cash and investments to fund the estimated liabilities. Liabilities may also be accrued if it is reasonable to suspect claims may arise from an incident that has occurred, but has yet to be reported to our independent claims manager.

The changes in estimated liabilities for reported claims are as follows:

	Public Liability and Property Damage	Workers' Compensation	Total
Estimated liabilities at June 30, 2014	\$ 5,898,267	\$ 6,682,458	\$ 12,580,725
Reserves:			
New claims	1,604,875	1,048,657	2,653,532
Adjustments to existing claims	1,236,408	2,466,254	3,702,662
Payouts	<u>(1,997,305)</u>	<u>(2,460,345)</u>	<u>(4,457,650)</u>
Estimated liabilities at June 30, 2015	6,742,245	7,737,024	14,479,269
Reserves:			
New claims	415,656	1,268,744	1,684,400
Adjustments to existing claims	730,014	1,262,988	1,993,002
Payouts	<u>(920,556)</u>	<u>(2,889,548)</u>	<u>(3,810,104)</u>
Estimated liabilities at June 30, 2016	<u>\$ 6,967,359</u>	<u>\$ 7,379,208</u>	<u>\$ 14,346,567</u>

(7) Deferred Compensation

The Company offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by an independent contractor. The Plan is available to all Company employees and permits them to defer a portion of their salary until future years. Plan assets consist of money market and mutual funds and are purchased based on elections made by the Company's employees. The deferred compensation is not available to employees or beneficiaries until termination, retirement, death or unforeseeable emergency.

Existing assets in the Plan are maintained in a qualified custodial account. The Custodian holds the Plan's assets for the exclusive benefit of participants and beneficiaries. The Plan's assets are not the legal property of the Company and are not subject to the claims of the Company's general creditors nor can they be used by the Company for any purpose other than the payment of benefits to employees participating in the Plan or their designated beneficiaries. Therefore, deferred compensation funds are not shown on the Company's Statements of Net Position.

Notes to Financial Statements, Continued

(8) Capital Assets

Capital asset activity for the years ended June 30, 2016 and 2015 was as follows:

	Balance at June 30, 2015	Adjustments/ Transfers	Increases	Decreases	Balance at June 30, 2016
Capital assets not being depreciated:					
Land	\$ 5,525,000	\$ --	\$ --	\$ --	\$ 5,525,000
Construction in progress	10,301,986	(7,328,910)	1,759,378	(12)	4,732,442
Total capital assets not being depreciated	15,826,986	(7,328,910)	1,759,378	(12)	10,257,442
Capital assets being depreciated:					
Buildings and improvements	50,880,899	67,208	224,327	(6,684)	51,165,750
Fleet	150,714,896	6,485,420	5,981,527	(13,797,622)	149,384,221
Communications systems	7,403,467	--	55,017	--	7,458,484
Fare collection system	8,255,946	--	90,818	--	8,346,764
Office, shop and garage equipment	23,893,523	76,581	1,426,843	(2,451,371)	22,945,576
Passenger facilities	14,546,359	699,701	695,745	(15,079)	15,926,726
Total capital assets being depreciated	255,695,090	7,328,910	8,474,277	(16,270,756)	255,227,521
Less accumulated depreciation:					
Buildings and improvements	(37,197,091)	--	(1,902,023)	6,684	(39,092,430)
Fleet	(94,105,290)	--	(13,115,045)	13,797,622	(93,422,713)
Communications systems	(7,146,258)	--	(119,205)	--	(7,265,463)
Fare collection system	(7,975,547)	--	(152,077)	--	(8,127,624)
Office, shop and garage equipment	(22,122,505)	--	(1,184,821)	2,451,371	(20,855,955)
Passenger facilities	(11,698,992)	--	(1,882,115)	15,079	(13,566,028)
Total accumulated depreciation	(180,245,683)	-	(18,355,286)	16,270,756	(182,330,213)
Total capital assets being depreciated, net	75,449,407	7,328,910	(9,881,009)	--	72,897,308
Total capital assets, net	\$ 91,276,393	\$ -	\$ (8,121,631)	\$ (12)	\$ 83,154,750

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

	Balance at June 30, 2014	Adjustments/ Transfers	Increases	Decreases	Balance at June 30, 2015
Capital assets not being depreciated:					
Land	\$ 5,525,000	\$ --	\$ --	\$ --	\$ 5,525,000
Construction in progress	4,988,878	(2,413,865)	7,726,973	--	10,301,986
Total capital assets not being depreciated	<u>10,513,878</u>	<u>(2,413,865)</u>	<u>7,726,973</u>	<u>--</u>	<u>15,826,986</u>
Capital assets being depreciated:					
Buildings and improvements	48,185,352	1,990,416	705,131	--	50,880,899
Fleet	142,800,042	111,947	14,925,887	(7,122,980)	150,714,896
Communications systems	7,401,829	--	1,638	--	7,403,467
Fare collection system	8,102,782	--	153,164	--	8,255,946
Office, shop and garage equipment	22,890,314	284,800	779,222	(60,813)	23,893,523
Passenger facilities	14,109,742	26,702	469,560	(59,645)	14,546,359
Total capital assets being depreciated	<u>243,490,061</u>	<u>2,413,865</u>	<u>17,034,602</u>	<u>(7,243,438)</u>	<u>255,695,090</u>
Less accumulated depreciation:					
Buildings and improvements	(35,690,006)	--	(1,507,085)	--	(37,197,091)
Fleet	(88,859,383)	--	(12,368,887)	7,122,980	(94,105,290)
Communications systems	(7,029,598)	--	(116,660)	--	(7,146,258)
Fare collection system	(7,436,652)	--	(538,895)	--	(7,975,547)
Office, shop and garage equipment	(20,637,063)	--	(1,546,255)	60,813	(22,122,505)
Passenger facilities	(9,493,016)	--	(2,265,621)	59,645	(11,698,992)
Total accumulated depreciation	<u>(169,145,718)</u>	<u>--</u>	<u>(18,343,403)</u>	<u>7,243,438</u>	<u>(180,245,683)</u>
Total capital assets being depreciated, net	74,344,343	2,413,865	(1,308,801)	--	75,449,407
Total capital assets, net	\$ 84,858,221	\$ --	\$ 6,418,172	\$ --	\$ 91,276,393

The Company operates from two locations within the City of Long Beach. The principal maintenance facility is located in the central portion of the City and the satellite facility is in North Long Beach. Land included on the Company's books includes a parcel adjacent to the principal maintenance facility and the North Long Beach site. Land occupied by the Company's principal facility has been deeded to the City of Long Beach and is recorded in the accounts of the City.

Notes to Financial Statements, Continued

(9) Subsidy Deferral

The amount of subsidies received each year is based upon estimated funding marks prepared by Metro. These estimates are used for budget preparation, with final marks received after final budgets are approved. Subsidies received in excess of expenditures are carried over for use in the next year. As of June 30, 2016 and 2015, the Company had remaining Prop A subsidy funding of \$21,038,418 and \$19,768,145, to be utilized in future fiscal years.

As of June 30, 2016, the Company had remaining Measure R subsidy funding of \$2,366,785, which will be used to fund operations in fiscal year 2017. There was no remaining Measure R subsidy as of June 30, 2015.

(10) Commitments and Contingencies

The Company is subject to claims and lawsuits arising in the normal course of business. Such claims are routinely evaluated by the Company's legal counsel. Management may make provisions for probable losses if deemed appropriate on advice of legal counsel. To the extent provisions for damages are considered necessary, appropriate amounts are reflected in the accompanying financial statements. It is the opinion of management, based on consultation with legal counsel, that the estimated liability for unreserved claims and suits will not have a material impact on the Company's financial statements.

Purchase Contracts

The Company had the following significant purchase commitments outstanding at June 30, 2016. These purchase orders are for future goods and services the Company has yet to receive and can be cancelled prior to delivery by either party subject to the provisions of each individual contract. The balances listed represent some contingency balances; therefore, actual costs may be lower than shown.

Vendor	Project	Amount	Expected Completion
New Flyer of America	Bus Replacement	\$ 22,107,543	March 2017
BYD Motors, Inc.	Bus Replacement	9,842,212	December 2016
Merrimac Energy Group	Gasoline Fuel	3,276,209	December 2016
SC Fuels	Diesel Fuels	1,399,064	December 2016
New Flyer Industries	Hybrid UCap	1,073,890	January 2017
McCray's Enterprises	Cosmetic Rehab	811,715	October 2016
New Flyer of America	Bus Replacement	605,705	July 2016
TPSCO LLC	Consulting Software	372,390	June 2017
Psmoas	Construction Mgt	359,760	April 2017
Trapeze Software Group	Wayside Sign Project	248,957	July 2016
Center For Transportation	Management Services	218,005	June 2019
Catalina Express	Water Vessel Service	203,750	June 2017
Transit Info Products	Service Guides Printing	178,087	June 2017

Long Beach Public Transportation Company

Sardo Bus & Coach	Coach Detailing	164,789	December 2016
Michelin North America, Inc.	Tires	157,570	September 2016
Complete Coach Works	Hybrid Bus Engines	155,747	June 2017
HDR Engineering, Inc.	Farebox/TAP Integration	154,875	July 2016
Delta Motor Co. Inc.	Hybrid Components	150,367	August 2017
Clean Energy	CNG Station Maintenance	108,914	October 2016

Lease Obligations

The Company's tire lease is eligible for capitalization and is depreciated over a twelve (12) month period. Under the terms of the lease, the vendor supplies the tires and invoices to the Company based on monthly mileage. There are no minimum guarantee payments required in the contracts. Total lease costs were \$675,411 and \$521,426 for the years ended June 30, 2016 and 2015, respectively.

(11) Employee Benefits

Vacation Compensation

Employees accrue vacation by reason of tenure at annual rates ranging from 12 to 30 days per year. Salaried employees may accumulate and carryover no more than the number of vacation days earned in the previous year. Contract employees are paid their earned vacation in full each year. On June 30, 2016 and 2015, accrued unpaid vacation for all Company employees amounted to \$3,014,117 and \$2,832,830, respectively.

