

2014

Long Beach Transit

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A component unit of
the City of Long Beach
for the years ended
June 30, 2014 and 2013
Long Beach, CA





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Prepared by the Finance Department
Jennifer Abro, Controller
Lisa Patton, Executive Director / VP

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Long Beach Public Transportation Company

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

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LONG BEACH

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December 19, 2014

To the Board of Directors of
Long Beach Public Transportation Company:

We are pleased to submit for your information and consideration the Comprehensive Annual Financial Report (CAFR) of Long Beach Public Transportation Company (Long Beach Transit or the Company) for fiscal year July 1, 2013 to June 30, 2014.

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

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

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

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

Kenneth McDonald, President and CEO

Long Beach Public Transportation Company

REPORTING ENTITY

The Company is a nonprofit corporation, formed in 1963 with the purchase of the local transit system from a private carrier leaving the business.

Long Beach Transit is governed by a seven-member Board of Directors (Board) which provides broad policy and financial decisions, setting direction for management. The Mayor, with the approval of the Long Beach City Council, appoints residents of the community to the Board to serve overlapping four-year terms. In addition, two designees of the City Manager's Office may serve as ex-officio members of the Board but do not have voting authority. The Board designates a Chief Executive Officer who is responsible for overseeing daily operations. Long Beach Transit's management is represented by the Deputy CEO and five Executive Directors heading Finance, Maintenance & Infrastructure, Information Services, Transit Service Delivery and Administrative Services. The Company's organizational chart is shown later in this introductory section.

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

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

SERVICES

Long Beach Transit has embarked on a strategic planning process to gain focus and to create a business plan moving forward. We are taking a broad, strategic look at our business. For 2014 our focus has been on employees, finances and the quality of service we provide for our customers. We have completed an in-depth analysis of our business. As we continue to move our organization forward, we are centering our focus upon our operating and capital priorities that are being used to shape LBT's mission and strategic priorities:

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

Long Beach Transit is a full service public transit system, providing a wide range of transit services, including:

- Fixed route bus service
- Passport Shuttle Service
- Demand responsive paratransit service (Dial-A-Lift)
- Water taxi service (AquaBus and AquaLink)
- Museum Express community special service

Long Beach Public Transportation Company

Fixed Route Bus Service

The Company provides fixed route bus service to a 98 square mile area, which includes the cities of Long Beach, Lakewood and Signal Hill; and portions of Artesia, Bellflower, Carson, Cerritos, Compton, Hawaiian Gardens, Los Alamitos, Norwalk, Paramount and Seal Beach. This service covers 35 routes, requiring 223 buses.

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

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

Long Beach Transit maintains neighborhood bus shelters and benches, providing customer convenience and comfort. There are over 1,900 stops throughout the system and the Company ensures the stops are well-maintained and meet high cleanliness standards.

Passport Service

The *Passport* is a downtown and waterfront service that is a vital mobility component to the City of Long Beach. The *Passport* connects many points of interest such as: the Aquarium of the Pacific, the Pike, the Queen Mary, Pine Avenue, Shoreline Village, the Convention Center, the Long Beach Sports Arena, surrounding hotels, business and government hubs. It is a complimentary service that starts at 10th Street at Pine Avenue and links the City Place Mall, Pine Ave. restaurants, shops and offices to the Convention Center, the Pike, Shoreline Village, Aquarium, and Queen Mary. Service operates daily from 5:30 a.m. to 1:00 a.m.

The service is provided by seven low-floor, CNG buses. Passport vehicles are stored and maintained at the main administrative facility on Anaheim Street. During fiscal year 2014, the Passport carried 1.7 million passengers. Due to an extensive rehabilitation of Pine Avenue, the *Passport* will be on detour on Pacific Avenue from May 2014 through February 2015.

