LONG BEACH
TRANSIT

Long Beach Public Transportation Company Retirement Plan - Salaried Employees

Financial Statemetns
for the Years Ended June 30, 2016 and 2015

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

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LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Principal Officials

Board of Directors

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

Pension Committee Members

Kenneth McDonald	President & Chief Executive Officer
Lisa Patton	Executive Director, VP Finance & Budget
LaVerne David	Executive Director, VP Risk Management Training & Human Resources

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Long Beach Public Transportation Company
Retirement Plan – Salaried Employees

Report on the Financial Statements

We have audited the accompanying financial statements of the Long Beach Public Transportation Company Retirement Plan – Salaried Employees, which comprise the statements of fiduciary net position as of June 30, 2016 and 2015, and the related statements of changes in fiduciary net position 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 the fiduciary activities of the Long Beach Public Transportation Company Retirement Plan – Salaried Employees as of June 30, 2016 and 2015, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 4-6 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Plan's basic financial statements taken as a whole. The supplemental schedule of assets held for investment purposes, schedule of funding progress and contributions and changes in net pension liability and related ratios, and schedule of revenues by source and expenses by type are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Windes, Inc.

Long Beach, California
December 27, 2016

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Management's Discussion and Analysis

As management of Long Beach Public Transportation Company (Long Beach Transit or the Company), we offer readers this narrative overview and analysis of the financial activities of the Long Beach Public Transportation Company Retirement Plan – Salaried Employees (the Plan) for the fiscal years ended June 30, 2016, 2015, and 2014.

FINANCIAL HIGHLIGHTS

- The net position of the Plan at the close of the fiscal year 2016 is $22.8 million. All of the assets are available to meet the Plan's ongoing obligations to plan participants and their beneficiaries.
- The Plan's total net position held in trust for pension benefits increased by $3.0 million, or 14.9%, due to the additional employer contributions.
- The Plan's pension contribution decreased by approximately $538k, or 10.4%, primarily due to the decrease in actuarially determined rate of required annual contribution.
- Pension benefit distributions decreased by approximately $486k, totaling $1.3 million for the fiscal year primarily due to a decrease in number of employees retiring.

OVERVIEW of the FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Plan's financial statements and notes to the financial statements.

The Statements of Fiduciary Net Position are a snapshot of account balances at fiscal year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time. The Statements of Changes in Fiduciary Net Position provide a view of current year additions to and deductions from the Plan. Both statements are in compliance with accounting principles generally accepted in the United States of America (GAAP) and by the Governmental Accounting Standards Board (GASB).

The Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position report information about the Plan's activities. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's additions and deductions are taken into account regardless of when cash is received or paid. In addition, both realized and unrealized gains and losses are shown on investments.

The Statement of Changes in Plan's Net Position presents information showing how the Plan's net position changed for the two most recent fiscal years. Over time, increases and decreases in the Plan's net position is one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Plan's overall financial health.

The Plan's financial statements can be found beginning on page 7 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 beginning on page 9 of this report.

FINANCIAL STATEMENT ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Plan's financial position. The assets of the Plan exceeded its liabilities at the close of fiscal years 2016, 2015, and 2014.

Condensed Summary of Net Position

	2016	2015	2014
Cash	$ 412,549	$ 1,797,793	$ 555,058
Receivables	757,240	131,284	335,327
Investments, at fair value	21,873,625	17,920,012	15,764,826
Total assets	23,043,414	19,849,089	16,655,211
Payable due to Contract Plan	265,848	29,872	-
Total liabilities	265,848	29,872	-
Net position	$ 22,777,566	$ 19,819,217	$ 16,655,211

As of June 30, 2016, $22.8 million in total net position is held in trust for pension benefits. All of the assets are available to meet the Plan's ongoing obligation to plan participants and their beneficiaries. There was a $3.0 million, or 14.9%, increase in total net position over the prior year primarily due to additional employer contributions made during the year. There was a negative investment rate of return of 1.1% due to decrease in investment market value. The actuarial assumption rate for investment return is 6.0%.

As of June 30, 2015, $19.8 million in total net position is held in trust for pension benefits. All of the assets are available to meet the Plan's ongoing obligation to plan participants and their beneficiaries. There was a $3.2 million, or 19.0%, increase in total net position over the prior year primarily due to additional employer contributions made during the year. There was a negative investment rate of return of 0.08% due to decrease in investment market value. The actuarial assumption rate for investment return was 7.5%.