<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/16</u>	<u>Due Within One Year</u>
\$ 2,832,830	\$ 3,014,117	(\$2,832,830)	\$ 3,014,117	\$ 3,014,117
<u>Balance 6/30/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/15</u>	<u>Due Within One Year</u>
\$ 2,959,273	\$ 2,832,830	(\$2,959,273)	\$ 2,832,830	\$ 2,832,830

Once a year, the Company allows employees to sell back a portion of their earned vacation in lieu of taking the time off. The Company has agreed to buy back vacation time in excess of ten (10) days earned during the calendar year. Vacation days carried over from the previous year are not eligible for this program. The Company paid \$217,097 and \$191,777 under this program during 2016 and 2015, respectively.

Notes to Financial Statements, Continued

Post-Retirement Health Care Benefits

Full-time Company employees are entitled to receive up to 96 hours of sick leave per year. Unused sick leave may be accumulated until retirement with the cash value, or a percentage thereof for Contract retirees, used to pay health and dental insurance premiums under the Company's Retired Employees Health Insurance Program (REHIP). Once the cash value of the retiring employee's unused sick leave is exhausted, the retiree is required to pay all health and dental premiums.

There were 114 and 102 participants in the Company's REHIP at June 30, 2016 and 2015, respectively. The cash value equivalent of the remaining unused sick leave for the current retirees totaled \$1,449,444 and \$1,364,264 respectively. Total premiums paid by the Company under the REHIP during the fiscal years ended June 30, 2016 and 2015, were \$165,619 and \$191,074, respectively.

The Company has established a liability related to unused sick leave which it estimates will be used by retirees to cover premiums under the REHIP. The estimated costs of the REHIP for both current and expected future payments are \$3,796,873 and \$3,584,590 at June 30, 2016 and 2015, respectively.

<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/16</u>	<u>Due Within One Year</u>
\$ 3,584,590	\$ 377,902	(\$165,619)	\$ 3,796,873	\$172,278
<u>Balance 6/30/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/15</u>	<u>Due Within One Year</u>
\$ 3,087,823	\$ 687,841	(\$191,074)	\$ 3,584,590	\$146,682

(12) Labor Agreement

Union Labor Agreement

The Labor Agreement between Long Beach Transit and the Amalgamated Transit Union, Local 1277, is effective from July 1, 2013, to June 30, 2017. The Agreement provides the parties with specific procedures governing the duration and renewal of the Agreement. Long Beach Transit has no reason to expect any service disruption with regard to this Agreement.

(13) Pension Benefits

Plan Descriptions

The Company sponsors two single employer defined benefit pension plans: one for contract employees, the Long Beach Public Transportation Company Retirement Plan - Contract Employees (Contract Plan), and one for staff employees, the Long Beach Public Transportation Company Retirement Plan – Salaried Employees (Salaried Plan) for employees hired before April 1, 2011. For staff employees hired on or after April 1, 2011, Long Beach Transit adopted a new 401(a) qualified retirement plan for employer matching contributions.

Notes to Financial Statements, Continued

The Company's payroll for employees covered by each pension plan for the years ended June 30, 2016 and 2015 was \$29,453,575 and \$28,434,333 for the Contract Plan, respectively, and \$7,192,890 and \$8,027,453 for the Salaried Plan, respectively. Total Company payroll for 2016 and 2015 was \$41,131,259 and \$39,473,820, respectively.

The Contract and the Salaried Plans are contributory single employer defined benefit pension plans sponsored by the Company. Full-time employees in a job classification covered by a ATU collective bargaining agreement between the Company and the Union participate in the Contract Plan as of their date of employment. All full-time employees not covered by a collective bargaining agreement and hired before April 1, 2011 participate in the Salaried Plan as of their date of employment. Participants in the Contract Plan and Salaried Plan employees hired before April 1, 2011, are eligible for annual benefit payments at the normal retirement age of 64 and completion of ten years of credited service and become 100% vested after five credited years of service. Employees covered under the Salaried Plan can retire prior to 64 with a normal retirement benefit if the combination of the employee's age and service equals 80 or more. For employees covered under the Salaried Plan hired on or after April 1, 2011, Long Beach Transit adopted a new 401(a) qualified retirement plan for employer matching contributions. Contract employees hired on or after April 1, 2011 are not eligible to participate in the 401(a) qualified retirement plan, but are eligible to continue to participate in the Contract Plan.

Notes to Financial Statements, Continued

Pension Plan Benefits

Benefit payments for the Salaried Plan are determined as 1.70% of adjusted final monthly earnings multiplied by years of credited service (maximum credit of 40 years). Adjusted final monthly earnings are the employee's highest average monthly wage for 36 consecutive months of earnings during the last ten calendar years of employment, prior to normal retirement date, which provide the highest value.

Benefit payments for the Contract Plan are determined as the sum of the following:

1. 1.23% of the first \$500 of adjusted monthly earnings multiplied by the years of credited service (maximum credit of 40 years).
2. 1.7% of adjusted final monthly earnings greater than \$500 multiplied by the years of credited service (maximum credit of 40 years).

Contract employees who are at least 54 years of age with ten years of service or more, will have their pension benefits, calculated as the sum of items 1 and 2 above, increased by 15%.

Adjusted final monthly earnings under the Contract Plan are the employee's highest average monthly wage for 60 consecutive months of earnings during the last 10 calendar years of employment, prior to normal retirement date, which provide the highest value.

Retirees for both Plans, if married, are eligible to receive a joint annuity with a reduced annuity to the surviving spouse or domestic partner and, if unmarried, a straight-life annuity. These benefits are actuarially equivalent at the normal retirement date. Plan members are entitled, upon leaving service, to a vested termination of employment benefit if they have completed five years of credited service on their termination date. The vested termination of employment benefit is equal to the normal retirement benefit earned to the termination date.

Death and Disability Benefits

In the event a Plan member dies after reaching retirement age, while still actively employed, a retirement benefit will be paid to the spouse in the amount of 50% of the amount the Plan member would have received under the joint and 50% survivor spouse annuity, assuming retirement occurred the day immediately prior to death.

If a Salaried Plan participant becomes occupationally disabled, he or she is entitled to a monthly benefit equal to 1.7% of the participant's average monthly final earnings for each year of service earned. The minimum monthly disability benefit is 17% of the participant average earnings regardless of the length of service or vesting status.

If a Contract Plan participant is totally and permanently disabled with ten or more years of credited service, the participant is entitled to receive the full normal retirement benefit earned to the date of disability, without actuarial reduction, commencing six months after the date of disablement. A reduced occupational disability benefit is available for those Plan members unable to perform their usual work duties who leave service after 10 or more years of credited service.

Termination

The Plans may be amended, altered or modified, or successor plans may be adopted at any time with the consent of the employer and its Board of Directors or its successor in interest. In the event of termination, the net assets will be allocated based on the order of priority prescribed in the Plans.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

Funding Policy and Annual Pension Contributions

Plan members are required to contribute 5% for salaried and 6.3% for contract employees of their annual salaries. The Company is required to contribute to the Plans at an actuarially determined rate. The contribution rates for 2016 were 19.95% and 29.85% for the Contract and Salaried Plans, respectively. For 2016, the Company's annual contributions were \$3,439,288 and \$4,270,185 for the Contract and Salaried Plans, respectively.

Funding Progress

The status of funding progress for both Plans is based on the actuarial valuations performed as of July 1, 2016 and 2015. The actuarial accrued liability is calculated using the entry-age method.

Salaried Plan (in thousands)

Actuarial valuation date <u>(July 1)</u>	(a) Actuarial value of assets	(b) Actuarial Accrued liability (AAL) – entry age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of covered payroll
2016	\$ 22,778	\$ 29,966	\$ 7,188	76.01%	\$ 7,193	99.94%
2015	\$ 19,819	\$ 25,561	\$ 5,742	77.54%	\$ 8,028	71.53%

Contract Plan (in thousands)

Actuarial valuation date <u>(July 1)</u>	(a) Actuarial value of assets	(b) Actuarial Accrued liability (AAL) – entry age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of covered payroll
2016	\$ 47,051	\$ 73,596	\$ 26,545	63.93%	\$ 29,454	90.13%
2015	\$ 45,790	\$ 63,234	\$ 17,444	72.41%	\$ 28,434	61.35%

The Schedule of Funding Progress, presented as Required Supplemental Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Notes to Financial Statements, Continued

Three-Year Trend Information

Contract Plan

Year ended <u>June 30</u>	Actuarially	
	Determined <u>Amount</u>	Actual <u>Contribution</u>
2016	\$ 5,193,480	\$ 5,193,480
2015	4,711,230	4,711,230
2014	4,763,313	4,763,313

Salaried Plan

Year ended <u>June 30</u>	Actuarially	
	Determined <u>Amount</u>	Actual <u>Contribution</u>
2016	\$ 2,366,075	\$ 4,635,552
2015	2,605,222	5,160,860
2014	2,484,256	3,284,256

Notes to Financial Statements, Continued

Net Pension Liability – Salaried Plan

The Salaried Plan's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	6.00% compounded annually
Salary Increases	3.00% per year
Mortality	IRS 2007 Current Liability Combined Table
Employee Contribution	
Interest Credit	5.00% compounded annually
Administrative Expenses	\$125,000 per year payable at the beginning of the year

Termination before retirement:

Age	Turnover Rate
20	7.94%
25	7.72
30	7.22
35	6.28
40	5.15
45	3.98
50	2.56
55	0.94

Retirement:

For participants who are eligible for 70/80 Retirement, the following rates apply:

Age	Retirement Rate
50-53	5%
54-55	10
56-57	20
58-59	40
60+	100

All other active participants, inactive vested participants, and future inactive vested participants are assumed to retire at age 64 after completion of 10 years of service.

Marital Status:

80% of non-retired participants are married. Wife is assumed to be three years younger than the husband.

Form of Payment:

80% of active participants are assumed to elect the lump sum option. The remaining 20% of active participants are assumed to elect a single life annuity. Vested terminated participants are assumed to elect a single life annuity.

Unknown Data:

Participants with unreported data, such as missing birthdates, are assumed to have the same characteristics as similar participants.