Demand Responsive Paratransit Service (Dial-A-Lift)

Long Beach Transit offers Dial-A-Lift paratransit service for persons with disabilities. This curb-to-curb service operates on a call-in basis and is provided by a private contractor. All vehicles are owned by the Company, but stored, maintained and dispatched by the contractor. The Dial-A-Lift service is operated by a local taxi company using a fleet of mini-van taxis. The contractor supplements Dial-A-Lift rides with its ordinary taxi service on an as-needed basis, eliminating the need for additional dedicated vans. This results in lower overall costs. There were 52,000 boardings on Dial-A-Lift in FY 2014.

Water Taxi Service (AquaBus and AquaLink)

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

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

For passengers wanting to travel further down the coast, the AquaLink boats, two 75-seat catamarans, provide service that operates between the Queen Mary, Aquarium of the Pacific, Belmont Pier and Alamitos Bay Landing. Express service began in FY 2012 from the Aquarium of the Pacific dock 4 in downtown Long Beach, directly to Alamitos Bay landing restaurants.

The service is operated by Catalina Express, a private contractor. The vessels are owned by Long Beach Transit, and stored and maintained at the contractor's docking facilities. This service runs daily during the summer months. Annual ridership for fiscal year 2014 was 59,510 boardings.

Community Special Service

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

ACCOMPLISHMENTS

2014 marks Long Beach Transit's 51st year providing transit service to the City of Long Beach and surrounding communities. We began in 1963 with fewer than 100 buses and carrying about 8 million customers annually. We have grown to over 260 buses, vans and water taxis that carry over 28 million customers annually – making us one of the most productive and efficient transit systems of our size in the country. Rain or shine, through 51 years of achievements and challenges, Long Beach Transit has served our community by never missing a day of service.

Successfully Negotiated a 3-year Contract with the Union

With the leadership of new CEO Kenneth McDonald, Long Beach Transit changed the tone and tenor of union negotiations shortly after he joined the agency in August 2013. He approached the union with a spirit of collaboration and mutual respect and directed his executive team to negotiate a contract that was fair to both parties. After amicable talks, the union and the administration agreed to an 8.54 percent increase that was considered a win-win for both parties. The agreement contains more funds for tools and safety equipment for mechanics, which in turn will enhance the safety and security of the bus system for customers.

Long Beach Public Transportation Company

Saved Money by Operating CNG Buses on Weekends

In the past, we operated solely out of our Anaheim Street facility and therefore did not use our CNG buses which operate out of our 68th Street facility. In 2014, a pilot program with 12 CNG buses was launched to estimate how much of a savings LBT could realize by operating cleaner, more efficient buses on weekends. In less than one year, LBT will save \$122,000 in fuel costs with the pilot program and is looking for ways to expand the program in 2015. Additionally, the agency enhanced the customer experience by providing a newer, sleek, quieter, environmentally-friendly bus for customers on weekends.

Increased Funding for LBT's Pension Program

Pension funding historically was based on the assumption that most employees would elect to take a monthly payout at retirement, when in fact the trend had changed in recent years; 80 percent of LBT employees now request a lump sum payout when they retire. To sustain the fund for future retiree pension distribution preferences, Long Beach Transit had the actuary change the assumption to reflect lump sum payouts and increased the pension allocation by \$800,000. The ultimate goal is to ensure that the pension program is sustainable throughout its useful life.

Secured Funding from City of Long Beach for LBT Water Taxis

Long Beach Transit had previously not received any funding from the City of Long Beach to operate the AquaBus shuttle that circles the downtown harbor, and the AquaLink catamaran that runs along the Long Beach coast between downtown and a dock next to the Orange County line. Thanks in large part to our excellent working relationship with Long Beach city officials, the City agreed to fund \$678,000 to pay for the Los Alamitos Bay Pier Improvement Program for the two water taxis. This project enhances LBT's water taxi boarding for customers as the rebuilt pier will accommodate mobility devices and be in compliant with the Americans with Disabilities Act of 1990. This project is scheduled to be completed in 2015.