Condensed Summary of Changes in Net Position

	2016	2015	2014
Employer Contributions	$ 4,270,185	$ 4,758,243	$ 2,847,508
Employee Contributions	365,367	402,617	436,748
Transfers from Contract Plan	17,501	30,160	241,886
Investment income (loss)	(194,989)	(11,557)	1,750,047
Total additions	4,458,064	5,179,463	5,276,189
Pension benefits	1,332,112	1,818,412	2,342,868
Transfers to Contract Plan	-	29,872	-
Administrative costs	167,603	167,173	142,202
Total deductions	1,499,715	2,015,457	2,485,070
Net increase in plan net position	$ 2,958,349	$ 3,164,006	$ 2,791,119

Management's Discussion and Analysis, continued

Additions to Plan's Net Position

The assets needed to finance retirement benefits are accumulated through the collection of employer and employee contributions, and through earnings on investments. The employer contribution rates for fiscal years 2016, 2015, and 2014 were 19.55%, 22.52%, and 23.46%, respectively. Effective July 1, 2011, all full-time salaried employees hired before April 1, 2011, began contributing 5% of their annual salary toward the Plan. The Plan met contribution requirements for all three years.

The actuarial assumption for investment income was 6.0% for fiscal year 2016 and 7.5% for fiscal years 2015 and 2014. In fiscal year 2016 and 2015, the Plan fell short of the actuarial assumption rate producing negative returns of 1.1% and 0.08%, respectively, due to an unfavorable investment market. In fiscal year 2014, the Plan exceeded the actuarial assumption rate, producing a positive return of 12.9% due to an increase in investment market value.

Deductions from Plan's Net Position

The Plan was created to provide lifetime retirement annuities, survivor benefits, and permanent disability benefits to qualified members and their spouses. The cost of such programs includes recurring benefit payments, as designated by the Plan, and the cost of administering the program.

Expenditures for the fiscal year ended June 30, 2016, decreased by $516k, or 25.6%, over fiscal year 2015. In 2016, pension benefit distributions decreased by $486k due to fewer employees retiring. Administration expenses incurred from the management of plan assets remained consistent with a slight increase of $430, or 0.3%, when compared to 2015.

Expenditures for the fiscal year ended June 30, 2015, decreased by $470k, or 18.9%, over fiscal year 2014. In 2015, pension benefit distributions decreased by $524k due to less long-term employees retiring and taking lump-sum distributions. In addition, administration expenses incurred from the management of plan assets increased by approximately $25k , or 17.6%, when compared to 2014 due to increase in investment market value over the prior fiscal year.

ECONOMIC FACTORS and RATES AFFECTING NEXT YEAR

The Plan completed a new actuarial valuation dated July 1, 2016. The contribution rate specified in the report increased to 29.85% for fiscal year 2017 from the 2016 rate of 24.55%. Effective July 1, 2011, all full-time salaried employees hired before April 1, 2011, began contributing 5% of their annual salary toward the Plan. The funding status of the Plan decreased to 76.0% as compared to 77.5% in the prior fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Plan's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director & VP Finance and Budget, Long Beach Transit, 1963 E. Anaheim St., Long Beach, California, 90813.

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Statements of Fiduciary Net Position
June 30, 2016 and 2015

	2016	2015
Assets		
Cash (note 4)	$ 412,549	$ 1,797,793
Accounts receivable:		
Contribution receivable	709,579	101,124
Transfer receivable from Contract Plan (note 5)	47,661	30,160
Total accounts receivable	757,240	131,284
Investments, at fair value (notes 4 and 6):		
Equity mutual funds	14,912,202	12,530,936
Bond mutual funds	3,196,962	2,241,458
Corporate bonds	3,143,579	2,752,939
Government bonds	609,602	374,050
Real estate equity funds	11,280	20,629
Total investments	21,873,625	17,920,012
Total assets	23,043,414	19,849,089
Liabilities		
Payable due to Contract Plan (note 5)	265,848	29,872
Total liabilities	265,848	29,872
Net position restricted for pensions	$ 22,777,566	$ 19,819,217

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

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

	2016	2015
Additions:		
Contributions:		
Employer contributions	$ 4,270,185	$ 4,758,243
Employee contributions	365,367	402,617
Transfers from Contract Plan (note 5)	17,501	30,160
Total contributions	4,653,053	5,191,020
Investment loss:		
Interest	132,792	150,858
Dividends and capital gains/distributions	529,502	446,586
Net unrealized gain (loss) on investments	61,537	(1,692,372)
Net realized gain (loss) on investments	(935,842)	1,080,914
Other investment revenue	17,022	2,457
Total investment loss, net	(194,989)	(11,557)
Deductions:		
Expenditures:		
Pension benefits	1,332,112	1,818,412
Transfer to Contract Plan (note 5)	-	29,872
Direct administrative costs	51,850	44,789
Other administrative costs	115,753	122,384
Total expenditures	1,499,715	2,015,457
Net increase in plan net position	2,958,349	3,164,006
Net position restricted for pension, beginning of year	19,819,217	16,655,211
Net position restricted for pension, end of year	$ 22,777,566	$ 19,819,217

See Independent Auditors' Report

(1) Description of Plan

The following brief description of the Long Beach Public Transportation Company Retirement Plan - Salaried Employees (the Plan) is provided for general information purposes only. Participants should refer to the Summary Plan Description or the Plan agreement for more complete information.

