LONG BEACH
TRANSIT

Long Beach Public Transportation Company Retirement Plan - Salaried Employees

Financial Statements
for the Years Ended June 30, 2017 and 2016

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
Colleen Bentley	Secretary/Treasurer
Adam Carrillo	Director
Michael Clemson	Director
Nancy Pfeffer	Director
Mary Zendejas	Director
Lea Eriksen	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 Employee & Labor Relations

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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, 2017 and 2016, 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, 2017 and 2016, 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 18, 2017

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, 2017, 2016, and 2015.

FINANCIAL HIGHLIGHTS

- The net position of the Plan at the close of the fiscal year 2017 is $25.2 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 $2.5 million, or 10.8%, due to an increase in investment market value.
- The Plan's pension contributions decreased by approximately $1.3 million, or 27.2%, primarily due to the decrease in the annually required contribution as the plan is closed to new employees.
- Pension benefit distributions increase by approximately $1.7 million, or 125.5%, for the fiscal year primarily due to an increase in number of long-term 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 2017, 2016, and 2015.

Condensed Summary of Net Position

	2017	2016	2015
Cash	$ 689,280	$ 412,549	$ 1,797,793
Receivables	78,776	757,240	131,284
Investments, at fair value	24,464,824	21,873,625	17,920,012
Total assets	25,232,880	23,043,414	19,849,089
Payable due to Contract Plan	-	265,848	29,872
Total liabilities	-	265,848	29,872
Net position	$ 25,232,880	$ 22,777,566	$ 19,819,217

As of June 30, 2017, $25.2 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 $2.5 million, or 10.8%, increase in total net position over the prior year primarily due to an increase in investment market value. There was a positive investment rate of return of 9.9% due to favorable market conditions at fiscal year-end. The actuarial assumption rate for investment return is 6.0%.

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%.

Condensed Summary of Changes in Net Position

	2017	2016	2015
Employer Contributions	$ 2,790,134	$ 4,270,185	$ 4,758,243
Employee Contributions	340,086	365,367	402,617
Transfers from Contract Plan	255,041	17,501	30,160
Investment income (loss)	2,277,537	(194,989)	(11,557)
Total additions	5,662,798	4,458,064	5,179,463
Pension benefits	3,003,925	1,332,112	1,818,412
Transfers to Contract Plan	-	-	29,872
Administrative costs	203,559	167,603	167,173
Total deductions	3,207,484	1,499,715	2,015,457
Net increase in plan net position	$ 2,455,314	$ 2,958,349	$ 3,164,006

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 2017, 2016, and 2015 were 24.85%, 19.55%, and 22.52%, 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 years 2017 and 2016, and 7.0% for fiscal year 2015. In fiscal year 2017, the Plan exceeded the actuarial assumption rate producing a positive return of 9.9%. In fiscal years 2016 and 2015, the Plan fell short of the actuarial assumption rate producing negative returns of 1.1% and 0.08%, respectively.

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.

Total expenditures for the fiscal year ended June 30, 2017 increased by $1.7 million, or 113.9%, over fiscal year 2016. In 2017, pension benefit distributions increased by $1.7 million due to more long-term employees retiring. Administration expenses incurred from the management of plan assets remained consistent with an increase of $36k, or 21.5%, when compared to 2016.

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.

ECONOMIC FACTORS and RATES AFFECTING NEXT YEAR

The Plan completed a new actuarial valuation dated July 1, 2017. The contribution rate specified in the report decreased to 27.09% for fiscal year 2018 from the 2017 rate of 29.85%. 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 increased to 85.45% as compared to 76.0% 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, 2017 and 2016

	2017	2016
Assets		
Cash (note 4)	$ 689,280	$ 412,549
Accounts receivable:		
Contribution receivable	78,776	709,579
Transfer receivable from Contract Plan (note 5)	-	47,661
Total accounts receivable	78,776	757,240
Investments, at fair value (notes 4 and 6):		
Equity mutual funds	17,367,004	14,912,202
Bond mutual funds	2,785,300	3,196,962
Corporate bonds	3,549,606	3,143,579
Government bonds	751,634	609,602
Real estate equity funds	11,280	11,280
Total investments	24,464,824	21,873,625
Total assets	25,232,880	23,043,414
Liabilities		
Payable due to Contract Plan (note 5)	-	265,848
Total liabilities	-	265,848
Net position restricted for pensions	$ 25,232,880	$ 22,777,566

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Additions:		
Contributions:		
Employer contributions	$ 2,790,134	$ 4,270,185
Employee contributions	340,086	365,367
Transfers from Contract Plan (note 5)	255,041	17,501
Total contributions	3,385,261	4,653,053
Investment gain (loss):		
Interest	165,715	132,792
Dividends and capital gains	609,023	529,502
Net unrealized gain on investments	1,288,951	61,537
Net realized gain (loss) on investments	206,576	(935,842)
Other investment revenue	7,272	17,022
Total investment gain (loss), net	2,277,537	(194,989)
Deductions:		
Expenditures:		
Pension benefits	3,003,925	1,332,112
Direct administrative costs	61,873	51,850
Other administrative costs	141,686	115,753
Total expenditures	3,207,484	1,499,715
Net increase in plan net position	2,455,314	2,958,349
Net position restricted for pension, beginning of year	22,777,566	19,819,217
Net position restricted for pension, end of year	$ 25,232,880	$ 22,777,566

See Independent Auditors' Report

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Notes to Financial Statements
June 30, 2017 and 2016

(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, 2017 and 2016, membership consisted of:

	2017	2016
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving such benefits	44	50
Current vested employees	92	99
Total membership	136	149

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's 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, 2017, 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 a component of the actuarially determined rate.

(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. 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 shares co-fiduciary responsibilities and 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 18, 2017, 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:

	2017	2016
Deposits with Trustee	$ 689,280	$ 412,549
Investments	24,464,824	21,873,625
Total	$ 25,154,104	$ 22,286,174

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, 2017 and 2016.