Implemented the Transit Access Pass (TAP) Smart Card

To allow our customers a seamless way to travel in Los Angeles County, Long Beach Transit implemented mobile validators on our entire bus fleet. This device allows our customers to board with smart cards. Smart cards have the added benefit of faster boardings which help to increase our on-time performance. The smart card technology also decreases fraud and decreases the wear and tear on our fareboxes.

Improved our Fleet

The Company continues to focus on its goal of maintaining our assets in a "like new" condition. During 2014, we cosmetically rehabbed 49 of our aging buses. Improvements included:

- Exterior Body Paint & Decal Replacement
- Exterior Equipment Replacement
- Interior Paint & Decal Replacement
- Interior Equipment Refurbishment

As part of our ongoing effort to keep our bus fleet modern, attractive, clean and functioning to our highest standards for our customers and community, Long Beach Transit is continuing to detail our coaches twice a year and to replace our passenger and operator seats every three years.

Increasing Sustainability

Long Beach Transit is committed to being a leader in environmental preservation and resource efficiency by using sustainable materials, methods and technologies that improve the environmental, social and economic health of the communities we serve.

Our commitment to sustainability includes the operation of the largest hybrid gasoline-electric bus fleet in the nation with 89 buses. Further, we have replaced 64 aging diesel buses to date with the purchase of 64 CNG-powered vehicles. These buses, along with our existing fleet of hybrid gasoline-electric buses make our 40-foot bus fleet nearly 73% alternatively fueled.

Long Beach Transit is a signatory to both the International Association of Public Transportation and American Public Transportation Association sustainability charters, committing the agency to ongoing conservation and sustainability efforts.

Complying with Audits

The Federal Transit Administration (FTA) is conducting Project Management Oversight (PMO) reviews on Long Beach Transit's Technological Infrastructure Upgrade project and our Maintenance Asset Management project. PMO is a continuous review and evaluation throughout the life of each project to ensure compliance with statutory, administrative, and regulatory requirements. The FTA monitors the projects to ensure they are progressing on time, within budget, and in accord with approved grantee plans and specifications.

KEY PERFORMANCE RESULTS

One of the several methods used to monitor performance is through key indicators that track service quality, efficiency, and productivity. The results for fiscal year 2014 are on page 46.

During 2014, reviewing our key performance indicators (KPI) was a priority. Instead of management level employees, we empowered our rank and file employees to evaluate our data collection practices and to come up with new key performance indicators that accurately reflected our service and allowed us to establish a three year baseline in order to develop strategies to improve upon.

Improving On-Time Performance

In the transit industry, a bus is considered "on-time" if it leaves a stop no more than five minutes late or one minute early. To improve the actual travel experience of our customers, LBT reviewed individual routes to determine where, within the route, delays were likely to occur so we could address them. As a result, our on-time performance rate has increased from 76 percent to 80 percent, with the ultimate goal being set at 85 percent for 2015. Improving our schedule reliability allows our customers to better plan their trips and encourages repeat ridership.

Reducing Ratio of Operator Paid Time Compared to Operator Seat Time

Assessing the ratio of productive work time (actual Operator seat time) in comparison to non-productive Operator work time (paid leaves, ie., workers compensation, sick-leave, vacation, etc.) determined our ratio was 1.5. With this information, LBT has begun reducing the number of operators on standby to minimize the unproductive time. By focusing on this measure, LBT has begun reducing our labor costs and has set a reduction target of five to eight percent.

Establishing the “5S” Program in Maintenance Facilities

To help our maintenance facilities become better organized, safer, more efficient and reduce waste, the Japanese-based 5S program was developed on the following principles:

- **Sort:** Remove unnecessary items from the work area
- **Set in order:** Customize work area to improve efficiency
- **Shine:** Clean the work area
- **Standardize:** Create a standardized and consistent 5S workflow
- **Sustain:** Ensure that the 5S is a long-term, company-wide goal

By implementing the 5S program, we have been able to reduce the length of time it takes maintenance technicians to complete maintenance and repairs on LBT buses so the vehicles can be returned to service sooner.