Pension Benefits

The Plan is a defined benefit pension plan sponsored by Long Beach Public Transportation (Long Beach Transit or the Company). All full-time salaried employees hired before April 1, 2011 are eligible under the Plan. At June 30, 2016 and 2015, membership consisted of:

	2016	2015
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving such benefits	50	46
Current employees:		
Vested	99	102
Nonvested	0	4
Total membership	149	152

Participants are eligible for annual benefit payments at the normal retirement age of 64 or at completion of ten years of credited service, whichever is later. Monthly benefit payments 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. Participants are 100% vested after five years of service.

Early retirement may be elected by participants at the age of 54 and upon completion of ten years of credited service. In the case of early retirement, the normal retirement benefit is reduced by 5% for each year the early retirement date precedes the normal retirement date.

A participant may also retire with full benefits at any age if the sum of the participant's age and service is at least 80. If the sum of the participant's age and service is less than 80 but 70 or higher, the full benefit will be reduced for each year the retirement date is below 80.

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

Death and Disability Benefits

In the event a Plan member dies while still actively employed, a retirement benefit will be paid to the spouse or domestic partner 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 participant becomes occupationally disabled, he or she is entitled to a monthly benefit equal to 1.70% 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.

Termination

The Plan may be amended, altered or modified, or a successor plan may be adopted at any time with the consent of the employer or its successor in interest. In the event of termination, the assets will be allocated based on the order of priority prescribed in the Plan.

Contributions

During the year ended June 30, 2016, Plan members contributed 5% of their annual salary toward the Plan. The Company contributed the remainder of the actuarially determined rate. Administrative costs of the Plan are financed through investment earnings.

(2) Summary of Significant Accounting Policies

Reporting Entity

The Long Beach Public Transportation 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 (the Board) appointed by the Mayor, with the approval of the Long Beach City Council, to serve four-year terms. In turn, the Board appoints a President and Chief Executive Officer who is responsible for overseeing the Company's daily operations.

The Company's basic financial statements are available under separate cover. For accounting purposes, Long Beach Transit is considered a component unit of the City of Long Beach (the City). As such, its general financial statements are included in the City's comprehensive annual financial report as a discretely presented component unit. These statements do not include the Plan's financial statements.

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.

Written requests for the Company's basic financial statements can be sent to Long Beach Transit, c/o Executive Director & VP Finance and Budget, Long Beach Transit, 1963 E. Anaheim St., Long Beach, California, 90813.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Contributions are recognized when due and when a formal commitment to provide the Contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

The Plan Pension Committee has elected to pursue an investment strategy that is intended to provide moderately low risk for any individual investment with a relatively low overall portfolio risk. Plan investments are carried at fair market value. Purchases and sales of investments are recorded on a trade-date basis. The average-cost method is used in the determination of realized gains and losses on sales of investments. Dividend income is recorded on the ex-dividend dates of the investment securities. Interest income is reported as earned.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current market value rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair market value of real estate investments is based on independent appraisals.

Trust Fund Managed by the Trustee Bank

Under the terms of a nondiscretionary trust agreement between the trustee bank and the Plan, the trustee bank manages a trust fund on behalf of the Plan. The Plan Pension Committee has discretionary authority concerning purchases and sales of investments in the trust fund. The investments and changes in the trust fund assets are reported to the Plan by the trustee bank.

Investment Management

The Plan Pension Committee has engaged the services of a professional asset management company to manage the investments of the Plan. Investments are held in the Company's name, but discretionary authority concerning purchases and sales of investments within the limits set in the Board-adopted investment policy has been delegated to the investment manager. The investment manager reports on a quarterly basis to the Plan Pension Committee, setting forth an inventory of portfolio assets, a measurement of investment performance and a narrative assessing the investment outlook for the short and intermediate term.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, the actuarial present value of accumulated plan benefits at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Subsequent Events

The Plan has evaluated subsequent events through December 27, 2016, the date the financial statements were available to be issued.

Risks and Uncertainties

The Plan may invest in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Fiduciary Net Position.

(3) Federal Income Taxes

The Plan is intended to constitute a qualified plan under Section 401(a) of the Internal Revenue Code, and the related trust is intended to be exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(a). The Company believes the Plan is currently designed and is operated in accordance with applicable sections of the Internal Revenue Code.