	2017			2016		
Type of Investment	**Portfolio Percentage**	**Market Value**	**Maturity**	**Portfolio Percentage**	**Market Value**	**Maturity**
Equities:						
Domestic Large Capitalization	24%	$ 5,956,815	N/A	25%	$ 5,378,357	N/A
Small Capitalization	7%	1,770,638	N/A	7%	1,565,833	N/A
Real Estate Securities	3%	756,753	N/A	3%	690,666	N/A
International Securities	20%	4,982,143	N/A	15%	3,372,137	N/A
Multi-strategy	16%	3,911,935	N/A	18%	3,916,489	N/A
Fixed Income	11%	2,785,300	4.4 years	15%	3,196,963	4.9 years
Bonds	18%	4,301,240	4.3 years	17%	3,753,180	3.6 years
Total		$24,464,824			$21,873,625	

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, 2017, equity mutual funds comprise 71% of the Plan's asset portfolio and are not rated. The remaining 29% 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, 2017 and 2016 are as follows:

Investment Type	S&P Rating	2017 Fair Value	2016 Fair Value
Government Bonds	Not rated	$ 352,042	$ 203,502
	AA+	399,592	406,100
			609,602
Bond Mutual Funds	Not rated	428,475	-
	AAA	-	1,629,168
	BBB	501,057	446,531
	BB	1,227,322	1,121,263
		2,156,854	3,196,962
Corporate Bonds	AAA	628,446	-
	AA+	-	135,513
	AA	108,049	103,833
	AA-	228,245	103,067
	A+	126,599	130,775
	A	520,715	484,781
	A-	692,584	691,957
	BBB+	731,912	333,502
	BBB	678,018	574,957
	BBB-	463,484	585,194
		4,178,052	3,143,579
		$7,086,540	$6,950,143

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, 2017 and 2016, 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. Benefit calculations for these employees have been prepared by the Company's actuary using each affected employee's service years and age at the time of transfer to their new position. For the years ended June 30, 2017 and 2016, benefit transfers from the Contract Plan equaled $255,041 and $17,501, respectively.

(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, 2017 and 2016:

Description of Investments	Cost	Fair Value
2017:		
Russell Select US Equity Fund	$ 2,786,778	$ 3,326,505
Russell Strategic Call Overwriting Fund	1,005,447	1,253,002
Russell Select International Equity Fund	1,621,009	1,667,230
	5,413,234	6,246,737
Remaining investments not exceeding 5% of total net position	17,932,927	18,218,087
Total	$ 23,346,161	$ 24,464,824

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

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, 2017:

Investments by Fair Value	Total	Level 1	Level 2	Level 3
Equity mutual funds	$ 17,367,004	$ 16,394,509	$ -	$ 972,495
Bond mutual funds	2,785,300	1,631,853	724,972	428,475
Corporate bonds	3,549,606	3,549,606	-	-
Government bonds	751,634	751,634	-	-
Real estate equity	11,280	-	-	11,280
	$ 24,464,824	$ 22,327,602	$ 724,972	$ 1,412,250

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 an independent third-party 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, 2017, 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, 2017 and 2016 are as follows:

Year ended June 30	Actuarially Determined Amount	Actual Contribution	Net Pension Obligation
2017	$ 2,030,220	$ 3,130,220	---
2016	$ 2,000,708	$ 4,635,552	---

(8) Funded Status and Funding Progress

The status of funding progress is based on the actuarial valuations performed as of July 1, 2017 and 2016. 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
2017	$ 25,233	$ 29,528	$ 4,295	85.45%	$ 6,843	62.78%
2016	$ 22,777	$ 29,966	$ 7,189	76.01%	$ 7,190	99.97%

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, 2017 and 2016

Description of Investments	Number of Shares/Units	Cost	Fair Value
June 30, 2017:			
Equity mutual funds:			
Russell Select US Equity Fund	264,428	$ 2,786,778	$ 3,326,505
Russell Select International Equity Fund	172,770	1,621,009	1,667,230
Russell Strategic Call Overwriting Fund	96,385	1,005,447	1,253,002
iShares MSCI	18,926	1,110,401	1,233,996
iShares Russell 1000	8,816	998,155	1,192,523
PIMCO All Asset All Authority Fund	113,551	1,040,833	1,000,388
AQR Managed Futures Strategy	113,956	1,146,087	973,187
Stone Ridge All Asset Variance Risk	90,549	920,918	972,495
Stone Ridge US Variance Risk Premium Fund	86,315	880,431	965,865
Acuitas US Microcap Fund	60,178	616,976	756,443
Elements Emerging Markets	74,196	746,773	750,124
Russell Global Infrastructure Fund	60,844	681,548	745,944
Russell Global Real Estate Secs Fund	21,658	760,688	745,473
Wisdomtree Emerging Markets	11,149	497,715	510,057
Stone Ridge Elements US Small Cap	50,063	492,829	504,138
Acuitas International Small Cap Fund	49,476	474,531	500,206
Stone Ridge Elements US Portfolio	18,098	185,525	184,785
Stone Ridge Elements International	8,186	85,232	84,643
Total equity mutual funds		16,051,876	17,367,004
Bond mutual funds:			
Stone Ridge High Yield Reinsurance	73,452	743,894	724,972
iShares Core US Aggregate Bond	5,739	633,516	628,446
PIMCO High Yield Fund Class	55,817	516,028	502,350
PIMCO Emerging Markets	64,904	536,001	501,057
Stone Ridge Tr Alternative Lending Fund	42,049	437,832	428,475
Total bond mutual funds		2,867,271	2,785,300
Corporate bonds:			
Janus Cap Group Inc 4.875% Due 8-1-25	150,000	155,343	161,214
General Mtrs 4.875% Due 10-02-23	150,000	158,982	160,751
AT&T Inc 5.60% Due 5-15-18	150,000	170,346	154,854
Ebay Inc Sr Global 2.20% Due 8-1-19	150,000	150,796	150,602
Prudential Financial Inc 4.50% Due 11-16-21	125,000	139,931	135,578
Phillips 66 Sr Glbl 4.30% Due 4-1-22	125,000	134,799	133,943
Leucadia National Corp 5.50% Due 10-18-23	125,000	128,328	133,770
Lowes Cos Inc 4.625% Due 4-15-20	125,000	143,495	132,621
Amgen Inc Sr Note 3.875% Due 11-15-21	125,000	132,520	131,756
Humana Inc 7.20% Due 6-15-18	125,000	137,689	131,299
Autozone Inc Sr Global Note 4.00% Due 11-15-20	125,000	133,628	130,966
Smucker J M Co 3.50% Due 10-15-21	125,000	134,769	130,258
General Electric Cap Corp 5.625% Due 5-1-18	125,000	143,093	129,260