Community Evaluation

Long Beach Transit also tracks the degree of customer satisfaction with the quality of services provided. An independent research firm is engaged annually to randomly poll customers and non-riders to measure perceptions of service quality. Results for 2014 and prior years are shown on page 47. Overall, 97% of riders continue to view Long Beach Transit service as good or excellent.

FACTORS AFFECTING FINANCIAL CONDITION

General Economic Conditions

Our overall economy is strengthening and two to three percent job growth is expected. Steady hiring and lower unemployment rates, along with higher equity and home values, are spurring consumers to spend more, thus boosting employment in our area’s retail, wholesale, food and leisure sectors. This trend is expected to continue into 2015.

An important economic growth factor in Long Beach is the export market. Canada and Mexico are expected to experience faster economic growth while slower growth is expected in Japan, China and Europe. Overall U.S. exports are projected to rise by 3.4 % next year

As our state and local economies continue a slow recovery from the recession, Long Beach Transit stands on firmer ground. More work remains in rebuilding our reserves and ensuring the sustainability of our pensions. The existing state and federal funding environment is not expected to result in significant additional funding for transit in the future. Management believes our conservative financial practices will allow us to meet the funding challenges for the upcoming year while maintaining current service levels.

Financial Policies

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

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

Long Beach Public Transportation Company

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

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

Long-Term Financial Planning

Long Beach Transit's long-term financial planning combines financial forecasting with strategizing. Financial forecasts project revenues and expenditures over a five year period, using assumptions about our economic conditions and future spending.

Our five year financial plan aligns our financial capacity with our five year service objectives and ensures we are able to maintain existing levels of service. Strategies have been developed, including the use of Federal preventive maintenance funds for operating, to achieve long-term sustainability in light of local financial challenges.

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

RECOGNITION

For the 23rd straight year, the GFOA of the United States and Canada awarded a Certificate of Achievement for excellence in Financial Reporting to Long Beach Transit for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. A Certificate of Achievement is valid for a period of one year only. In order to receive the award, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report in compliance with the GFOA policies, procedures and program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

On Monday, October 21, 2013, Long Beach Police Transit Enforcement Detail Officer Scott Nishitani relayed information to Long Beach Transit regarding a missing man with dementia who was unable to care for himself. LBT Communications Supervisor Sixto Macias immediately relayed the missing person's description to all coach operators and field supervisors. Long Beach Transit Coach Operator Ricardo Vergara received the description of the missing man and began scanning the passengers on his bus. When he located a man matching the description, Operator Vergara notified LBT Communications that he possibly had the missing subject on his bus. Officer Nishitani responded to their location and determined that the passenger was the missing man.

Long Beach Transit and the Transit Enforcement Detail frequently locate missing persons by working together, sharing information and observing customers. Supervisor Sixto Macias and Operator Ricardo Vergara are to be commended for their attention to detail and teamwork. Their collective actions allowed the missing man to be quickly located and safely reunited with his family.

ACKNOWLEDGMENTS

We wish to acknowledge the participation and professional contribution of the accountancy firm of Windes, Inc.in providing technical assistance. In addition, we wish to recognize all the Finance staff members who contribute their time and efforts to ensure we have accurate and timely financials everyday