(4) Cash and Investments

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

	2016	2015
Deposits with Trustee	$ 412,549	$ 1,797,793
Investments	21,873,625	17,920,012
Total	$ 22,286,174	$ 19,717,805

Concentration of Credit Risk - Investment Policy Authorized by the Company's Board of Directors

Plan assets shall be invested to provide safety through diversification in a portfolio of pooled common stocks, bonds, cash equivalents and other investments which may reflect varying rates of return. The approved asset allocation for the Plan is as follows:

	Lower	Strategic Allocation	Upper
U.S. Stocks			
Large Company	15%	20%	25%
Small Company	--	5%	10%
Real Estate Securities	1%	6%	11%
International Equity	18%	23%	28%
Multi-strategy	10%	15%	20%
Fixed Income	25%	30%	35%
Cash Equivalent	--	1%	6%

Investments in any one issuer or fund that represents 5% or more of total Plan net position have been summarized in note 6. Investments shall also be diversified within asset classes. Equities shall be diversified by economic sector, industry, quality and size and allocated to managers who have distinct and different investment styles.

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 is to changes in market interest rates. Information about the sensitivity of fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the portfolio percentage and maturity, where applicable, for each asset class or fund at June 30, 2016 and 2015.

	2016			2015		
Type of Investment	Portfolio Percentage	Market Value	Maturity	Portfolio Percentage	Market Value	Maturity
Equities:						
Domestic Large Capitalization	25%	$ 5,378,357	N/A	22%	$ 3,956,277	N/A
Small Capitalization	7%	1,565,833	N/A	6%	1,101,480	N/A
Real Estate Securities	3%	690,666	N/A	3%	546,910	N/A
International Securities	15%	3,372,137	N/A	20%	3,523,463	N/A
Multi-strategy	18%	3,916,489	N/A	19%	3,423,435	N/A
Fixed Income:	15%	3,196,963	4.9 years	13%	2,241,458	4.6 years
Bonds:	17%	3,753,180	3.6 years	17%	3,126,989	4.0 years
Total		$21,873,625			$17,920,012	

N/A – not applicable

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. As of June 30, 2016, equity mutual funds comprise 68% of the Plan's asset portfolio and are not rated. The remaining 32% of the Plan assets are in corporate bonds, bond mutual funds, and fixed income.

Credit ratings for the fixed income investments held at June 30, 2016 and 2015 are as follows:

Investment Type	S&P Rating	2016 Fair Value	2015 Fair Value
Government Bonds	Not rated	$ 203,502	$ 125,976
	AA+	406,100	248,074
		609,602	374,050
Bond Mutual Funds	AAA	1,629,168	524,440
	BBB	446,531	536,377
	BB	1,121,263	1,180,641
		3,196,962	2,241,458
Corporate Bonds	AA+	135,513	138,353
	AA	103,833	-
	AA-	103,067	96,389
	A+	130,775	122,216
	A	484,781	483,577
	A-	691,957	528,684
	BBB+	333,502	244,098
	BBB	574,957	430,431
	BBB-	585,194	709,191
		3,143,579	2,752,939
		$ 6,950,143	$ 5,368,447

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Per the Plan's investment policy, the percentage of total assets allocated to cash deposits should be sufficient only to assure liquidity to meet disbursement needs, which are minimal.

Custodial credit risk for investments generally applies to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

(5) Plan Transfer Contribution

During the fiscal years ended June 30, 2016 and 2015, there were union employees who accepted salaried positions and became eligible to participate in the Company's Salaried Employees Retirement Plan. Service years earned while in their union positions are recognized under the Salaried Plan. Conversely, during the year ended June 30, 2015, there was a salaried employee who returned to a union position and became eligible for participation in the Company's Contract Employees Retirement Plan. Service years earned while in the salaried position are recognized under the Contract Plan. Benefit calculations for these employees have been prepared by the Company's actuary using each affected employees' service years and age at the time of transfer to their new position. For the years ended June 30, 2016 and 2015, benefit transfers from the Contract Plan equaled $17,501 and $30,160, respectively. Benefit transfers from the Salaried Plan for fiscal year ended June 30, 2015 totaled $29,872.

(6) Investments and Fair Value Measurements

The following investments accounted for 5% or more of the total net position (at fair value) at June 30, 2016 and 2015:

Description of Investments	Cost	Fair Value
2016:		
Russell Select U.S. Equity Fund	$ 3,060,257	$ 3,136,616
Russell Select International Equity Fund	1,791,321	1,569,538
	4,851,578	4,706,154
Remaining investments not exceeding 5% of total net position	17,187,393	17,167,471
Total	$ 22,038,971	$ 21,873,625

Description of Investments	Cost	Fair Value
2015:		
Russell Select U.S. Equity Fund	$ 2,118,978	$ 2,153,742
Russell Select International Equity Fund	1,285,316	1,240,397
	3,404,294	3,394,139
Remaining investments not exceeding 5% of total net position	14,737,345	14,525,873
Total	$ 18,141,639	$ 17,920,012

Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

The Plan has the following fair value measurements as of June 30, 2016:

Investments by Fair Value	Total	Level 1	Level 2	Level 3
Equity mutual funds	$ 12,530,936	$ 12,018,992	$ -	$ 511,944
Bond mutual funds	2,241,457	1,603,303	638,154	-
Corporate bonds	2,752,940	2,752,940	-	-
Government bonds	374,050	374,050	-	-
Real estate equity	20,629	-	-	20,629
	$ 17,920,012	$ 16,749,285	$ 638,154	$ 532,573

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Level 2 investments are valued based on market quotations of similar investments, which are readily available; and, for those not actively traded, the investments are valued based upon data provided by an independent market-maker or independent brokers that regularly provide firm bids, and utilization of an independent data delivery vendor to aggregate and provide the pricing data. Fair value of Level 3 investments are determined by a Valuation Committee comprised of officers of the investment adviser and established pursuant to the policies and procedures adopted by the Board, based on factors such as: (i) indications or quotes from brokers, (ii) valuations provided by a third-party pricing agent, (iii) internal models that take into consideration different factors determined to be relevant by the Adviser; or (iv) any combination of the above. Fair value pricing may require subjective determinations about the value of an asset or liability. The values of the investments in publicly traded foreign equity securities generally will be determined by a pricing service using pricing models designed to estimate likely changes in the values of those securities between the times in which the trading in those securities is substantially completed and the close of the NYSE. Fair values used to determine the investment fund's net asset values may differ from quoted or published prices, or from prices that are used by others, for the same investments.

(7) Annual Pension Cost and Net Pension Obligation

As of June 30, 2016, Plan members contributed 5% of their annual salary toward the Plan. The Company contributed the remainder of the actuarially determined rate. The Company's annual pension cost and net pension obligation at June 30, 2016 and 2015 are as follows:

Year ended June 30	Actuarially Determined Amount	Actual Contribution	Net Pension Obligation
2016	$ 2,000,708	$ 4,635,552	---
2015	$ 2,605,222	$ 5,160,860	---

(8) Funded Status and Funding Progress

The status of funding progress 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.

(dollar amounts in thousands)

Actuarial valuation date (July 1)	(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	$ 22,777	$ 29,966	$ 7,189	76.01%	$ 7,190	97.25%
2015	$ 19,819	$ 25,561	$ 5,742	77.54%	$ 8,028	71.52%

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.

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Schedule of Assets Held for Investment Purposes
June 30, 2016 and 2015

Description of Investments	Number of Shares/Units	Cost	Fair Value
June 30, 2016:			
Equity mutual funds:			
Russell Select US Equity Fund	290,966	$ 3,060,257	$ 3,136,616
Russell Select International Equity Fund	190,478	1,791,321	1,569,538
Russell Strategic Call Overwriting Fund	98,676	1,017,469	1,123,922
iShares Russell 1000	9,563	1,080,842	1,117,819
PIMCO All Asset All Authority Fund	122,588	1,130,213	1,026,063
AQR Managed Futures Strategy	91,614	937,813	1,004,092
Stone Ridge US Variance Risk Premium Fund	72,754	733,038	760,279
Russell Emerging Markets Fund	44,842	716,345	680,705
Russell Global Real Estate Secs Fund	17,992	634,456	679,386
Russell Global Infrastructure Fund	57,531	640,930	680,589
Stone Ridge All Asset Variance Risk	72,568	732,441	726,403
Acuitas US Microcap Fund	64,081	647,487	665,161
Russell US Small Cap Equity Fund	16,541	427,504	444,949
Acuitas International Small Cap Fund	50,263	482,506	441,305
Wisdomtree Emerging Markets	11,764	526,300	455,723
Stone Ridge Tr Alternative Lending Fund	38,208	398,522	399,652
Total equity mutual funds		14,957,444	14,912,202
Bond mutual funds:			
iShares Short Treasury Bond EFT	9,826	1,084,854	1,085,282
iShares Core US Aggregate Bond	4,830	531,472	543,886
PIMCO High Yield Fund Class	51,568	478,905	439,874
PIMCO Emerging Markets	59,222	493,833	446,531
Stone Ridge Reinsurance Risk Premium Fund	50,363	506,048	509,672
Stone Ridge High Yield Reinsurance	16,901	170,030	171,717
Total bond mutual funds		3,265,142	3,196,962
Corporate bonds:			
Lowes Cos Inc 4.625% Due 4-15-20	125,000	143,495	137,810
Amgen Inc Sr Note 3.875% Due 11-15-21	125,000	132,520	136,295
General Electric Cap Corp 5.625% Due 5-1-18	125,000	143,093	135,513
AT&T Inc 5.60% Due 5-15-18	125,000	144,121	134,536
Autozone Inc Sr Global Note 4.00% Due 11-15-20	125,000	133,628	134,509
Bear Sterns Cos Inc 6.40% Due 10-2-17	125,000	142,583	132,805
Intel Corp Sr Note 2.70% Due 12-15-22	125,000	116,883	130,775
Alcoa Inc Sr. Global 5.55% Due 2-1-17	125,000	132,975	127,500
Leucadia National Corp 5.50% Due 10-18-23	125,000	128,328	127,236
Synchrony Finl Sr Global 3.00% Due 8-15-19	125,000	128,768	127,084
Ebay Inc Sr Global 2.20% Due 8-1-19	125,000	125,318	126,904
Washington Real Estate Invt 3.95% Due 10-15-22	125,000	125,800	126,736
NYSE Euronext 2.00% Due 10-5-17	125,000	127,126	126,425
Prudential Financial Inc 4.50% Due 11-16-21	100,000	111,777	112,317