Notes to Financial Statements, Continued

The long-term expected rate of return on pension plan investments has been based upon the assumption that future real returns will approximate the long-term rates of return projected for each asset class in the Investment Policy Statement. The relative benchmarks for the investment options are monitored on an ongoing basis by the Pension Committee. The Committee has discretion to take corrective action by replacing a manager. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the follow table:

Asset Class	Strategic Allocation	Long-Term Expected Real Rate of Return
US Large Company Stocks	20%	6.9%
US Small Company Stocks	5	6.9
Real Estate Securities	6	6.9
International Equity	23	7.3
Multi-strategy	15	6.9
Fixed Income	30	5.5
Cash Equivalent	1	2.9

Discount Rate. The discount rate used to measure the total pension liability was 6.00 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2015	\$ 25,560,718	\$ 19,819,217	\$ 5,741,501
Changes for the year:			
Service cost	769,704		769,704
Interest	1,724,678		1,724,678
Expected investment income		1,601,909	(1,601,909)
Difference between expected and actual experience	427,104	(1,779,397)	2,206,501
Contributions - employer		4,270,185	(4,270,185)
Contributions - employee		365,367	(365,367)
Benefit payments, including refunds	(1,332,112)	(1,332,112)	
Administrative expense		(167,603)	167,603
Other changes (assumptions)	2,816,346		2,816,346
Net changes	4,405,720	2,958,349	1,447,371
Balances at 6/30/2016	\$ 29,966,438	\$ 22,777,566	\$ 7,188,872

Notes to Financial Statements, Continued

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2014	<u>\$ 25,411,832</u>	<u>\$ 16,655,498</u>	<u>\$ 8,756,334</u>
Changes for the year:			
Service cost	845,302		845,302
Interest	1,704,802		1,704,802
Expected investment income		1,366,061	(1,366,061)
Difference between expected and actual experience	(582,806)	(1,377,617)	794,811
Contributions - employer		4,758,243	(4,758,243)
Contributions - employee		402,617	(402,617)
Benefit payments, including refunds	(1,818,412)	(1,818,412)	-
Administrative expense		(167,173)	167,173
Net changes	148,886	3,163,719	(3,014,833)
Balances at 6/30/2015	<u>\$ 25,560,718</u>	<u>\$ 19,819,217</u>	<u>\$ 5,741,501</u>

Notes to Financial Statements, Continued

Net Pension Liability – Contract Plan

The Contract Plan's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	7.50% compounded annually
Salary Increases	3.00% per year
Mortality	IRS 2007 Current Liability Combined Table
Employee Contribution	
Interest Credit	5.00% compounded annually
Administrative Expenses	\$300,000 per year payable at the beginning of the year

Termination before retirement:

Age	Turnover Rate
20	7.94%
25	7.72
30	7.22
35	6.28
40	5.15
45	3.98
50	2.56
55	0.94

Retirement:

All active participants, inactive vested participants and future inactive vested participants are assumed to retire at age 64 after completion of 10 years of service.

Marital Status:

80% of non-retired participants are married. Wife is assumed to be three years younger than the husband.

Form of Payment:

80% of active participants hired prior to July 1, 2012 are assumed to elect the lump sum option. The remaining 20% of active participants hired prior to July 1, 2012, all actives hired on or after July 1, 2012, and all Vested Terminated participants are assumed to elect the single life annuity.

Unknown Data:

Participants with unreported data, such as missing birthdates, are assumed to have the same characteristics as similar participants.

Notes to Financial Statements, Continued

The long-term expected rate of return on pension plan investments has been based upon the assumption that future real returns will approximate the long-term rates of return projected for each asset class in the Investment Policy Statement. The relative benchmarks for the investment options are monitored on an ongoing basis by the Pension Committee. The Committee has discretion to take corrective action by replacing a manager. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the follow table:

Asset Class	Strategic Allocation	Long-Term Expected Real Rate of Return
US Large Company Stocks	20%	6.9%
US Small Company Stocks	5	6.9
Real Estate Securities	6	6.9
International Equity	23	6.9
Multi-strategy	15	6.9
Fixed Income	30	5.5
Cash Equivalent	1	2.9

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2015	\$ 63,233,552	\$ 45,790,264	\$ 17,443,288
<i>Changes for the year:</i>			
Service cost	2,713,135		2,713,135
Interest	4,575,251		4,575,251
Expected investment income		3,496,339	(3,496,339)
Difference between expected and actual experience	3,062,106	(3,921,639)	6,983,745
Contributions - employer		3,439,288	(3,439,288)
Contributions - employee		1,754,192	(1,754,192)
Benefit payments, including refunds	(3,182,794)	(3,182,794)	
Administrative expense		(325,026)	325,026
Net changes	7,167,698	1,260,360	5,907,338
Balances at 6/30/2016	<u>\$ 70,401,250</u>	<u>\$ 47,050,624</u>	<u>\$ 23,350,626</u>

Notes to Financial Statements, Continued

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2014	<u>\$ 62,010,610</u>	<u>\$ 46,310,129</u>	<u>\$ 15,700,481</u>
Changes for the year:			
Service cost	2,893,597		2,893,597
Interest	4,462,911		4,462,911
Expected investment income		3,454,160	(3,454,160)
Difference between expected and actual experience	(1,252,537)	(3,454,730)	2,202,193
Contributions - employer		3,067,778	(3,067,778)
Contributions - employee		1,643,452	(1,643,452)
Benefit payments, including refunds	(4,881,029)	(4,881,029)	-
Administrative expense		(349,496)	349,496
Net changes	1,222,942	(519,865)	1,742,807
Balances at 6/30/2015	<u>\$ 63,233,552</u>	<u>\$ 45,790,264</u>	<u>\$ 17,443,288</u>

Notes to Financial Statements, Continued

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

The following presents the net pension liability of the Contract Plan as of June 30, 2016, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate. The Salaried Plan's net position is calculated using a discount rate that is 1-percentage point lower (5.00%) or 1-percentage point higher (7.00%) than the current rate or 6.00%.

Contract Plan	
1% Decrease or 6.5%	\$ 29,967,495
7.5 % Current Discount Rate	\$ 23,350,626
1% Increase or 8.5%	\$ 17,575,936
Salaried Plan	
1% Decrease or 5.0%	\$ 9,403,777
6.0% Current Discount Rate	\$ 7,188,872
1% Increase of 7.0%	\$ 5,878,164

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2016, the Salaried Plan reported deferred outflows and resources and deferred inflows of resources related to pensions form the following sources:

Salaried Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 389,623	
Changes of assumptions	2,816,346	
Net difference between projected and actual earning on plan investments	2,473,003	
Total	\$ 5,678,972	None

For the year ended June 30, 2015, the Salaried Plan reported deferred outflows and resources and deferred inflows of resources related to pensions form the following sources:

Salaried Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		\$ (32,680)
Net difference between projected and actual earning on plan investments	\$ 832,967	
Total	\$ 832,967	\$ (32,680)

Notes to Financial Statements, Continued

Amounts report as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Salaried Plan – Year Ended June 30	Amount to Be Recognized
2017	(\$ 1,196,059)
2018	(\$ 1,196,059)
2019	(\$ 1,196,059)
2020	(\$ 1,293,612)
2021	(\$ 797,183)
Thereafter	\$ --

Notes to Financial Statements, Continued

For the year ended June 30, 2016, the Contract Plan reported deferred outflows and resources and deferred inflows of resources related to pensions from the following sources:

Contract Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,639,496	
Net difference between projected and actual earning on plan investments	5,479,435	
Total	\$ 8,118,931	None

For the year ended June 30, 2015, the Contract Plan reported deferred outflows and resources and deferred inflows of resources related to pensions from the following sources:

Contract Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		\$ (474,801)
Net difference between projected and actual earning on plan investments	\$ 1,846,746	
Total	\$ 1,846,746	\$ (474,801)

Amounts report as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Contract Plan – Year Ended June 30	Amount to Be Recognized
2017	(\$ 1,380,488)
2018	(\$ 1,380,488)
2019	(\$ 1,380,488)
2020	(\$ 1,782,484)
2021	(\$ 1,091,538)
Thereafter	(\$ 1,103,445)

Defined Contribution Plan 401 (a)

Participation in the 401(a) Plan is limited to full-time regular staff employees hired on or after April 1, 2011. The Company's contribution to the 401(a) Plan is as follows: (A) eligible employees with 3 years of service or less, a matching contribution equal to the amount of the employee's salary deferrals to the 457 Plan, up to a maximum of 5% of the employee's base salary, and (B) for eligible employees with more than 3 years of service, the Company would make the following contributions: (1) matching contribution equal to the amount of the employee's salary deferrals to the 457 Plan, up to a maximum of 4% of the employee's base salary, and (2) a non-elective contribution equal to 3% of the employee's base salary regardless of whether the employee makes any salary deferrals to the 457 Plan for the plan year. As of June 30, 2015 and 2014, there were forty-six and twenty-nine employees, respectively, eligible and thirty-eight and twenty-one, respectively, elected to participate in the program.

Financial statements for the Contract and Salaried Plans are available under separate covers. Copies of the financial statements can be obtained by writing to Long Beach Transit, Attn: Executive Director, VP Financial Services, 1963 E. Anaheim St, Long Beach, CA 90813.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

Required Supplementary Information

The following tables summarize the status of funding progress for the two Company sponsored defined benefit pension plans – Long Beach Public Transportation Company Retirement Plan – Contract Employees (Contract Plan) and Long Beach Public Transportation Company Retirement Plan – Salaried Employees (Salaried Plan). These tables are based on the actuarial valuations performed as the dates indicated.