President and
Chief Executive Officer



Controller



Accounting Manager



Executive Director and
Vice President of Financial Services



Finance Manager



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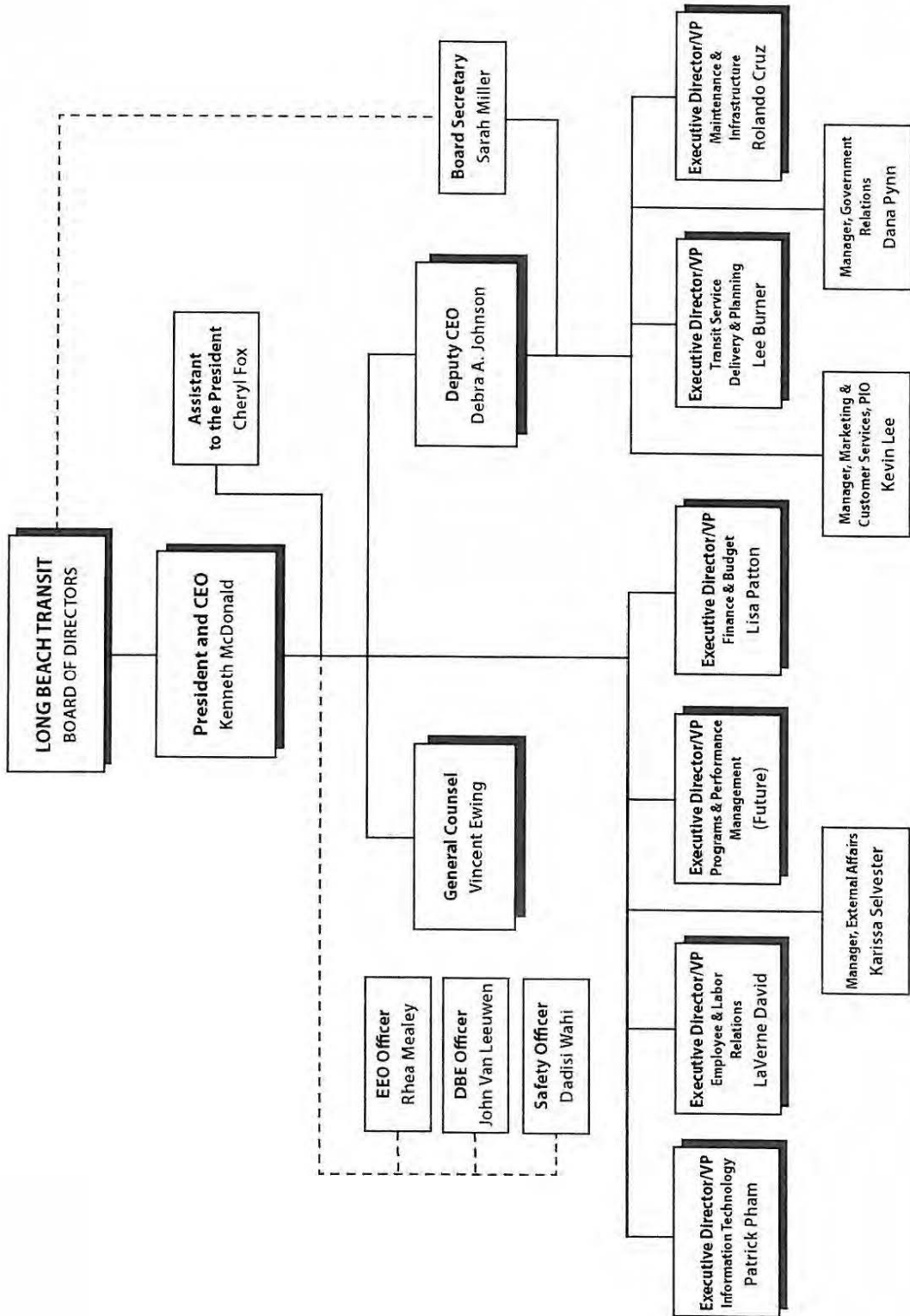
**Long Beach
Public Transportation Company
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Long Beach Public Transportation Company



Long Beach Public Transportation Company

Board of Directors

Freda Hinsche Otto	Chair of the Board
Barbara Sullivan George	Vice Chair
Maricela de Rivera	Secretary – Treasurer
Donald M. First	Director
Victor Irwin	Director
Dr. James P. Norman, Jr.	Director
* April Economides	Director
* Sumire Gant	Director
Amy Bodek	Ex Officio Member, City of Long Beach
David Roseman	Ex Officio Member, City of Long Beach

* Appointed by City of Long Beach Mayor in October 2014 with an effective start date of January 2014.