See Independent Auditors' Report

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Schedule of Assets Held for Investment Purposes, continued
June 30, 2017 and 2016

Description of Investments	**Number of Shares/Units**	**Cost**	**Fair Value**
Teva Pharmaceutical Fin Co 3.65% Due 11-10-21	125,000	127,148	129,079
BP Cap Markets Sr Note 3.245% Due 5-6-22	125,000	129,809	128,585
Qualcomm Inc 3.00% Due 5-20-22	125,000	131,533	128,191
Washington Real Estate Invt 3.95% Due 10-15-22	125,000	125,800	126,964
Synchrony Finl Sr Global 3.00% Due 8-15-19	125,000	128,768	126,763
Intel Corp Sr Note 2.70% Due 12-15-22	125,000	116,883	126,599
Bear Sterns Cos Inc 6.40% Due 10-2-17	125,000	142,583	126,441
NYSE Euronext 2.00% Due 10-5-17	125,000	127,126	125,190
Genzyme Corp. 5.00% Due 6-15-20	100,000	108,840	108,049
Waste Management Inc 6.10% Due 3-15-18	100,000	115,548	103,023
Kohls Corp 4.00% Due 11-1-21	100,000	101,080	102,417
Comcast Corp New 6.30% Due 11-15-17	100,000	118,964	101,723
Motorola Inc 4.00% Due 9-1-24	100,000	97,706	100,534
Cardinal Health Inc 1.70% Due 3-15-18	100,000	99,974	100,191
Nike Inc 2.25% Due 5-1-23	100,000	91,588	98,985
Total corporate bonds		3,627,069	3,549,606
Government bonds:			
Federal Natl Mtg Assn 1.875% Due 2-19-19	200,000	205,507	201,582
US Treasury Note 1.375% Due 11-30-18	200,000	202,327	200,090
Federal Farm Credit Banks 2.05% Due 4-18-23	200,000	200,615	198,010
US Treasury Note 2.125% Due 12-31-21	150,000	153,959	151,952
Total US agency bonds		762,408	751,634
Real estate equity funds:			
Rancon Realty Fund IV	40	37,537	11,280
Total real estate equity funds		37,537	11,280
Total investments		$ 23,346,161	$ 24,464,824

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

Schedule 1

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Schedule of Assets Held for Investment Purposes, continued
June 30, 2017 and 2016

Description of Investments	Number of Shares/Units	Cost	Fair Value
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
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

Schedule 1

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - SALARIED EMPLOYEES

Schedule of Assets Held for Investment Purposes, continued
June 30, 2017 and 2016

Description of Investments	Number of Shares/Units	Cost	Fair Value
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

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, 2017 and 2016

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
2017	$ 25,233	$ 29,528	$ 4,295	85.45%	$ 6,843	62.78%
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%

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	Actuarially determined amount	Annual required contribution as a percentage of covered payroll	Employer contribution	Employee contribution
2017	$ 2,030,220	29.85%	$ 2,790,134	$ 340,086
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	--

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, 2017 and 2016

Schedule of Changes in Net Pension Liability and Related Ratios

	2017	2016	2015	2014	2013
Total pension liability					
Service cost	$ 858,666	$ 769,704	$ 845,302	$ 773,964	$ 641,489
Interest	1,626,217	1,724,678	1,704,802	1,809,528	1,355,511
Difference between expected and actual experience	80,484	427,104	(582,806)	667,873	1,089,429
Changes of assumptions	-	2,816,346	-	-	3,694,438
Benefit payments	(3,003,925)	(1,332,112)	(1,818,412)	(2,342,868)	(702,018)
Net change	(438,558)	4,405,720	148,886	908,497	6,078,849
Beginning total pension liability	29,966,438	25,560,718	25,411,832	24,503,335	18,424,486
Ending total pension liability	$ 29,527,880	$ 29,966,438	$ 25,560,718	$ 25,411,832	$ 24,503,335
Plan fiduciary net position					
Employer contributions	$ 2,790,134	$ 4,270,185	$ 4,758,243	$ 2,847,508	$ 2,244,185
Employee contributions	340,086	365,367	402,617	436,748	449,958
Net transfer to/from Contract Plan	255,041	17,501	288	241,886	-
Investment income (loss)	2,277,537	(194,989)	(11,557)	1,750,047	960,977
Pension benefits	(3,003,925)	(1,332,112)	(1,818,412)	(2,342,868)	(702,018)
Administrative expenses	(203,559)	(167,603)	(167,173)	(142,202)	(117,013)
Net change	2,455,314	2,958,349	3,164,006	2,791,119	2,836,089
Beginning plan fiduciary net position	22,777,566	19,819,217	16,655,211	13,864,092	11,028,003
Ending plan fiduciary net position	$ 25,232,880	$ 22,777,566	$ 19,819,217	$ 16,655,211	$ 13,864,092
Company's net pension liability	$ 4,295,000	$ 7,188,872	$ 5,741,501	$ 8,756,621	$ 10,639,243
Plan fiduciary net position as a % of total pension liability	85.5%	76.0%	77.5%	65.5%	56.6%
Covered payroll	$ 6,843,000	$ 7,190,000	$ 8,028,000	$ 8,539,000	$ 10,282,000
Company's net pension liability as a % of covered payroll	62.8%	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, 2017 and 2016

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, 2017
Actuarial cost method	Entry age normal cost frozen initial liability
Amortization method	Level dollar closed
Remaining amortization period on interest rate assumption	9 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%	$ 6,369
6.0%	4,295
7.0%	2,473

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
2017	$ 3,130,220	$ 255,041	$ 2,277,537	9.85 %	$ 5,662,798
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

* 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
2017	$ 3,003,925	$ 61,873	$ 141,686	$ -	$ 3,207,484
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

LONG BEACH
TRANSIT

Long Beach Public Transportation Company Retirement Plan - Contract Employees

Financial Statements
for the Years Ended June 30, 2017 and 2016

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - CONTRACT EMPLOYEES

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LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - CONTRACT EMPLOYEES