Contract Plan (in thousands)

Actuarial valuation date <u>(July 1)</u>	(a) Actuarial value of assets	(b) Actuarial Accrued liability (AAL) – <u>entry age</u>		(b-a) Unfunded (Funding Excess) (AAL)	(a/b) Funded ratio	(c) Covered payroll	((b-a)/c) UAAL as a percentage of covered payroll
2016	\$ 47,051	\$ 73,596		\$ 26,545	63.93%	\$ 29,454	90.13%
2015	45,790	63,234		17,444	72.41	28,434	61.35
2014	46,310	62,011		15,701	74.68	27,081	57.97

Salaried Plan (in thousands)

Actuarial valuation date <u>(July 1)</u>	(a) Actuarial value of assets	(b) Actuarial Accrued liability (AAL) – <u>entry age</u>		(b-a) Unfunded AAL (UAAL)	(a/b) Funded ratio	(c) Covered payroll	((b-a)/c) UAAL as a percentage of covered payroll
2016	\$ 22,778	\$ 29,966		\$ 7,188	76.01%	7,193	99.98%
2015	19,819	25,561		5,742	77.54	8,028	71.53
2014	16,655	25,412		8,757	65.54	8,539	102.55

STATISTICAL SECTION

This part of Long Beach Public Transportation Company's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Company's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to assess how the Company's financial performance and well-being have changed over time.</i>	49
Revenue Capacity <i>These schedules contain information on the Company's revenue sources and their fluctuations over time.</i>	52
Demographic and Economic Information <i>These schedules offer demographic and economic indicators regarding the environment within which the Company's financial activities take place.</i>	54
Operating Information <i>These schedules contain information about services the Company provides and the activities it performs.</i>	56
Pension Information <i>The Company's Pension Plans' financial statements are issued under separate cover. The schedules contained in this section include general financial and actuarial information providing data concerning the Plans' funding status and general activity.</i>	64
Grant Information <i>The Company's grant programs are issued under separate cover in the Single Audit. The schedules contained in this section provide a summary of capital grant activity for Federal, State and Local sources.</i>	66

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**Financial Trends
Net Position by Component
2007 - 2016**

Exhibit 1

	Invested in Capital Assets	(1)	Restricted	Unrestricted	Total
2007	\$ 74,761,808		\$ 84,674	\$ 3,520,105	\$ 78,366,587
2008	72,514,620		259,954	3,344,825	76,119,399
2009	87,250,464		102,205	3,502,574	90,855,243
2010	84,286,309		16,747	3,588,032	87,891,088
2011	83,828,062		21,356	3,583,423	87,432,841
2012	79,281,750		13,558	3,591,221	82,886,529
2013	98,327,695		30,174	3,574,605	101,932,474
2014	84,858,221		156,350	(21,833,158)	63,181,413
2015	91,276,393		144,080	(17,551,860)	73,868,613
2016	83,154,750		52,306	(13,189,109)	70,017,947

- (1) Fluctuations in balances reflect the Company's procurement of capital assets in each year. Significant changes occur in years which included the receipt of new buses and pension liability adjustments.
-

**Financial Trends
Operating Expenses By Type
2007 – 2016**

Exhibit 2

	Personnel Wages & Benefits	Fuel & Lubricants	Supplies & Materials	Services	Casualty & Liability	Purchased Transportation	Depreciation	Total
2007	\$ 45,273,578	\$ 5,580,884	\$ 2,041,326	\$ 5,670,338	\$ 1,454,319	\$ 1,331,373	\$ 16,712,820	\$ 78,064,638
2008	49,895,725	7,146,145	2,198,443	6,023,734	2,812,729	1,407,953	17,441,700	86,926,429
2009	50,711,153	5,721,736	2,442,697	5,758,880	2,115,349	1,380,796	14,009,081	82,139,692
2010	52,742,176	5,625,348	2,280,932	5,997,208	1,897,047	1,349,681	16,519,346	86,411,738
2011	52,462,571	6,754,776	2,858,490	6,644,394	3,693,995	1,026,413	17,588,757	91,029,396
2012	51,744,582	7,816,511	3,104,125	7,132,271	2,274,190	1,204,522	19,311,548	92,587,749
2013	54,820,343	7,290,527	2,654,286	7,692,693	2,532,732	1,464,569	20,249,160	96,704,310
2014	56,985,858	6,770,574	2,619,659	7,917,623	3,953,610	1,645,713	20,605,041	100,498,078
2015	57,228,802	5,487,215	2,414,826	8,483,128	3,606,383	1,642,825	18,343,403	97,206,582
2016	57,929,446	4,133,479	2,480,321	8,599,766	1,700,504	1,530,061	18,355,286	94,728,863

Financial Trends
Changes in Net Position
2007 – 2016

Exhibit 3

Expenses	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Transportation	\$ 30,454,056	\$ 32,376,023	\$ 34,874,385	\$ 36,416,765	\$ 35,413,269	\$ 35,139,334	\$ 37,554,281	\$ 38,869,648	\$ 39,488,966	\$ 40,639,813
Maintenance	17,251,960	19,612,265	18,602,288	18,546,811	21,292,632	21,834,078	22,042,606	21,878,415	20,479,627	19,355,457
Risk Management	5,191,201	8,119,926	5,278,264	5,266,428	6,791,630	7,175,642	6,222,310	7,900,442	8,795,766	5,891,767
Marketing &										
Customer Service	1,397,475	1,631,278	1,578,839	1,673,878	1,665,938	1,761,195	1,827,629	1,917,253	1,948,218	1,950,613
General										
Administration	7,057,126	7,745,237	7,796,835	7,988,510	8,277,170	7,365,952	8,808,324	9,327,279	8,150,602	8,535,927
Depreciation	16,712,820	17,441,700	14,009,081	16,519,346	17,588,757	19,311,548	20,249,160	20,605,041	18,343,403	18,355,286
Total Expenses	\$ 78,064,638	\$ 86,926,429	\$ 82,139,692	\$ 86,411,738	\$ 91,029,396	\$ 92,587,749	\$ 96,704,310	\$ 100,498,078	\$ 97,206,582	\$ 94,728,863
 Revenues										
Passenger Fares	\$ 14,239,543	\$ 14,789,817	\$ 15,785,523	\$ 16,473,909	\$ 17,308,290	\$ 18,085,942	\$ 18,024,416	\$ 17,966,020	\$ 17,516,839	\$ 16,945,561
Special Events	52,275	103,971	72,389	71,809	41,935	21,386	43,693	25,496	18,754	63,143
Advertising	847,296	857,449	797,814	609,161	558,490	688,089	542,382	630,413	603,029	743,132
Subtotal Operating	15,139,114	15,751,237	16,655,726	17,154,879	17,908,715	18,795,417	18,610,491	18,621,929	18,138,622	17,751,836
Subsidies	44,495,763	52,151,341	50,720,199	51,773,322	55,012,754	54,112,325	57,671,790	61,008,975	64,700,470	61,703,522
Interest & Other	1,716,941	1,582,151	754,686	964,191	519,170	368,458	172,869	262,133	293,115	1,189,184
Subtotal Non-Op	46,212,704	53,733,492	51,474,885	52,737,513	55,531,924	54,480,783	57,844,659	61,271,108	64,993,585	62,892,706
Total Revenues	\$ 61,351,818	\$ 69,484,729	\$ 68,130,611	\$ 69,892,392	\$ 73,440,639	\$ 73,276,200	\$ 76,455,150	\$ 79,893,037	\$ 83,132,207	\$ 80,644,542
 Net Expense										
Capital Grants	\$ (16,712,820)	\$ (17,441,700)	\$ (14,009,081)	\$ (16,519,346)	\$ (17,588,757)	\$ (19,311,549)	\$ (20,249,160)	\$ (20,605,041)	\$ (14,074,375)	\$ (14,084,321)
Change in Net Position	\$ 7,886,262	15,194,512	28,744,925	13,555,191	17,130,510	14,765,236	39,295,105	7,135,567	24,761,575	10,233,655
	\$ (8,826,558)	\$ (2,247,188)	\$ 14,735,844	\$ (2,964,155)	\$ (458,247)	\$ (4,546,313)	\$ 19,045,945	\$ (13,469,474)	\$ 10,687,200	\$ (3,850,666)

Financial Trends
Capital Expenditures By Type
2007 - 2016

Exhibit 4

Fiscal Year	Facilities	Fleet	Passenger Facilities	AVL, Farebox & Radio Equipment	Furniture & IT Equipment	Shop & Garage Equipment	Total
2007	\$ 2,013,508	\$ 4,839,412	\$ 257,740	\$ 267,526	\$ 193,018	\$ 315,058	\$ 7,886,262
2008	1,427,166	11,386,235	1,142,643	337,773	744,408	156,287	15,194,512
2009	3,133,478	20,214,981	1,557,227	2,068,732	1,468,789	301,718	28,744,925
2010	1,224,068	6,436,753	2,149,479	47,960	1,796,856	1,900,075	13,555,191
2011	1,206,706	6,764,468	7,256,720	518,104	1,134,931	249,581	17,130,510
2012	4,325,055	6,651,509	859,424	395,016	2,320,594	213,638	14,765,236
2013	3,499,678	33,192,608	246,410	173,465	1,900,072	282,872	39,295,105
2014	1,179,707	4,291,904	432,180	93,033	1,090,098	48,645	7,135,567
2015	790,850	21,682,852	1,121,151	154,802	964,131	47,789	24,761,575
2016	428,727	6,722,168	961,882	177,299	1,739,603	203,976	10,233,655

Long Beach Public Transportation Company

**Revenue Capacity
Operating Subsidy Sources
2007 - 2016**

Exhibit 5

	Prop A Funds City of Long Beach	Prop A Discretionary Funds L.A. County	Prop C & Measure R Funds L.A. County	State Assistance	Federal Preventative Maintenance Program	Other Sources	Total
2007	\$ 4,656,775	\$ 11,840,403	\$ 5,507,340	\$ 21,864,340	\$ ---	\$ 626,905	\$ 44,495,763
2008	7,087,958	11,679,125	5,224,479	25,777,123	2,126,915	255,741	52,151,341
2009	4,067,755	12,500,860	9,848,459	21,266,639	2,378,850	657,636	50,720,199
2010	3,536,593	12,069,662	14,374,634	14,777,565	6,704,200	310,668	51,773,322
2011	5,375,238	13,460,669	12,371,325	17,480,351	6,067,800	257,371	55,012,754
2012	5,891,768	8,822,958	13,546,398	20,170,522	5,325,134	355,545	54,112,325
2013	5,044,272	10,873,265	11,934,386	22,547,344	6,339,255	933,268	57,671,790
2014	4,850,603	12,508,593	13,598,965	24,909,438	3,412,984	1,728,392	61,008,975
2015	5,190,603	12,767,792	14,269,674	24,826,792	5,929,059	1,716,550	64,700,470
2016	5,190,603	12,680,667	11,628,614	24,914,119	5,325,398	1,964,121	61,703,522

**Revenue Capacity
Farebox Recovery Percentage
2007 - 2016**

Exhibit 6

<u>Year</u>			<u>Percentage</u>
2007	23.8
2008	21.9
2009	23.9
2010	24.3
2011	24.2
2012	25.4
2013	24.3
2014	23.1
2015	21.6
2016	21.5

NOTE: Represents passenger fares divided by fixed route operating expenses before depreciation.