Management

Kenneth McDonald	President & Chief Executive Officer
Debra Johnson	Deputy Chief Executive Officer
Lee Burner	Executive Director, VP Transit Service Delivery & Planning (Effective August 18, 2014)
Lisa Patton	Executive Director, VP Financial Services
Rolando Cruz	Executive Director, VP Maintenance & Facilities
LaVerne David	Executive Director, VP Risk Management, Training & Human Resources
Patrick Pham	Executive Director, VP Information Systems & Technology

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Long Beach Public Transportation Company

Report on the Financial Statements

We have audited the accompanying financial statements of the Long Beach Public Transportation Company (Company), a component unit of the City of Long Beach, California, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Long Beach Public Transportation Company as of June 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 on our consideration of Long Beach Public Transportation Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Long Beach Public Transportation Company's internal control over financial reporting and compliance.



Long Beach, California
December 19, 2014

MANAGEMENT'S DISCUSSION and ANALYSIS

As management of Long Beach Public Transportation Company (Long Beach Transit or the Company), we offer readers of Long Beach Transit's financial statements this narrative overview and analysis of the financial activities of the Company for the fiscal years ended June 30, 2014, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-viii of this report.

FINANCIAL HIGHLIGHTS

- Long Beach Transit's assets exceeded its liabilities at June 30, 2014 by \$88.5 million (net position). Of this amount, \$3.4 million (unrestricted net position) may be used to meet the Company's ongoing obligations arising from providing transportation service to the community.
- The State of California reinstated State Transit Assistance (STA) funding to transit operators in 2011. Long Beach Transit received \$3.9 million in STA funds in fiscal year 2014.
- Measure R, approved by the voters, provides a ½ cent sales tax for transportation improvements. In fiscal year 2014, we received \$8.5 million in Measure R funds.
- Effective July 1, 2011, employees were required to contribute 5% of their compensation to the existing defined benefit plan and pay 10% of personal individual medical, dental and vision premiums and 15% of dependent premiums.
- Operating expenses before depreciation increased 4.5% due to an increase in labor and fringe costs and casualty and liability costs.
- In order to balance the operating budget, the Company funded preventive maintenance operating expenses with capital grant funds, as permitted by federal law.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Management's Discussion and Analysis, continued

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

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

The Company's financial statements can be found on pages 10-14 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15-37 of this report.

FINANCIAL STATEMENT ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Company's financial position. In the case of Long Beach Transit, assets exceeded liabilities by \$88.5 million at the close of fiscal year 2014.

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

	<u>Year – Ended</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 43,496,221	\$ 41,381,973	\$ 38,377,932
Other noncurrent assets	25,608,449	21,429,991	25,595,710
Capital assets, net	<u>84,858,221</u>	<u>98,327,695</u>	<u>79,281,750</u>
Total assets	<u>153,962,891</u>	<u>161,139,659</u>	<u>143,255,392</u>
Current liabilities	37,293,885	34,891,699	34,790,710
Noncurrent liabilities	<u>28,206,006</u>	<u>24,315,486</u>	<u>25,578,153</u>
Total liabilities	<u>65,499,891</u>	<u>59,207,185</u>	<u>60,368,863</u>
Net position:			
Invested in capital assets	84,858,221	98,327,695	79,281,750
Restricted	156,350	30,174	13,558
Unrestricted	<u>3,448,429</u>	<u>3,574,605</u>	<u>3,591,221</u>
Total net position	<u>\$ 88,463,000</u>	<u>\$ 101,932,474</u>	<u>\$ 82,886,529</u>

Management's Discussion and Analysis, continued

Almost all of Long Beach Transit's net position (96%) reflect its investment in capital assets (e.g., fleet, buildings, passenger facilities, shop equipment). The Company uses these capital assets to provide transportation service to the community; consequently, these assets are not available for future spending. All of Long Beach Transit's capital assets were procured with federal, state or local grant funds. The remaining balance of unrestricted net position (\$3.4 million in 2014 and \$3.6 million in 2013 and 2012) may be used to meet the Company's ongoing obligations arising from providing transportation service to the community.