Principal Officials

Board of Directors

Maricela de Rivera	Chair of the Board
Sumire Gant	Vice Chair
Colleen Bentley	Secretary/Treasurer
Adam Carrillo	Director
Michael Clemson	Director
Nancy Pfeffer	Director
Mary Zendejas	Director
Lea Eriksen	Ex-Officio Member, City of Long Beach
Eric Widstrand	Ex-Officio Member, City of Long Beach

Pension Committee Members

Long Beach Public Transportation Company:

Kenneth McDonald	President & Chief Executive Officer
Lisa Patton	Executive Director, VP Finance & Budget
LaVerne David	Executive Director, VP Employee & Labor Relations

Amalgamated Transit Union Local 1277:

Arturo Aguilar	President
Errol Frazier	Vice President
Adolfo Soto	Financial Recording Secretary

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Long Beach Public Transportation Company Retirement Plan – Contract Employees, which comprise the statements of fiduciary net position as of June 30, 2017 and 2016, 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 – Contract Employees as of June 30, 2017 and 2016, 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 4-7 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 18, 2017

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 – Contract Employees (the Plan) for the fiscal years ended June 30, 2017, 2016, and 2015.

FINANCIAL HIGHLIGHTS

- The net position of the Plan at the close of the fiscal year 2017 is $52.7 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 increased by $5.7 million, or 12.1%, primarily due to the increase in investment market value.
- The Plan's contribution increased by approximately $825k, or 15.9%, primarily due to the increase in actuarially determined rate of required annual contribution.
- Pension benefit distributions increased by approximately $1.4 million, or 45.0%, for the year due to an increase in the number of long-term 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 Statements of Changes in Fiduciary Net Position present 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 8 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 10 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 2017, 2016, and 2015.

Condensed Summary of Plan's Net Position

	2017	2016	2015
Cash and receivables	$ 946,243	$ 937,141	$ 811,428
Investments, at fair value	51,796,060	46,161,144	45,008,996
Total assets	52,742,303	47,098,285	45,820,424
Payable due Salaried Plan	-	47,661	30,160
Total liabilities	-	47,661	30,160
Net position	$ 52,742,303	$ 47,050,624	$ 45,790,264

As of June 30, 2017, $52.7 million in total assets 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 $5.7 million, or 12.1%, increase in total net position over the prior year primarily due to the increase in plan contributions, decrease in benefit distributions and increase in investment returns. There was a positive investment rate of return of 10.7% due to a favorable investment market. The actuarial assumption rate for investment return was 7.0% as of June 30, 2017.

As of June 30, 2016, $47.1 million in total assets 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 $1.3 million, or 2.8%, increase in total net position over the prior year primarily due to the increase in plan contributions and decrease in benefit distributions. There was a negative investment rate of return of 1.0% due to an unfavorable investment market. The actuarial assumption rate for investment return was 7.5% as of June 30, 2016.

Condensed Summary of Changes in Plan's Net Position

	2017	2016	2015
Employer contributions	$ 3,877,435	$ 3,439,288	$ 3,067,778
Employee contributions	2,141,425	1,754,192	1,643,452
Transfers from Salaried Plan	-	-	29,872
Investment income (loss)	4,919,899	(407,799)	(569)
Total additions	10,938,759	4,785,681	4,740,533
Pension benefits	4,615,902	3,182,794	4,881,029
Transfers to Salaried Plan	255,041	17,501	30,160
Administrative costs	376,137	325,026	349,496
Total deductions	5,247,080	3,525,321	5,260,685
Net increase (decrease) in plan net position	$ 5,691,679	$ 1,260,360	$ (520,152)

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 non-PEPRA contribution rates for fiscal years 2017, 2016, and 2015 were 12.48%, 11.29%, and 10.48%, respectively. The employer PEPRA contribution rates for fiscal year 2017, 2016, and 2015 were 11.70%, 10.58%, 10.48%, respectively. The Company met contribution requirements for all three years. Effective July 1, 2011, all full-time contract employees began contributing a percentage of their annual salary toward the Plan.

The actuarial assumption for investment income was 7.0% for fiscal year 2017 and 7.5% for fiscal years 2016 and 2015. In fiscal year 2017, the Plan exceeded the 7.0% actuarial assumption rate, producing a positive return of 10.7% due to an increase in investment market value. In fiscal years 2016 and 2015, the Plan did not meet the 7.5% actuarial assumption rate, producing negative 1.0% and 0.02% returns, respectively, due to an unfavorable investment market.

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.

Total expenditures for the fiscal year ended June 30, 2017, increased by approximately $1.7 million, or 48.8%, over fiscal year 2016. In 2017, pension benefit distributions increased by approximately $1.4 million, due to more long-term employees retiring. In addition, administration expenses incurred from the management of plan assets increased by approximately $51k, or 15.7%, when compared to 2016.

Total expenditures for the fiscal year ended June 30, 2016, decreased by approximately $1.7 million or 33.0%, over fiscal year 2015. In 2016, pension benefit distributions decreased by approximately $1.7 million due to fewer employees retiring. In addition, administration expenses incurred from the management of plan assets decreased by approximately $24.5k, or 7.0%, when compared to 2015.

ECONOMIC FACTORS and RATES AFFECTING NEXT YEAR

The Plan completed a new actuarial valuation dated July 1, 2017. The contribution rate specified in the report increased to 21.07% for fiscal year 2017 from the 2016 rate of 19.95%. Effective fiscal year 2017, the Plan's actuarial assumption rate of investment return was decreased from 7.5% to 7.0% and will decrease to 6.5% for fiscal year 2018.

Any changes that affect the benefits of the Plan are negotiated between the Amalgamated Transit Union Local 1277 (ATU) and the Company. Effective July 1, 2011, all full-time contract employees began contributing a percentage of their annual salary toward the Plan. On June 15, 2012, a decision by the Arbitrator specified that the Company shall pay the first 10% of the amount the actuary states is necessary for Plan funding and Union employees will pay the next 5% necessary to fund the Plan. The Company and Union employees will equally split any funding amounts over 15%. In addition, for Union employees hired on or after July 1, 2012, the lump sum option in the Pension Plan is eliminated. The current agreement expired on June 30, 2017. On December 12, 2017, the Amalgamated Transit Union Local 1277 ratified a new four-year Labor Agreement with Long Beach Transit. The contract is effective from July 1, 2017, through June 30, 2021.