Schedule 1

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Schedule of Assets Held for Investment Purposes, continued
June 30, 2016 and 2015

Description of Investments	Number of Shares/Units	Cost	Fair Value
Bottling Group LLC 5.125% Due 1-15-19	100,000	116,144	109,744
Waste Management Inc 6.10% Due 3-15-18	100,000	115,548	108,407
Janus Cap Group Inc 4.875% Due 8-1-25	100,000	101,735	108,135
Comcast Corp New 6.30% Due 11-15-17	100,000	118,964	107,314
NASDAQ Omx Group Inc 5.25% Due 1-16-18	100,000	105,608	105,567
BP Cap Markets Sr Note 3.245% Due 5-6-22	100,000	103,619	104,947
Kohls Corp 4.00% Due 11-1-21	100,000	101,080	104,599
Pfizer Inc Note 6.05% Due 3-30-17	100,000	102,461	103,833
Nike Inc 2.25% Due 5-1-23	100,000	91,588	103,067
Western Union Co 5.93% Due 10-1-16	100,000	111,642	100,978
Cardinal Health Inc 1.70% Due 3-15-18	100,000	99,974	100,674
Motorola Inc 4.00% Due 9-1-24	100,000	97,706	97,807
Teva Pharmaceutical Fin Co 3.65% Due 11-10-21	68,000	67,915	72,062
Total corporate bonds		3,170,399	3,143,579
Government bonds:			
Federal Natl Mtg Assn 1.875% Due 2-19-19	200,000	205,507	205,614
US Treasury Note 1.375% Due 11-30-18	200,000	202,327	203,502
Federal Farm Credit Banks 2.05% Due 4-18-23	200,000	200,615	200,486
Total US agency bonds		608,449	609,602
Real estate equity funds:			
Rancon Realty Fund IV	40	37,537	11,280
Total real estate equity funds		37,537	11,280
Total investments		$ 22,038,971	$ 21,873,625

Description of Investments	Number of Shares/Units	Cost	Fair Value
June 30, 2015:			
Equity mutual funds:			
Russell Select US Equity Fund	199,976	$ 2,118,978	$ 2,153,742
Russell Select International Equity Fund	129,613	1,285,316	1,240,397
PIMCO Commodity Real Return Strategy Fund	209,776	1,153,719	920,917
Russell Strategic Call Overwriting Fund	81,826	834,109	906,632
iShares Russell 1000	7,721	850,645	895,903
iShares MSCI EAFE	13,712	906,911	870,575
PIMCO All Asset All Authority Fund	87,705	920,559	787,587
AQR Managed Futures Strategy	58,296	574,765	649,413
Stone Ridge US Master Variance Fund	52,175	525,772	553,575
Russell Emerging Markets Fund	30,714	503,535	533,195
Russell Global Real Estate Secs Fund	14,121	494,244	526,281
Russell Global Infrastructure Fund	44,452	495,302	520,085

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LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Schedule of Assets Held for Investment Purposes, continued
June 30, 2016 and 2015