**Revenue Capacity
Fare History
2007 - 2016**

Exhibit 7

2007-2008 2009 2010-2016

Fixed Route Service:

Cash Fares:

Regular	\$ 0.90	\$ 1.10	\$ 1.25
Student	0.90	1.10	1.25
Senior & Disabled	0.45	0.50	0.60
Local transfer	---	---	---
Interagency transfer	0.50	0.50	0.50

Day Pass:

Regular	\$ 2.50	\$ 3.50	\$ 4.00
Discounted	1.50	2.00	2.50

5 Day Pass:

Regular	\$ 16.00	\$ 18.00
Discounted	8.00	9.00

Monthly Pass:

Regular	\$ 50.00	\$ 60.00	\$ 65.00
Student	31.00	35.00	40.00
Senior & Disabled	19.00	21.00	24.00

Dial-A-Lift Service:

Cash Fares	\$ 1.50	\$ 2.00	\$ 2.00
------------	---------	---------	---------

Water Taxi:

Cash Fares:

AquaBus	\$ 1.00	\$ 1.00	\$ 1.00
AquaLink	3.00	5.00	5.00

**Demographic and Economic Information
City of Long Beach
Demographic Statistics
2006-2015**

Exhibit 8

Fiscal Year Ended June 30	Estimated Population (A)	Personal Income (in millions) (B&E)	Per Capita Personal Income (B&E)	Public School Enrollment (C)	Unemployment Rate (D)
2006	467,586	12,854	27,490	93,589	5.3
2007	465,017	13,222	28,434	90,663	5.6
2008	463,250	13,387	28,898	88,186	8.2
2009	462,211	12,752	27,589	87,509	12.8
2010	462,685	12,938	27,964	86,283	13.9
2011	462,257	13,486	29,173	84,812	13.4
2012	465,576	14,058	30,196	83,691	12.2
2013	467,646	14,757	31,556	82,256	10.3
2014	469,428	15,525	33,072	81,155	8.6
2015	473,577	16,242	34,296	79,709	6.8

Sources:

- (A) California Department of Finance.
- (B) Bureau of Economic Analysis. Personal income and per capita personal income, with exception of 2005, are based on percent change of per capita personal income for Los Angeles-Long Beach-Santa Ana, CA (Metropolitan Statistic Area). BEA's report does not have personal income and per capita personal income available for 2014, so an average of the last five years was used.
- (C) California Department of Education Educational Demographic Unit. Annual school census from Long Beach Unified School District for preschool, grades kindergarten through 12.
- (D) Average annual rate reported by California Employment Development Department (EDD).
- (E) Restated prior years due to the data's annual revision.

Demographic and Economic Information
City of Long Beach
Principal Employers
Current Year and Nine Years Ago*

Exhibit 9

Employer	2015 Number of Employees	Percentage of Total City Employment	2006 Number of Employees	Percentage of Total City Employment
Long Beach Unified School District	12,508	5.24%	9,064	3.90%
City of Long Beach	5,286	2.21	5,854	2.52
Long Beach Memorial Medical Center	5,212	2.18	3,500	1.51
Boeing, N.A. (Previously - McDonnell Douglas)	3,707	1.55	6,525	2.81
California State University, Long Beach	2,961	1.24	6,007	2.29
Veterans Affairs Medical Center	2,665	1.12	1,700	0.73
Long Beach City College	2,637	1.10	2,000	0.86
California State Univ Long Beach Foundation	1,523	0.64	N/A	N/A
Molina Healthcare Inc.	1,488	0.62	N/A	N/A
St. Mary's Medical Center	1,458	0.61	1,634	0.70

Source: City of Long Beach, Department of Financial Management Accounting and Business License and State of California Employment Development Department Labor Market Information.

* This is the latest information available.

**Operating Information
Key Performance Indicators
2007 – 2016**

Exhibit 10

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Fixed Route</u>										
Operating Cost Per Vehicle Service Hour	\$ 87.48	\$ 96.17	\$ 96.28	\$ 98.73	\$ 106.77	\$ 105.61	\$ 110.11	\$ 115.04	\$ 115.40	\$ 112.67
Operating Cost Per Passenger	\$ 2.22	\$ 2.36	\$ 2.20	\$ 2.34	\$ 2.54	\$ 2.50	\$ 2.56	\$ 2.69	\$ 2.85	\$ 2.94
Roadcalls	1,142	1,339	1,392	1,481	1,325	1,819	1,778	2,243	2,163	1,912
Miles Between Roadcalls	6,771	5,904	5,716	5,384	5,807	4,219	4,438	3,413	3,572	4,040
Total Accidents	937	923	940	923	851	865	881	1,026	912	999
Preventable Accidents	154	166	149	100	90	89	120	101	126	103
Preventable Accidents Per 100,000 Miles	1.99	2.10	1.87	1.25	1.17	1.16	1.52	1.36	2.07	1.34
Passengers per Vehicle Service Hour	42	43	44	43	45	48	43	42	40	37
Schedule Adherence	99.45%	99.88%	99.88%	99.85%	99.83%	99.90%	99.94%	77.4%	78.5%	85.2%
Number of Vehicles	229	229	263	265	265	260	262	248	249	249
Number of Employees	737	739	742	732	708	725	728	729	723	728
<u>Special Services</u>										
Dial-A-Lift Cost Per Passenger	\$ 19.96	\$ 21.32	\$ 21.65	\$ 23.02	\$ 19.71	\$ 19.64	\$ 20.42	\$ 20.60	\$ 19.36	\$ 18.34
Dial-A-Lift Passengers Per Vehicle Service Hour	5.0	4.8	4.7	4.8	5.0	5.1	4.8	5.1	5.7	4.8
Number of Dial-A-Lift Vehicles	18	17	16	17	15	15	13	13	15	12
Water Taxi Cost Per Passenger	\$ 8.24	\$ 10.17	\$ 9.47	\$ 10.99	\$ 11.94	\$ 13.73	\$ 9.23	\$ 12.69	\$ 11.27	\$ 10.94
Water Taxi Passengers Per Vehicle Service Hour	13.50	14.54	14.96	13.81	13.45	13.40	13.80	16.33	16.12	18.70
Number of Water Taxi Vessels	3	3	3	3	3	4	4	4	4	4

Note: FY14 Schedule Adherence calculation has changed. Scheduled times are compared with actual departure times using TransitMaster AVL system data. No waivers are used.

**Operating Information
Customer Satisfaction Trends
2006-2016***

Exhibit 11

% of Customers Rating Favorably

<u>Service Element</u>	2006	2007	2008	2009	2011	2012	2013	2014	2015	2016
LBT Overall	90	95	96	95	97	97	97	97	90	96
LBT Compared to Others	87	94	92	89	89	93	95	91	**	**
Driver Appearance	97	97	99	97	99	99	99	98	92	98
Fares	88	90	91	85	73	87	91	92	90	94
Driver Courtesy	90	91	88	90	90	92	94	91	91	95
Driver Safety	93	93	93	97	97	98	99	92	90	98
On Board Safety	91	90	93	95	95	96	97	95	86	90
Route Convenience	92	93	96	93	95	96	98	95	90	95
Information Available	88	88	93	93	90	95	95	92	86	92
Telephone Information	81	90	92	91	90	91	89	86	83	91
Bus Stop Safety	86	82	91	87	90	92	95	92	84	78
Bus Stop Convenience	94	95	97	95	96	96	97	97	89	95
Schedule Reliability	74	72	77	78	78	85	89	84	83	89
Bus Cleanliness	84	76	88	85	93	94	95	95	85	88
Bus Stop Cleanliness	81	75	89	84	86	91	91	92	87	86
Customer Satisfaction Index***	88	88	92	90	90	93	95	93	88	92

Source: Annual community survey.

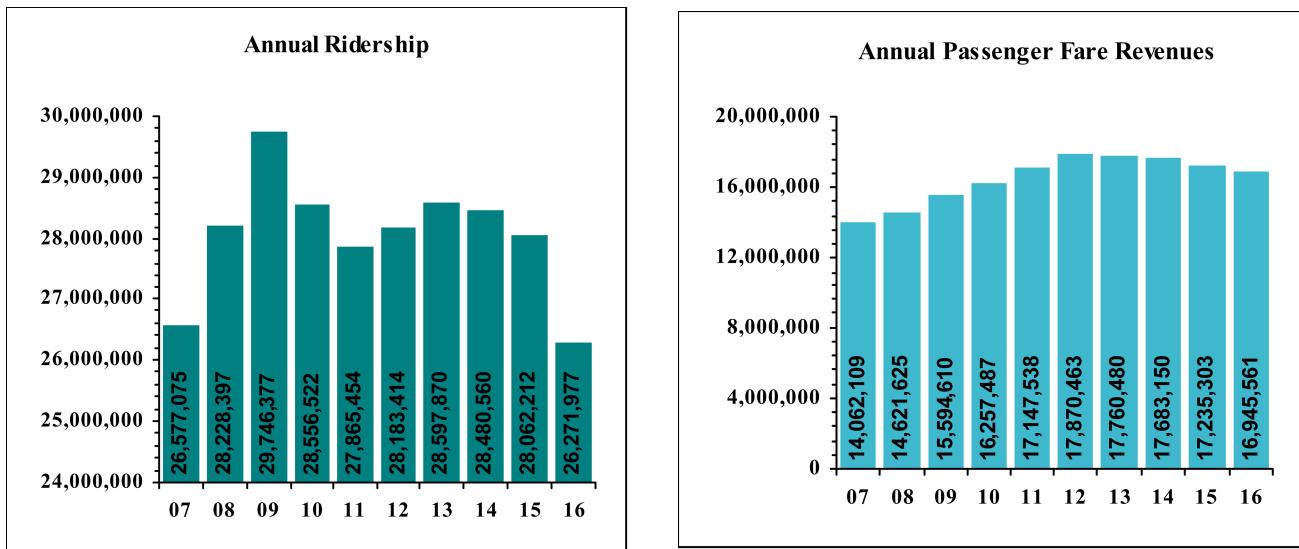
* Formal customer surveys were not performed for fiscal year 2010.