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 - CONTRACT EMPLOYEES

Statements of Fiduciary Net Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash (note 4)	$ 720,926	$ 481,433
Accounts Receivable:		
Contribution receivable	225,317	425,836
Transfer receivable from Salaried Plan (note 5)	-	29,872
Total accounts receivable	225,317	455,708
Investments, at fair value (notes 4 and 6):		
Equity mutual funds	37,561,628	31,517,890
Bond mutual funds	5,324,749	6,337,418
Corporate bonds	7,567,251	7,250,955
Government bonds	1,302,952	1,015,401
Real estate equity funds	39,480	39,480
Total investments	51,796,060	46,161,144
Total assets	$ 52,742,303	$ 47,098,285
Liabilities		
Payable due to Salaried Plan (note 5)	-	47,661
Total liabilities	-	47,661
Net position restricted for pensions	$ 52,742,303	$ 47,050,624

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - CONTRACT EMPLOYEES

Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Additions:		
Contributions:		
Employer contributions	$ 3,877,435	$ 3,439,288
Employee contributions	2,141,425	1,754,192
Total contributions	6,018,860	5,193,480
Investment gain (loss):		
Interest	408,870	346,589
Dividends and capital gains	1,338,513	1,244,721
Net unrealized gain on investments	2,677,323	72,833
Net realized gain (loss) on investments	495,193	(2,131,270)
Other investment revenue	-	59,328
Total investment gain (loss), net	4,919,899	(407,799)
Deductions:		
Expenditures:		
Pension benefits	4,615,902	3,182,794
Transfers to Salaried Plan (note 5)	255,041	17,501
Direct administrative costs	126,930	114,708
Other administrative costs	249,207	210,318
Total expenditures	5,247,080	3,525,321
Net increase in plan's net position	5,691,679	1,260,360
Net position restricted for pensions, beginning of year	47,050,624	45,790,264
Net position restricted for pensions, end of year	$ 52,742,303	$ 47,050,624

(1) Description of Plan

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

Plan Origination

The Long Beach Public Transportation Company (Long Beach Transit or the Company) is a nonprofit corporation, formed in 1963, with the purchase of the local transit system from a private carrier leaving the business. At that time, the labor agreement between the Company and the Amalgamated Transit Union (ATU), dictated what, if any, benefits were to be awarded to a retiree. Those pension benefits were paid from the Company's annual operating funds. On June 30, 1979, the Company's Board of Directors approved the formation of the Long Beach Public Transportation Company Retirement Plan for Contract Employees. Any changes to the Plan agreement negotiated between the Company and the ATU are adopted by the Board of Directors and issued as an amendment to the original Plan.

Pension Benefits

The Plan is a defined benefit pension plan sponsored by Long Beach Transit. All full-time employees in a job classification covered by a collective bargaining agreement between the Company and the ATU are eligible under the Plan as of their date of employment. At June 30, 2017 and 2016, membership consisted of:

	2017	2016
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving such benefits	110	124
Current employees:		
Vested	410	421
Nonvested	172	158
Total membership	692	703

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 currently determined by 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. 1.70% of adjusted final monthly earnings greater than $500 multiplied by the years of credited service (maximum credit of 40 years).

Contract employees that 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 are the employee's highest average monthly wage for 60 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.

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 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 ten or more years of credited service.

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, 2017, non-PEPRA members contributed 7.48% and PEPRA members contributed 8.25% of their annual salary toward the Plan. The Company contributed the remainder of the actuarially determined rate. Administrative costs of the Plan are a component of the actuarially determined rate.

(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 basic 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.

<u>Basis of Presentation</u>

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.

<u>Method Used to Value Investments</u>

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 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. The fair market value of real estate investments is based on independent appraisals.

<u>Trust Fund Managed by the Trustee Bank</u>

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 are reported to the Plan by the trustee bank.

<u>Investment Management</u>

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 shares co-fiduciary responsibilities and 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 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 18, 2017, 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

At June 30, 2017 and 2016, cash and investments consisted of the following:

	2017	2016
Deposits with Trustee	$ 720,926	$ 481,433
Investments	51,796,060	46,161,144
Total	$ 52,516,986	$ 46,642,577

Concentration of Credit Risk - Investment Plan 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 represent 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 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 at June 30, 2017 and 2016.

	2017			2016		
Type of Investment	Portfolio Percentage	Market Value	Maturity	Portfolio Percentage	Market Value	Maturity
Equities:						
Domestic Large Capitalization	24%	$ 12,582,172	N/A	25%	$11,393,655	N/A
Small Capitalization	7%	3,687,291	N/A	7%	3,344,061	N/A
Real Estate Securities	3%	1,542,144	N/A	3%	1,481,218	N/A
International Securities	21%	10,605,652	N/A	15%	7,076,659	N/A
Multi-strategy	18%	9,183,849	N/A	18%	8,261,777	N/A
Fixed Income	10%	5,324,749	4.4 years	8%	6,337,418	4.9 years
Bonds	17%	8,870,203	4.3 years	24%	8,266,356	3.8 years
Total		$ 51,796,060			$46,161,144	

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, 2017, equity mutual funds comprise 73% of the Plan's asset portfolio and are not rated. The remaining 27% of the Plan's assets are in corporate bonds, bond mutual funds, and fixed income.

Credit ratings for the Plan's fixed income investments subject to credit risk as of June 30, 2017 and 2016 are as follows:

Investment Type	S&P Rating	2017 Fair Value	2016 Fair Value
Government Bonds	Not rated	$ 654,061	$ 356,129
	AA+	648,891	659,272
		1,302,952	1,015,401
Bond Mutual Funds	AAA	1,242,697	2,557,441
	BBB	1,005,615	930,726
	BB	3,076,437	2,849,251
		5,324,749	6,337,418
Corporate Bonds	AA+	-	487,845
	AA-	886,022	438,035
	A+	914,667	634,593
	A	660,161	858,878
	A-	1,583,987	1,651,995
	BBB+	1,982,157	1,015,631
	BBB	917,607	1,248,489
	BBB-	622,650	915,489
		7,567,251	7,250,955
		$14,194,952	$14,603,774

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, 2017 and 2016, 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. Benefit calculations for these employees have been prepared by the Company's actuary using each affected employee's service years and age at the time of transfer to their new position. For the year ended June 30, 2017 and 2016, benefit transfers to the Salaried Plan totaled $255,041 and $17,501, respectively.