Description of Investments	Number of Shares/Units	Cost	Fair Value
Stone Ridge All Asset Variance Risk	50,839	508,401	511,944
Acuitas US Microcap Fund	33,533	336,369	377,917
Russell US Small Midcap Equity Fund	11,935	308,162	372,145
Acuitas International Small Cap Fund	36,692	363,641	359,210
Wisdomtree Emerging Markets	8,099	386,034	351,418
Total equity mutual funds		12,566,462	12,530,936
Bond mutual funds:			
iShares Core US Aggregate Bond	4,821	531,004	524,440
PIMCO High Yield Fund Class	59,679	565,422	542,486
PIMCO Emerging Markets	68,068	586,368	536,377
Stone Ridge Reinsurance Risk Premium Fund	47,713	479,529	478,087
Stone Ridge High Yield Reinsurance	15,911	160,084	160,068
Total bond mutual funds		2,322,407	2,241,458
Corporate bonds:			
General Electric Cap Corp 5.625% Due 5-1-18	125,000	143,093	138,353
AT&T Inc 5.60% Due 5-15-18	125,000	144,121	137,636
Bear Sterns Cos Inc 6.40% Due 10-2-17	125,000	142,583	137,574
Lowes Cos Inc 4.625% Due 4-15-20	125,000	143,495	136,836
Alcoa Inc Sr. Global	125,000	132,975	131,285
Nyse Euronext 2.00% Due 10-5-17	125,000	127,126	126,503
Leucadia National Corp 5.50% Due 10-18-23	125,000	128,328	127,610
Synchrony Finl Sr Global 3.00% Due 8-15-19	125,000	128,768	125,890
Intel Corp 2.70% Due 12-15-22	125,000	116,883	122,216
Washington Real Estate Invt 3.95% Due 10-15-22	125,000	125,800	123,195
Waste Management Inc 6.10% Due 3-15-18	100,000	115,548	111,638
Comcast Corp 6.30% Due 11-15-17	100,000	118,964	111,314
Bottling Group LLC 5.125% Due 1-15-19	100,000	116,144	110,839
Janus Cap Group Inc 6.70% Due 6-15-17	100,000	115,543	108,828
Prudential Financial Inc 6.10% Due 6-15-17	100,000	112,128	108,661
NASDAQ Omx Group Inc 5.25% Due 1-16-18	100,000	105,608	107,982
HOSPIRA Inc 6.05% Due 3-30-17	100,000	114,033	107,596
Hewlett Packard Co 5.40% Due 3-1-17	100,000	110,181	106,462
KOHLS Corp 4.00% Due 11-1-21	100,000	101,080	105,246
Western Union Co 5.93% Due 10-1-16	100,000	111,642	104,992
Cardinal Health Inc 1.7% Due 3-15-18	100,000	99,974	99,591
Motorola Inc 4.00% Due 9-1-24	100,000	97,706	96,998
Nike Inc 2.25% Due 5-1-23	100,000	91,588	96,389
Teva Pharmaceutical Fin Co 3.65% Due 11-10-21	68,000	62,659	69,305
Total corporate bonds		2,805,970	2,752,939
Government bonds:			
US Treasury Note 1.375% Due 11-30-18	125,000	125,977	125,976
Federal Home Loan Banks 1.89% Due 9-4-20	125,000	125,010	124,304
Federal Farm Credit Banks 2.02% Due 8-16-21	125,000	124,736	123,770
Total US agency bonds		375,723	374,050

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Schedule of Assets Held for Investment Purposes, continued
June 30, 2016 and 2015

Description of Investments	Number of Shares/Units	Cost	Fair Value
Real estate equity funds:			
Rancon Realty Fund IV	40	37,537	11,280
Del Taco Restaurant Properties II	160	33,540	9,349
Total real estate equity funds		71,077	20,629
Total investments		$ 18,141,639	$ 17,920,012

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LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Schedule of Funding Progress and Contributions and Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2016 and 2015

The following table summarizes the status of funding progress based on the actuarial valuations performed as of the dates indicated. The actuarial accrued liability is calculated using the entry-age method in accordance with GASB. Prior year unfunded actuarial accrued liability (UAAL) figures, and related column calculations, have been restated in accordance with GASB.

Schedule of Funding Progress
(dollar amounts in thousands)

Actuarial valuation date (July 1)	(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 %	$ 7,190	99.97 %
2015	19,819	25,561	5,742	77.54 %	8,028	71.52 %
2014	16,655	25,412	8,757	65.54 %	8,539	102.55 %
2013	13,864	24,503	10,639	56.58 %	10,282	103.48 %
2012	11,028	18,424	7,396	59.86 %	9,516	77.72 %
2011	12,022	18,158	6,136	66.21 %	9,521	64.44 %
2010	9,950	18,267	8,317	54.47 %	9,337	89.08 %
2009	7,703	16,255	8,552	47.39 %	9,555	89.50 %
2008	9,631	15,259	5,628	63.12 %	9,127	61.67 %
2007	12,384	16,456	4,072	75.26 %	8,487	47.98 %

The following table summarizes contributions required (based on the actuarial valuations) and contributions made for the ten years ended:

Schedule of Contributions

Year ended June 30	Actuarily determined amount	Annual required contribution as a percentage of covered payroll	Employer contribution	Employee contribution
2016	$ 2,000,708	24.55 %	$ 4,270,185	$ 365,367
2015	2,605,222	27.52 %	4,758,243	402,617
2014	2,484,256	28.46 %	2,847,508	436,748
2013	1,886,343	20.97 %	2,244,185	449,958
2012	1,632,231	18.89 %	1,244,244	387,987
2011	2,041,762	22.18 %	2,041,762	--
2010	1,964,523	23.11 %	1,964,523	--
2009	1,582,975	17.25 %	1,582,975	--
2008	1,202,609	13.42 %	1,202,609	--
2007	1,006,587	12.30 %	1,006,587	--

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LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Schedule of Funding Progress and Contributions and
Schedule of Changes in Net Pension Liability and Related Ratios, continued
June 30, 2016 and 2015