** Not surveyed in 2015 and 2016

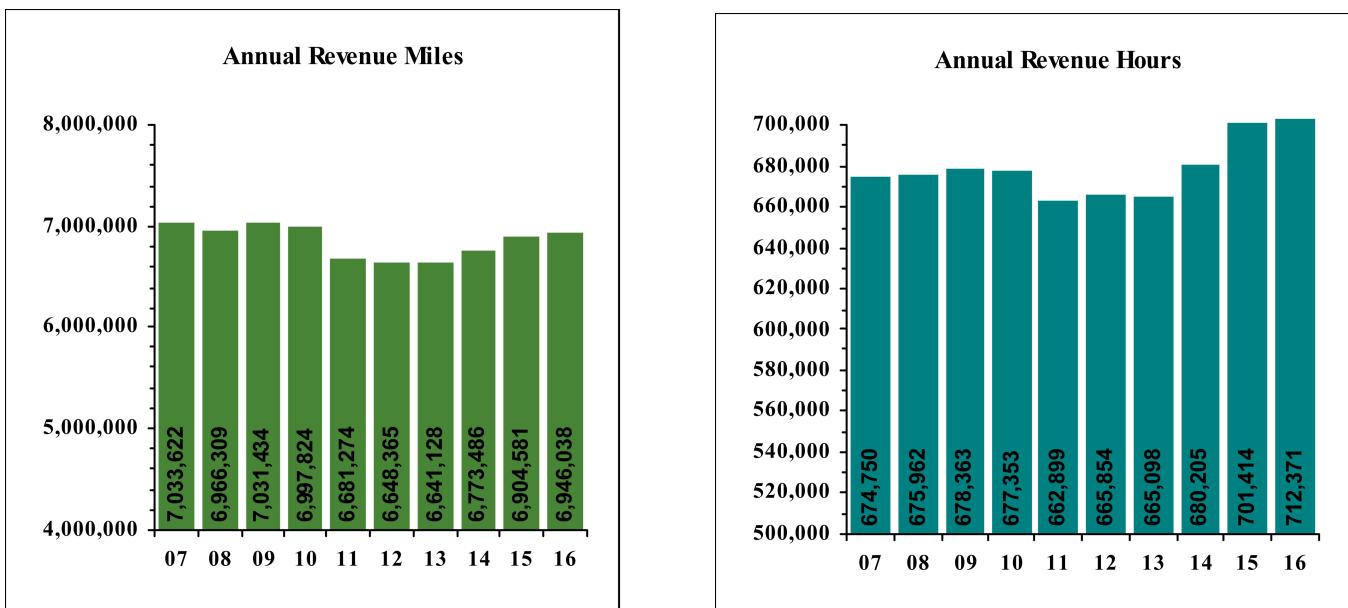
*** The customer satisfaction index is an average of the above ratings.

**Operating Information
Fixed Route Statistics
2007 - 2016**

Exhibit 12



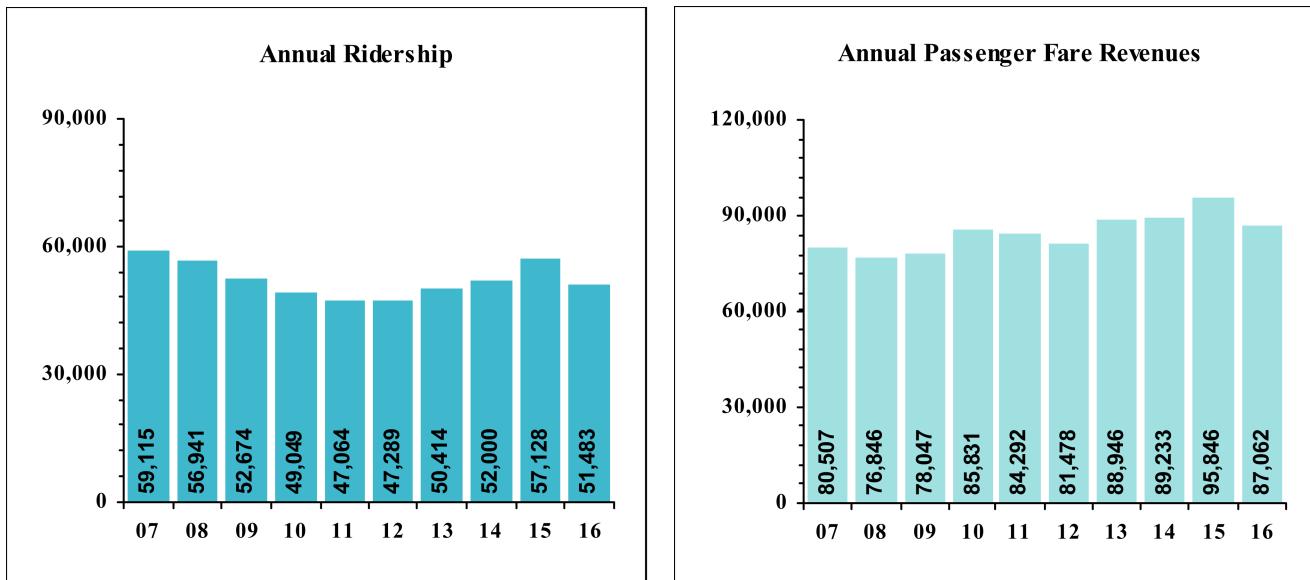
Long Beach Transit had a loss of ridership from FY 2015 to FY 2016, with 28.1 million boardings on Long Beach Transit buses in FY 2015 falling to 26.2 million boardings on Long Beach Transit buses in FY 2016. The 26.2 million boardings represented a 6.4% decrease from the previous year. This ridership decline is consistent with the experiences of other Southern Californian transit agencies.



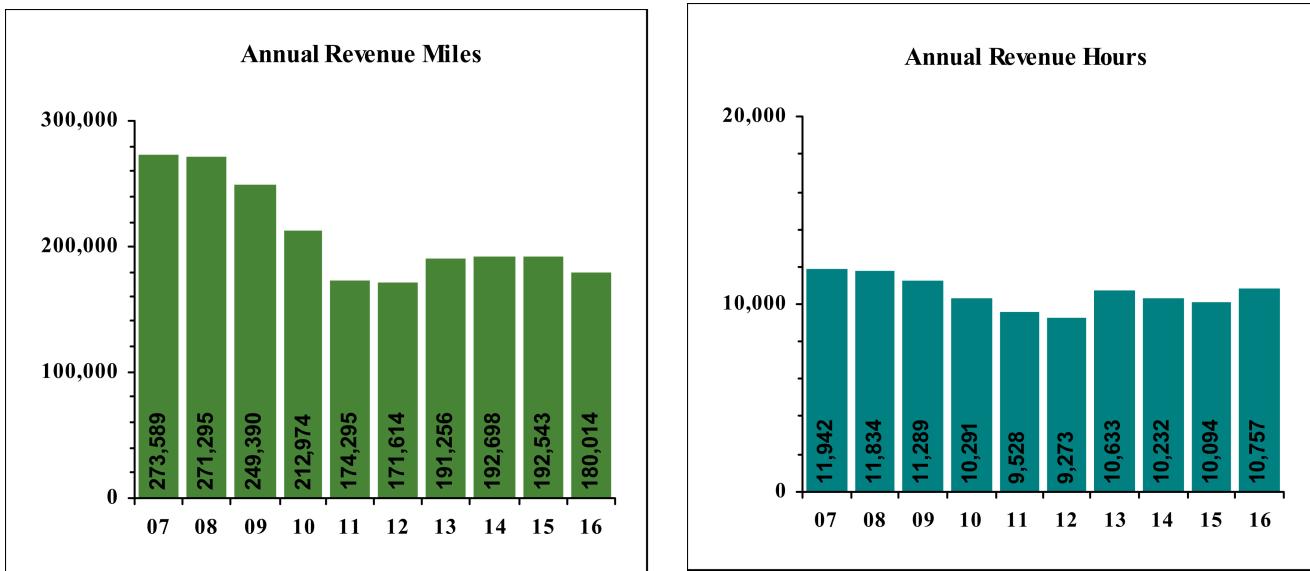
Source: Long Beach Transit's Annual National Transit Database Report

**Operating Information
Dial-A-Lift Statistics
2007 - 2016**

Exhibit 13



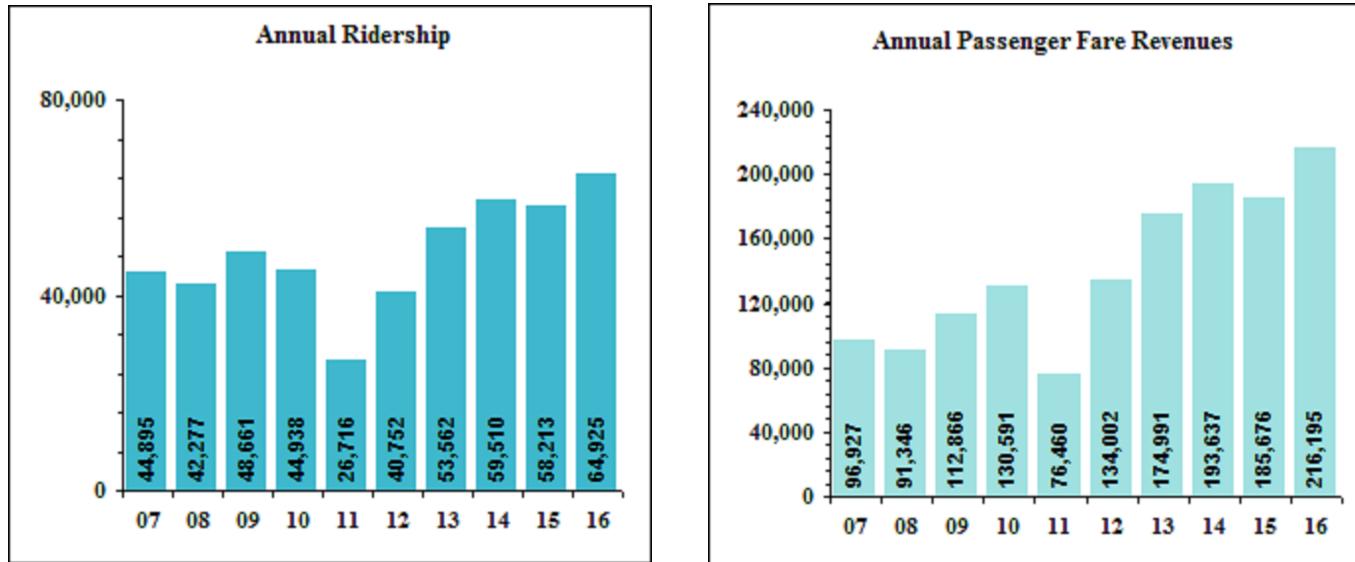
Dial-A-Lift had a 9.9% decrease in ridership in FY16. In FY16 LBT began recertifying members who had the service for more than 3 years to ensure that Dial-A-Lift is serving customers who truly need the service. The ridership decrease is attributed to this recertification process. The Dial-A-Lift service is supplied by a private contractor who provides Dial-A-Lift van trips.