(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, 2017 and 2016:

Description of Investments	Cost	Fair Value
2017:		
Russell Select US Equity Fund	$ 6,049,545	$ 7,240,799
Russell Select International Equity Fund	3,756,005	3,778,546
Russell Strategic Call Overwriting Fund	2,084,900	2,689,341
	11,890,450	13,708,686
Remaining investments not exceeding 5% of total net position	37,803,599	38,087,374
Total	$ 49,694,049	$ 51,796,060

Description of Investments	Cost	Fair Value
2016:		
Russell Strategic Call Overwriting Fund	$ 2,058,370	$ 2,330,956
iShares Russell 1000	2,261,996	2,339,904
Russell Select International Equity Fund	3,834,640	3,284,780
Russell Select US Equity Fund	6,545,804	6,722,795
	14,700,810	14,678,435
Remaining investments not exceeding 5% of total net position	32,035,651	31,482,709
Total	$ 46,736,461	$ 46,161,144

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, 2017:

Investments by Fair Value	Total	Level 1	Level 2	Level 3
Equity mutual funds	$ 37,561,628	$ 34,530,204	$ -	$ 3,031,424
Bond mutual funds	5,324,749	3,263,449	2,061,300	-
Corporate bonds	7,567,251	7,567,251	-	-
Government bonds	1,302,952	1,302,952	-	-
Real estate equity	39,480	-	-	39,480
	$ 51,796,060	$ 46,663,856	$ 2,061,300	$ 3,070,904

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 using a matrix pricing technique which is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value of Level 3 investments are determined by an independent third-party 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

During the year ended June 30, 2017, non-PEPRA members contributed 7.48% and PEPRA members contributed 8.25% 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, 2017 and 2016 are as follows:

Year ended June 30	Actuarially determined amount	Actual contribution	Net pension obligation
2017	$ 6,018,860	$ 6,018,860	---
2016	$ 5,193,480	$ 5,193,480	---

(8) Funded Status and Funding Progress

The status of funding progress is based on the actuarial valuations performed as of July 1, 2017 and 2016. 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
2017	$ 52,742	$ 81,804	$ 29,062	64.47%	$ 31,258	92.97%
2016	$ 47,051	$ 73,596	$ 26,545	63.93%	$ 29,464	90.09%

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 - CONTRACT EMPLOYEES

Schedule of Assets Held for Investment Purposes
June 30, 2017 and 2016

Description of Investments	Number of Shares/Units	Cost	Fair Value
June 30, 2017:			
Equity mutual funds:			
Russell Select US Equity Fund	575,580	$ 6,049,545	$ 7,240,799
Russell Select International Equity Fund	391,559	3,756,005	3,778,546
Russell Strategic Call Overwriting Fund	206,872	2,084,900	2,689,341
iShares MSCI EAFE ETF	40,308	2,364,946	2,628,065
iShares Russell 1000	19,068	2,158,434	2,579,307
PIMCO All Asset All Authority Fund	235,492	2,396,943	2,074,680
Stone Ridge All Asset Variance Risk	192,400	1,944,492	2,066,380
Stone Ridge US Master Variance Fund	183,320	1,852,155	2,051,356
AQR Managed Futures Strategy	237,282	2,333,603	2,026,389
Russell Global Infrastructure Fund	130,211	1,406,533	1,596,393
Acuitas US Microcap Fund	125,235	1,288,550	1,574,210
Elements Emerging Markets	153,737	1,546,616	1,554,287
Russell Global Real Estate Secs Fund	43,657	1,538,456	1,502,664
Wisdom Tree Tr Emerging	23,318	1,054,209	1,066,803
Acuitas International Small Cap Fund	103,695	1,014,624	1,048,361
Stone Ridge Elements US Small Cap	103,900	1,022,124	1,046,278
Stone Ridge Tr Alternative Lending	94,705	986,099	965,044
Stone Ridge Elements US Portfolio	7,123	73,026	72,725
Total equity mutual funds		34,871,260	37,561,628
Bond mutual funds:			
Stone Ridge High Yield Reinsurance	208,845	2,115,042	2,061,300
Ishares Core US Aggregate Bond ETF	11,348	1,243,454	1,242,697
PIMCO High Yield Fund Class	112,793	1,058,884	1,015,137
PIMCO Emerging Markets	130,261	1,098,049	1,005,615
Total bond mutual funds		5,515,429	5,324,749
Corporate bonds:			
General Electric Cap Corp 5.625% Due 5-1-18	450,000	515,133	465,336
BP Cap Markets PLC 3.245% Due 5-06-22	450,000	456,485	462,906
AT&T Inc 5.60% Due 5-15-18	425,000	489,988	438,753
Bear Stearns Cos Inc 6.40% Due 10-2-17	425,000	484,757	429,900
Nike Inc 2.25% Due 5-1-23	425,000	389,227	420,686
Waste Management Inc 6.10% Due 3-15-18	350,000	404,400	360,581
Prudential Financial Inc 4.50% Due 11-16-21	325,000	363,275	352,502
EBay Inc 2.20% Due 8-1-19	350,000	355,166	351,404
Comcast Corp 6.30% Due 11-15-17	325,000	386,611	330,600
Goldman Sachs Grp Inc 7.50% Due 2-15-19	300,000	350,655	325,410
Janus Cap Group Inc 4.875% Due 8-1-25	300,000	305,205	322,428
Leucadia National Corp 5.50% Due 10-18-23	300,000	307,509	321,048
Citigroup Inc 3.875% Due 10-25-23	300,000	316,709	313,077
Teva Pharmaceutical Fin Co 3.65% Due 11-10-21	300,000	305,360	309,789

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - CONTRACT EMPLOYEES

Schedule of Assets Held for Investment Purposes, continued
June 30, 2017 and 2016