Schedule of Changes in Net Pension Liability and Related Ratios

	2016	2015	2014	2013
Total pension liability				
Service Cost	$ 769,704	$ 845,302	$ 773,964	$ 641,489
Interest	1,724,678	1,704,802	1,809,528	1,355,511
Differences between expected and actual experience	427104	(582,806)	667,873	1,089,429
Changes of assumptions	2,816,346	-	-	3,694,438
Benefit payments	(1,332,112)	(1,818,412)	(2,342,868)	(702,018)
Net change	4,405,720	148,886	908,497	6,078,849
Beginning total pension liability	25,560,718	25,411,832	24,503,335	18,424,486
Ending total pension liability	$ 29,966,438	$ 25,560,718	$ 25,411,832	$ 24,503,335
Plan fiduciary net position				
Employer contributions	$ 4,270,185	$ 4,758,243	$ 2,847,508	$ 2,244,185
Employee contribution	365,367	402,617	436,748	449,958
Net transfer to/from Contract Plan	17,501	288	241,886	-
Investment income (loss)	(194,989)	(11,557)	1,750,047	960,977
Pension benefits	(1,332,112)	(1,818,412)	(2,342,868)	(702,018)
Administrative expenses	(167,603)	(167,173)	(142,202)	(117,013)
Net change	2,958,349	3,164,006	2,791,119	2,836,089
Beginning plan fiduciary net position	19,819,217	16,655,211	13,864,092	11,028,003
Ending plan fiduciary net position	$ 22,777,566	$ 19,819,217	$ 16,655,211	$ 13,864,092
Company’s net pension liability	$ 7,188,872	$ 5,741,501	$ 8,756,621	$ 10,639,243
Plan fiduciary net position as a % of total pension liability	76.0%	77.5%	65.5%	56.6%
Covered payroll	$ 7,190,000	$ 8,028,000	$ 8,539,000	$ 10,282,000
Company’s net pension liability as a % of covered payroll	100.0%	71.5%	102.5%	103.5%

Note: The information presented above is not available for years prior to the year ended June 30, 2013.

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Schedule of Funding Progress and Contributions and
Schedule of Changes in Net Pension Liability and Related Ratios, continued
June 30, 2016 and 2015

The information presented in the preceding tables was determined as part of the actuarial valuations at the dates indicated. The latest actuarial valuation assumptions include the following:

Valuation date	July 1, 2016
Actuarial cost method	Entry age normal cost frozen initial liability
Amortization method	Level dollar closed
Remaining amortization period on interest rate assumption	10 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6.0%
Discount rate	6.0%
Projected salary increases	3.0%
Cost-of-living adjustments	None

Mortality rates were based on the IRS 2007 Current Liability Combined table.

The following presents the net pension liability calculated using the discount rate of 6.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0%) or 1-percentage-point higher (7.0%) than the current rate (dollar amounts in thousands):

Discount Rate	Net Pension Liability
5.0%	$ 9,404
6.0%	7,189
7.0%	5,878

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Schedule of Revenues by Source and Expenses by Type
Last Ten Fiscal Years

Revenues by source

Fiscal year	Contributions *	Benefit transfers	Investment income (loss)	Rate of return	Total
2016	$ 4,635,552	$ 17,501	$ (194,989)	(1.07) %	$ 4,458,064
2015	5,160,860	30,160	(11,557)	(0.08) %	5,179,463
2014	3,284,256	241,886	1,750,047	12.90 %	5,276,189
2013	2,694,143	-	960,977	9.00 %	3,655,120
2012	1,632,231	25,643	(238,790)	(2.10) %	1,419,084
2011	2,041,762	168,731	2,235,151	23.00 %	4,445,644
2010	1,964,523	158,341	1,169,295	15.00 %	3,292,159
2009	1,582,975	35,377	(1,889,274)	(22.30) %	(270,922)
2008	1,202,609	6,800	(184,115)	(1.62) %	1,025,294
2007	1,006,587	365,198	1,687,859	14.40 %	3,059,644

* Contributions were made in accordance with actuarially determined contribution requirements.

Expenses by type

Fiscal year	Benefits	Direct administrative costs	Other administrative costs	Benefit transfers	Total
2016	$ 1,332,112	$ 51,850	$ 115,753	$ -	$ 1,499,715
2015	1,818,412	44,789	122,384	29,872	2,015,457
2014	2,342,868	48,398	93,804	-	2,485,070
2013	702,018	34,391	82,622	-	819,031
2012	2,294,168	28,269	90,188	-	2,412,625
2011	2,255,212	30,636	88,191	-	2,374,039
2010	950,146	24,917	69,716	-	1,044,779
2009	1,567,196	22,093	68,285	-	1,657,574
2008	3,654,399	31,364	92,928	-	3,778,691
2007	2,092,796	32,154	102,845	-	2,227,795