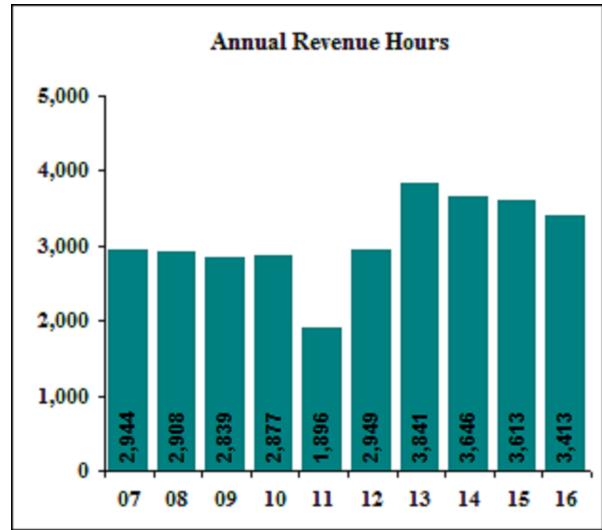
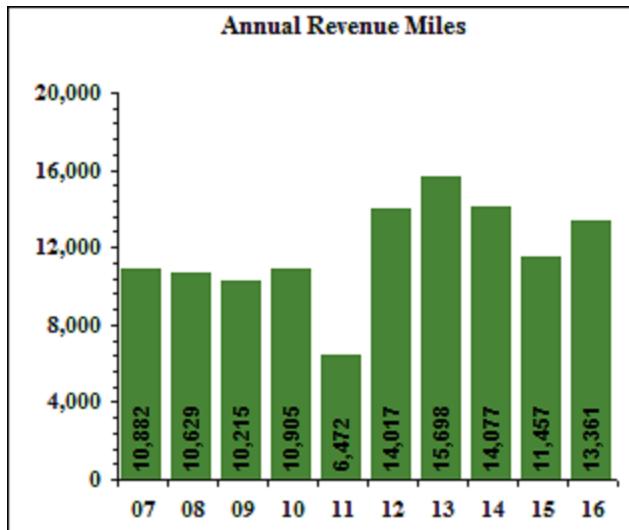
Source: Long Beach Transit's Annual National Transit Database Report

**Operating Information
Water Taxi Statistics
2007-2016**

Exhibit 14



Water Taxi ridership increased 11.5% and revenues increased 16.4% in FY16. These increases are due to the increased ridership on the AquaLink service. The attractions along the AquaLink route have increased the popularity of the service. There was also an additional week of service in FY16 because of the timing of Labor Day.



Source: Long Beach Transit's Annual National Transit Database Report

**Operating Information
Schedule of Insurance in Force
June 30, 2016**

Exhibit 15

Program Expiration Term	Company	Amount/Limit
<u>LIABILITY</u>		
A. Auto and General Liability		
7/1/17 1 yr	Argonaut Insurance Company Alteris Insurance Services	\$10,000,000 excess of \$2,000,000 SIR
B. Underground Storage Tank- Third-Party Liability		
3/4/17 1 yr	Illinois Union Insurance Co.	\$2,000,000 - each incident \$3,000,000 - aggregate Deductible \$50,000
<u>COMMERCIAL PROPERTY</u>		
3/14/17 1 yr	Travelers Property Casualty Co.	\$ 20,331,000 Real Property \$ 41,943,000 Business Personal Property \$ 50,000 Deductible for buses in the open \$ 476,000 Extra Expense \$ 2,500 per occurrence; except \$50,000 for buses in the yard
<u>WORKERS' COMPENSATION</u>		
7/1/17 1 yr	Safety National Casualty Corp	SIR: \$1,500,000 WC limit each accident: Statutory Employer's Liability per occurrence: \$2,000,000
<u>CRIME SHIELD POLICY</u>		
8/8/17 1 yr	Hartford Fire Insurance Co.	\$1,000,000 - employee theft; \$20,000 deductible \$1,000,000 - computer and funds transfer fraud; \$5,000 deductible \$100,000 – theft, disappearance and destruction; \$5,000 deductible

Operating Information
Schedule of Insurance in Force (Continued)
June 30, 2016

FELONIOUS ASSAULT POLICY

7/1/17 3 yr	Chubb and Son, A Division of Federal Insurance Company	\$100,000 – life insurance policy
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FIDUCIARY LIABILITY

11/1/16 1 yr	Chubb Group of Insurance Co.	\$1,000,000 Each Loss
		\$1,000,000 Each Policy Period
		\$ 10,000 Deductible

ENVIRONMENTAL LEGAL LIABILITY

6/21/18 2 yr	Aspen Specialty Insurance Co.	\$ 5,000,000 Pollution Incident Coverage
		\$ 5,000,000 Aggregate Limit of Liability

Source: Long Beach Transit's Risk Management Department.

Operating Information
Fixed-Route Bus Service
Summary of Service Frequency and Hours of Operation

ROUTES	FREQUENCY OF SERVICE			DAILY HOURS OF OPERATION					
	Weekday	Saturday	Sunday	Weekday	Saturday	Sunday	Weekday	Saturday	Sunday
	<u>Peak/Base</u> (5am-6pm)			<u>Evening/Night</u> (after 6pm)					
1	30	40	40	30/60	40/60	40/60	530A - 1006P	508A - 1014P	508A - 1014P
20	15	20	20	20/60	20/30/60	20/30/60	445A - 110X	505A - 113X	505A - 113X
40	10	12	15	10/30	15/30	15/30	431A - 1256X	504A - 1256X	504A - 1256X
50	12/15	20/30	20	15/20/30	20/30	20/30	430A - 1211X	504A - 1211X	510A - 1211X
60	12	20	20	20/30	20/30	20/25/30/60	450A - 120X	538A - 115X	528A - 116X
70	30	40	40	30	40	40	445A - 825P	506A - 1055P	506A - 1055P
80	50	-	-	-	-	-	615A - 845P	---	---
90	10/12	15/20/30	20/30	20/30	20/30	20/30	410A - 111X	500A - 125X	500A - 105X
96 ZAP	-	-	-	-	-	-	----	----	----
100	20/40	20/40	20	30	20/40	20	458A - 1045P	550A - 805P	550A - 805P
110	20	30	30	30/60	30/60	30/60	500A - 120X	505A - 101X	505A - 1259X
121	18	20/30	25/30	18/20/30	20/30	25/30	450A - 114X	501A - 112X	502A - 112X
131	45	60	60	60	60	60	512A - 1000P	530A - 931P	530A - 931P
151	20	30/35/40	30/35/40	20/30/60	30/40/60	30/40/60	423A - 1252X	459A - 1254X	459A - 1254X
170	15	15/30	15/30	20/30/60	30/60	30/60	459A - 1256X	508A - 1257X	508A - 1255X
171	30	45	45	30/60	45	45	430A - 1100X	700A - 806P	708A - 806P
176	30	-	-	-	-	-	646A - 710P	----	----
180	20	30	30	20/30	30	30	532A - 855X	515A - 855X	515A - 855X
190	15	20	20	20/30/60	20/30/60	20/30/60	410A - 125X	511A - 122X	510A - 117X
Passport	15	10/11	10/11	15/20/30	10/20/30	10/20/30	507A - 103X	517A - 104X	511A - 104X

Source: Long Beach Transit's Service Development Department

Pension Information
Employer and Employee Pension Contributions
2007 – 2016

Exhibit 17

Fiscal Year Ended June 30	Employer Contribution*	Employee Contribution	Payroll	Contribution as a Percentage of Payroll
<u>Contract Plan</u>				
2007	\$ 2,777,353	\$	\$ 21,866,049	12.32%
2008	2,661,268		23,643,084	11.35
2009	3,048,814		25,266,127	12.18
2010	4,111,605		25,501,412	16.20
2011	3,791,200		25,473,634	15.01
2012	2,099,802	1,141,708	25,904,690	12.32
2013	2,473,826	1,105,052	26,589,061	13.74
2014	3,326,307	1,437,006	27,081,026	17.75
2015	3,067,778	1,643,452	28,434,333	15.95
2016	3,439,288	1,754,192	29,453,575	17.58
<u>Salaried Plan</u>				
2007	\$ 1,006,587	\$	\$ 8,486,732	12.30%
2008	1,202,609		9,125,649	13.43
2009	1,582,975		9,554,774	17.26
2010	1,964,523		9,337,229	23.11
2011	2,041,762		9,520,926	22.19
2012	1,244,244	387,987	9,516,264	18.90
2013	2,244,185	449,958	10,281,649	20.97
2014	2,847,508	436,748	8,538,999	28.46
2015	4,758,243	402,617	8,027,453	27.52
2016	4,270,185	365,367	7,192,890	24.55

* Total contribution amounts reflect year-end accruals which are adjusted for actual pay in the following fiscal year.

Source: Contract and Salaried pension plan financial statements for the year-ended June 30, 2016.

These financial statements are prepared under separate cover and contain additional trend information.