Description of Investments	Number of Shares/Units	Cost	Fair Value
Qualcomm Inc 3.00% Due 5-20-22	300,000	315,678	307,659
Texas Instr Inc 2.75% Due 3-12-21	300,000	306,691	306,249
Washington Real Estate Invt 3.95% Due 10-15-22	300,000	301,827	304,713
Visa Inc 3.15% Due 12-14-25	300,000	314,649	304,581
Intel Corp 2.70% Due 12-15-22	300,000	302,490	303,837
Exelon Generation Co 6.20% Due 10-01-17	300,000	350,208	303,105
Motorola Inc 4.00% Due 9-1-24	300,000	293,118	301,602
Humana Inc Due 7.2% Due 6-15-18	220,000	242,359	231,085
Total corporate bonds		7,857,500	7,567,251
Government bonds:			
US Treasury Note 1.375% Due 11-30-18	350,000	352,717	350,158
Federal Farm Credit Banks 2.05% Due 4-18-23	350,000	350,030	346,518
US Treasury Note 2.125% Due 12-31-21	300,000	307,907	303,903
Federal National Mortgage 1.875% Due 2-19-19	300,000	307,828	302,373
Total US agency bonds		1,318,482	1,302,952
Real estate equity funds:			
Rancon Realty Fund IV	140	131,378	39,480
Total real estate equity funds		131,378	39,480
Total investments		$ 49,694,049	$ 51,796,060

Description of Investments	Number of Shares/Units	Cost	Fair Value
June 30, 2016:			
Equity mutual funds:			
Russell Select US Equity Fund	623,636	$ 6,545,804	$ 6,722,795
Russell Select International Equity Fund	398,638	3,834,640	3,284,780
iShares Russell 1000	20,018	2,261,996	2,339,904
Russell Strategic Call Overwriting Fund	204,649	2,058,370	2,330,956
PIMCO All Asset All Authority Fund	236,492	2,452,723	1,979,435
AQR Managed Futures Strategy	176,853	1,765,053	1,938,306
Stone Ridge US Master Variance Fund	168,248	1,689,331	1,758,194
Stone Ridge All Asset Variance Risk	168,403	1,694,223	1,685,715
Russell Emerging Markets Fund	93,843	1,492,601	1,424,544
Russell Global Infrastructure Fund	122,186	1,318,198	1,445,463
Russell Global Real Estate Secs Fund	38,182	1,351,464	1,441,738
Acuitas US Microcap Fund	136,011	1,369,008	1,411,790
Russell US Small Midcap Equity Fund	36,034	788,717	969,306
Acuitas International Small Cap Fund	104,997	1,028,868	921,872
Stone Ridge Tr Alternative Lending	86,054	897,561	900,127
Wisdomtree Emerging Markets	24,857	1,137,781	962,965
Total equity mutual funds		31,686,338	31,517,890

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - CONTRACT EMPLOYEES

Schedule of Assets Held for Investment Purposes, continued
June 30, 2017 and 2016

Bond mutual funds:			
iShares Short Treasury Bond ETF	16,846	1,859,794	1,860,641
iShares Core US Aggregate Bond	6,187	682,918	696,800
Stone Ridge Reinsurance Risk Premium Fund	143,196	1,438,808	1,449,143
PIMCO High Yield Fund Class	106,901	1,006,669	911,867
PIMCO Emerging Markets	123,439	1,046,317	930,726
Stone Ridge High Yield Reinsurance	48,055	483,415	488,241
Total bond mutual funds		6,517,921	6,337,418
Corporate bonds:			
General Electric Cap Corp 5.625% Due 5-1-18	450,000	515,133	487,845
AT&T Inc 5.60% Due 5-15-18	425,000	489,988	457,423
Bear Stearns Cos Inc 6.40% Due 10-2-17	425,000	484,757	451,537
Bottling Group LLC 5.125% Due 1-15-19	450,000	525,184	493,848
Prudential Financial Inc 4.50% Due 11-16-21	325,000	363,275	365,030
BP Cap Markets PLC 3.245% Due 5-06-22	450,000	456,485	472,262
Nike Inc 2.25% Due 5-1-23	425,000	389,227	438,035
Waste Management Inc 6.10% Due 3-15-18	350,000	404,400	379,425
Comcast Corp 6.30% Due 11-15-17	325,000	386,611	348,771
Goldman Sachs Grp Inc 7.50% Due 2-15-19	300,000	350,655	343,083
Janus Cap Group Inc 4.875% Due 8-1-25	300,000	305,205	324,405
Visa Inc Sr 3.15% Due 12-14-25	300,000	314,649	320,733
Exelon Generation Co 6.20% Due 10-01-17	300,000	350,208	316,983
NASDAQ Omx Group Inc 5.25% Due 1-16-18	300,000	310,956	316,701
Intel Corp Sr Nt 2.70% Due 12-15-22	300,000	302,490	313,860
Western Union Co 5.93% Due 10-1-16	300,000	334,005	302,934
Leucadia National Corp 5.50% Due 10-18-23	300,000	307,509	305,367
Washington Real Estate Invt 3.95% Due 10-15-22	300,000	301,827	304,167
Motorola Inc 4.00% Due 9-1-24	300,000	293,118	293,421
Teva Pharmaceutical Fin Co 3.65% Due 11-10-21	203,000	204,567	215,125
Total corporate bonds		7,390,249	7,250,955
Government bonds:			
Federal National Mortgage 1.875% Due 2-19-19	300,000	307,828	308,421
Federal Farm Credit Banks 2.05% Due 4-18-23	350,000	350,030	350,851
US Treasury Note 1.375% Due 11-30-18	350,000	352,717	356,129
Total US agency bonds		1,010,575	1,015,401
Real estate equity funds:			
Rancon Realty Fund IV	140	131,378	39,480
Total real estate equity funds		131,378	39,480
Total investments		$ 46,736,461	$ 46,161,144

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - CONTRACT EMPLOYEES

Schedule of Funding Progress and Contributions and
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2017 and 2016