Pension Information
Pension Revenues by Source and Expenses by Type
2007 – 2016

Exhibit 18

Fiscal Year Ended June 30	Revenues by Source				Expenses by Type			
	Employer and Employee Contributions	Benefit transfer receivable	Investment Return	Total	Administrative Expenses	Benefit Payments	Benefit transfer payable	Total
	<u>Contract</u> <u>Plan</u>							
2007	\$ 2,777,353	\$ ---	\$ 3,485,553	\$ 6,262,906	\$ 224,618	\$ 2,847,651	\$ 365,198	\$ 3,437,467
2008	2,661,268	---	571,633	3,232,901	242,097	2,238,944	6,800	2,487,841
2009	3,048,814	---	(5,613,626)	(2,564,812)	167,515	1,448,156	35,377	1,651,048
2010	4,111,605	---	(3,780,305)	331,300	204,627	2,544,902	158,341	2,907,870
2011	3,791,200	---	6,604,495	10,395,695	227,965	1,852,836	168,731	2,249,532
2012	3,241,510	---	(682,971)	2,558,539	255,280	2,610,617	25,643	2,891,540
2013	3,714,988	---	3,324,692	7,039,680	291,858	2,447,910	---	2,739,768
2014	4,763,313	---	5,113,555	9,876,868	323,518	4,326,353	241,886	4,891,757
2015	4,711,230	---	(569)	4,710,661	349,496	4,881,029	288	5,230,813
2016	5,193,480	---	(407,799)	4,785,681	325,026	3,182,794	17,501	3,525,321
 <u>Salaried</u> <u>Plan</u>								
2007	\$ 1,006,587	\$ 365,198	\$ 1,687,859	\$ 3,059,644	\$ 134,999	\$ 2,092,796	\$ ---	\$ 2,227,795
2008	1,202,609	6,800	(184,115)	1,025,294	124,292	3,654,399	---	3,778,691
2009	1,582,975	35,377	(1,889,274)	(270,922)	90,378	1,567,196	---	1,657,574
2010	1,964,523	158,341	(1,169,295)	953,569	94,633	950,146	---	1,044,779
2011	2,041,762	168,731	2,235,151	4,445,644	118,827	2,255,212	---	2,374,039
2012	1,632,231	25,643	(238,790)	1,419,084	118,457	2,294,168	---	2,412,625
2013	2,694,143	---	960,977	3,655,120	117,013	702,018	---	819,031
2014	3,284,256	241,886	1,750,047	5,276,189	142,002	2,342,868	---	2,484,870
2015	5,160,860	288	(11,557)	5,149,591	167,173	1,818,412	---	1,985,585
2016	4,635,552	17,501	(194,989)	4,458,064	167,603	1,332,112	---	1,499,715

Source: Contract and Salaried pension plan financial statements for the year-ended June 30, 2014.

These financial statements are prepared under separate cover and contain additional trend information.

Grant Information
Capital Grant History
Federal Grants 2007 - 2016

FTA Grants	Authorized Amount	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CA-90-Y057	10,381,045	\$ 127,546									
CA-90-Y082	11,356,000	227,586	\$ 79,907	\$ 608,104							
CA-90-Y117	7,751,180	104,124	582,745	239,603							
CA-03-0596	1,980,630										
CA-90-Y136	7,788,668	36,203									
CA-90-Y226	10,958,295	166,025	452,558	241,178	\$ 57,407						
CA-90-Y271	9,982,170	1,168,787	754,104	1,132,509	130,707						
CAL0301	204,000										
CA-03-0642	1,980,058										
CA-03-0664	2,074,022										
CA-90-Y391	13,354,477	1,974,135	5,457,189	2,125,881	484,648	\$ 95,849	\$ 60,034	\$ 2,527,386			
CA-90-Y440	6,358,401	1,295,708	1,343,478	3,394,798	178,157	35,420	11,972				
CA-90-Y502	14,756,941		1,979,965	10,160,890	1,582,195	81,688	132,711	26,545			
CA-90-Y652	13,051,167		5,821	1,446,032	1,569,176	654,528	398,367	8,331,767	\$ 428,257	\$ 175,263	\$ 41,956
CA-95-X040	447,000		18,538	70,418	300,763	57,282					
CA-03-0714	970,874		970,874								
CA-04-0061	1,915,492		3,651	1,911,839							
CA-90-Y731	14,960,635			71,794	5,850,160	4,965,764	234,409	3,761,979	71,168	5,361	
CA-03-0759	485,888			485,888							
CA-90-X007	16,497,214			496,563	6,466,024	8,840,940	693,688				
CA-04-0065	2,604,050					1,998,932	(173,860)	778,978			
Subtotal		\$ 5,100,114	\$ 11,648,830	\$ 22,385,497	\$ 16,619,237	\$ 16,730,403	\$ 1,357,321	\$ 15,426,655	\$ 499,425	\$ 180,624	\$ 41,956

Grant Information
Capital Grant History (Continued)
Federal Grants 2007 - 2016

Exhibit 19

FTA Grants	Authorized Amount	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Subtotal		\$ 5,100,114	\$ 11,648,830	\$ 22,385,497	\$ 16,619,237	\$ 16,730,403	\$ 1,357,321	\$ 15,426,655	\$ 499,425	\$ 180,624	\$ 41,956
CA-04-0134	1,783,466					222,952	351,368	1,096,541	71,421	41,184	
CA-90-Y798	13,994,380					3,046,130	6,541,814	646,277	312,347	829,421	11,026
CA-90-Y880	15,774,862						746,816	7,199,267	2,525,909	86,464	40,244
CA-04-0184	2,863,280						899,012	702,223	387,690	330,469	5,296
CA-04-0199	950,000							950,000			
CA-88-0004	6,700,000							637,161	193,185	88,283	237,053
CA-90-Y957	16,248,527							1,048,270	2,605,970	5,748,917	46,226
CA-90-X053	17,391,081								773,241	3,102,621	6,504,828
CA-90-Z120	20,701,104								49,875	10,518,828	1,438,564
CA-58-0015	2,000,000									2,000,000	
CA-90-Z232	14,113,447										1,622,069
TOTAL		\$ 5,100,114	\$ 11,648,830	\$ 22,385,497	\$ 16,619,237	\$ 19,999,485	\$ 9,896,331	\$ 27,706,394	\$ 7,419,063	\$ 22,926,811	\$ 9,947,262

Grant Information
Capital Grant History
State Grants 2007 - 2016

Exhibit 20

State Grants	Authorized Amount	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CA-90-Y057	2,429,263	\$ 33,271									
CA-90-Y082	1,471,292	29,486	\$ 10,394	\$ 84,231							
CA-90-Y117	1,937,795	26,047	145,681	59,932							
CA-90-Y136	1,404,025	4,689									
CA-90-Y226	2,739,574	39,728	111,941	88,662	\$ 14,374						
CA-95-X040	203,182		8,427	32,009	11,826						
STA 01	990,696		7,280								
STA 02	1,341,400	3,568	2,230								
STA 03	838,329	30,568	3,698								
STA 07	910,000		746,044								
STA 08	3,528,162		102,135	2,352,877	440,431	\$ 40,077	\$ 10,681	\$ 19,986			
STA 11	580,795							331,826	\$ 248,972		
1B SEC	2,232,588			240,999	417,044	100,896	252,533	197,999	374,050	\$ 274,793	\$ 644,369
TOTAL		\$ 167,357	\$ 1,137,830	\$ 2,858,710	\$ 883,675	\$ 140,973	\$ 263,214	\$ 549,811	\$ 623,022	\$ 274,793	\$ 644,369

**Grant Information
Local Grants 2007 - 2016**

Exhibit 21

Local Grants	Authorized Amount	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Prop C Security FY 03	349,154 \$	40,346 \$	23,888 \$	4,096							
Prop C Security FY 04	923,452	5,603	16,208	127							
Prop C – CA-90-Y271	2,375,547	300,489	173,882	212,278 \$	27,101						
Prop C FY 02	1,041,853	60,541	3,004								
Prop C FY 03	1,123,797	223,736	111,223								
Prop C FY 04	923,452	5,018	98,592	335							
Prop C Security FY 05	324,000			110,000							
Prop C FY 05	1,324,200	639,725	237,755	39,410							
Prop C-CA-90-Y391	2,934,372	455,102	1,168,738	486,797	118,327 \$	21,172 \$	13,250 \$	517,992			
Prop C-CA-90-Y440	1,329,020	242,753	331,894	682,488	36,085	8,134	2,935				
Prop C FY 06	1,398,323	12,717	1,364,204								
Prop C FY 07	152,022	291	13,570	137,823							
Prop C Security FY 07	24,000	4,731	18,279								
Prop C Sec-CA-90-440	138,600	81,202	3,943	44,280	8,456	721					
Prop C FY 08	1,661,127		237,858	670,767	111,424	433,695	207,383				
Prop C-CA-90-Y502	3,512,702		495,589	2,562,193	394,626	20,417	33,179	6,698			
Prop C-CA-90-Y652	2,030,062		1,455	245,504	289,667	163,641	131,869	1,037,686 \$	107,052 \$	43,821	9,366
Prop C-CA-03-0714	198,854		198,854								
Prop C-CA04-0061	392,330		748	391,582							
MTA 8111	428,774		162,341	62,909	164,545						
Subtotal		\$ 2,072,254 \$	4,662,025 \$	5,650,589 \$	1,150,231 \$	647,780 \$	388,616 \$	1,562,376 \$	107,052 \$	43,821	9,366

Continue

Grant Information
Capital Grant History (Continued)
Local Grants 2007 - 2016

Exhibit 21

Local Grants	Authorized Amount	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Subtotal		\$ 2,072,254	\$ 4,662,025	\$ 5,650,589	\$ 1,150,231	\$ 647,780	\$ 388,616	\$ 1,562,376	\$ 107,052	\$ 43,821	\$ 9,366
AQMD 08	81,744			81,744							
Prop C- CA03-0759	99,520			99,520							
Prop C Sec-CA-90-Y652	47,128			13,381	33,761	(13)					
Prop C Sec FY08	31,896			31,896							
Prop C FY 09	985,343			142,767	322,747	519,828					
Prop C-CA90-Y731	3,604,442			63,292	1,484,939	1,239,842	58,875	736,865	17,792	2,837	
Prop C FY 10	110,000				60,825	49,175					
Prop C FY 11	3,808,593					155,049	908,816	1,257,341	702,307	341,032	339,043
Prop C-CA-90-798	3,003,969					762,626	1,635,402	161,627	78,086	107,922	2,693
Prop C-CA-04-065	576,983					499,766	(43,498)	120,715			
Prop C-CA-04-134	312,540					55,704	87,876	140,809	17,855	10,297	
Prop C-CA-04-184	860,720						224,801	225,800	125,882	109,267	1,324
Prop C FY 12	2,818,242							987,020	928,199	324,026	303,876
Prop C FY 13	3,242,074							27,419	328,881	1,747,453	551,216
Prop C-CA-88-0004	876,429							219,786	82,791	35,027	85,464
Prop C-CA-90-Y957	2,864							881	701	265	841
Prop C FY 14	2,518,706								61,119	499,668	429,482
Prop C-CA-90-Y880	2,252								927	1,325	
Prop C FY 15	4,033,963									658,270	1,117,119
Prop C-CA-90-Z053	89,216									3,305	5,799
Prop C-CA-90-Y120	1,465,833									890,691	150,106
Prop C FY 16	4,172,213										92,683
TOTAL	\$ 2,072,254	\$ 4,662,025	\$ 6,083,189	\$ 3,052,503	\$ 3,929,757	\$ 3,260,888	\$ 5,440,639	\$ 2,451,592	\$ 4,775,206	\$ 3,089,012	