The following table summarizes the status of funding progress based on the actuarial valuations and 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
2017	$ 52,742	$ 81,804	$ 29,062	64.47%	$ 31,258	92.97%
2016	47,051	73,596	26,545	63.93%	29,464	90.09%
2015	45,790	63,234	17,444	72.41%	28,434	61.35%
2014	46,310	62,011	15,701	74.68%	27,081	57.98%
2013	41,325	58,755	17,430	70.34%	26,589	65.55%
2012	37,025	49,513	12,488	74.78%	25,905	48.20%
2011	37,358	47,357	9,999	78.89%	25,474	39.25%
2010	29,212	45,374	16,162	64.38%	25,501	63.38%
2009	24,228	42,569	18,341	56.91%	25,266	72.59%
2008	28,444	38,557	10,113	73.77%	23,643	42.77%

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

Schedule of Contributions

Year ended June 30	Actuarially determined amount	Annual required contribution as a percentage of covered payroll	Employer contribution	Employee contribution	Percentage contributed
2017	$ 6,018,860	19.95%	$ 3,877,435	$ 2,141,425	100%
2016	5,193,480	17.58%	3,439,288	1,754,192	100%
2015	4,711,230	15.95%	3,067,778	1,643,452	100%
2014	4,763,313	17.57%	3,326,307	1,437,006	100%
2013	3,714,988	13.74%	2,572,888	1,142,100	100%
2012	3,241,510	12.32%	2,099,802	1,141,708	100%
2011	3,791,200	15.01%	3,791,200	--	100%
2010	4,111,605	16.20%	4,111,605	--	100%
2009	3,048,814	12.18%	3,048,814	--	100%
2008	2,661,268	11.35%	2,661,268	--	100%

Schedule 2

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - CONTRACT EMPLOYEES

Schedule of Funding Progress and Contributions and
Schedule of Changes in Net Pension Liability and Related Ratios, continued
June 30, 2017 and 2016

Schedule of Changes in Net Pension Liability and Related Ratios

	2017	2016	2015	2014	2013
Total pension liability					
Service cost	$ 3,352,311	$ 2,713,135	$ 2,893,596	$ 2,285,562	$ 1,972,068
Interest	4,970,642	4,575,251	4,462,912	4,418,719	3,621,647
Difference between expected and actual experience	849,980	3,062,106	(1,252,537)	877,921	(652,845)
Changes of assumptions	3,194,510	-	-	-	6,749,225
Benefit payments	(4,615,902)	(3,182,794)	(4,881,029)	(4,326,353)	(2,447,910)
Net change	7,751,541	7,167,698	1,222,942	3,255,849	9,242,185
Beginning total pension liability	70,401,250	63,233,552	62,010,610	58,754,761	49,512,576
Ending total pension liability	$ 78,152,791	$ 70,401,250	$ 63,233,552	$ 62,010,610	$ 58,754,761
Plan fiduciary net position					
Employer contributions	$ 3,877,435	$ 3,439,288	$ 3,067,778	$ 3,326,307	$ 2,572,888
Employee contributions	2,141,425	1,754,192	1,643,452	1,437,006	1,142,100
Net transfer to/from Contract Plan	(255,041)	(17,501)	(288)	(241,886)	-
Investment income (loss)	4,919,899	(407,799)	(569)	5,113,555	3,324,692
Pension benefits	(4,615,902)	(3,182,794)	(4,881,029)	(4,326,353)	(2,447,910)
Administrative expenses	(376,137)	(325,026)	(349,496)	(323,518)	(291,858)
Net change	5,691,679	1,260,360	(520,152)	4,985,111	4,299,912
Beginning plan fiduciary net position	47,050,624	45,790,264	46,310,416	41,325,305	37,025,393
Ending plan fiduciary net position	$ 52,742,303	$ 47,050,624	$ 45,790,264	$ 46,310,416	$ 41,325,305
Company's net pension liability	$ 25,410,488	$ 23,350,626	$ 17,443,288	$ 15,700,194	$ 17,429,456
Plan fiduciary net position as a % of total pension liability	67.5%	66.8%	72.4%	74.7%	70.3%
Covered payroll	$ 31,258,000	$ 29,454,000	$ 28,434,000	$ 27,081,000	$ 26,589,000
Company's net pension liability as a % of covered payroll	81.29%	79.3%	61.3%	58.0%	65.6%

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 - CONTRACT EMPLOYEES

Schedule of Funding Progress and Contributions and
Schedule of Changes in Net Pension Liability and Related Ratios, continued
June 30, 2017 and 2016

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, 2017
Actuarial cost method	Entry age normal cost frozen initial liability
Amortization method	Level dollar closed
Remaining amortization period on initial liability	20 years
Remaining amortization period on assumption changes	26 years
Remaining amortization period on interest rate assumption	29 years
Remaining amortization period on administrative expense assumption	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Discount rate	7.0%
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 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate (dollar amounts in thousands):

Discount Rate	Net Pension Liability
6.0%	$ 32,976
7.0%	25,410
8.0%	18,817

LONG BEACH PUBLIC TRANSPORTATION COMPANY
RETIREMENT PLAN - CONTRACT 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
2017	$ 6,018,860	$ -	$ 4,919,899	10.66 %	$ 10,938,759
2016	5,193,480	-	(407,799)	(1.04) %	4,785,681
2015	4,711,230	29,872	(569)	(0.02) %	4,740,533
2014	4,763,313	-	5,113,555	12.70 %	9,876,868
2013	3,714,988	-	3,324,692	8.10 %	7,039,680
2012	3,241,510	-	(682,971)	(1.80) %	2,558,539
2011	3,791,200	-	6,604,495	23.00 %	10,395,695
2010	4,111,605	-	3,780,305	15.00 %	7,891,910
2009	3,048,814	-	(5,613,626)	(19.20) %	(2,564,812)
2008	2,661,268	-	571,663	1.80 %	3,232,931

* 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
2017	$ 4,615,902	$ 126,930	$ 249,207	$ 255,041	$ 5,247,080
2016	3,182,794	114,708	210,318	17,501	3,525,321
2015	4,881,029	118,069	231,427	30,160	5,260,685
2014	4,326,353	122,144	201,374	241,886	4,891,757
2013	2,447,910	104,416	187,442	-	2,739,768
2012	2,610,616	90,337	164,944	25,643	2,891,540
2011	1,852,836	85,928	142,037	168,731	2,249,532
2010	2,544,902	71,969	132,658	158,341	2,907,870
2009	1,448,156	62,748	104,767	35,377	1,651,048
2008	2,238,944	73,131	168,966	6,800	2,487,841