Long Beach Transit's net position in fiscal year 2014 decreased by \$13.4 million due to the annual depreciation expense exceeding capital purchases. Long Beach Transit spent \$7.1 million for capital assets which included the continuation of a major software upgrade and the maintenance bay modernization project, which consists of the replacement of 12 underground bus lifts. In addition, capital expenditures also included replacing a service truck, upgrades to passenger facilities, and routine replacement of bus components, shop, office and IT equipment.

For fiscal year 2013, Long Beach Transit's net position increased by \$19 million as a result of capital purchases exceeding depreciation expense by \$19 million. Long Beach Transit spent \$39.3 million for capital assets which included fifty-eight CNG buses, completed construction of a compressed natural gas station and began a maintenance bay modernization project, which consists of the replacement of 12 underground bus lifts. In addition, capital expenditures also included the continuation of a major software upgrade, upgrades to passenger facilities, and routine replacement of bus components, shop, office and IT equipment.

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

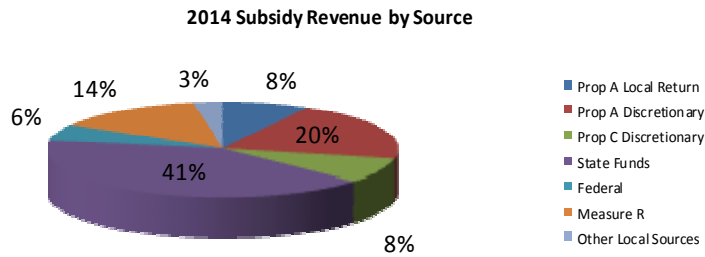
	Year – Ended		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Passenger fares and special events	\$ 17,991,516	\$ 18,068,109	\$ 18,107,329
Advertising	630,413	542,382	688,089
Other revenue	<u>18,222</u>	<u>17,382</u>	<u>28,783</u>
Total operating revenues	<u>18,640,151</u>	<u>18,627,873</u>	<u>18,824,201</u>
Non-operating revenues:			
Subsidies	61,008,975	57,671,790	54,112,325
Interest	<u>243,911</u>	<u>155,487</u>	<u>339,675</u>
Total non-operating Revenues	<u>61,252,886</u>	<u>57,827,277</u>	<u>54,452,000</u>
Total revenues	<u>79,893,037</u>	<u>76,455,150</u>	<u>73,276,201</u>
Expenses:			
Transportation	38,869,648	37,554,281	35,139,334
Maintenance	21,878,415	22,042,606	21,834,078
Administration	19,144,974	16,858,263	16,302,789
Depreciation	<u>20,605,041</u>	<u>20,249,160</u>	<u>19,311,548</u>
Total expenses	<u>100,498,078</u>	<u>96,704,309</u>	<u>92,587,749</u>
Change before capital grants	(20,605,041)	(20,249,160)	(19,311,548)
Capital grants	<u>7,135,567</u>	<u>39,295,105</u>	<u>14,765,236</u>
Change in net position	<u>\$ (13,469,474)</u>	<u>\$ 19,045,945</u>	<u>\$ (4,546,312)</u>

Management’s Discussion and Analysis, continued

Operating revenues. Overall total operating revenues for 2014 increased 0.1%. Fare revenue comprises 96.5% of operating revenues. Fare and special events revenue in 2014 decreased by \$76,593, or 0.4%.

Non-operating revenues. To make up for the decrease in state and local subsidies, we have had to transfer a portion of our capital grants to the operating budget to pay for maintenance costs. Subsidies in 2014, which comprise 76% of total revenues, increased \$3.3 million, or 5.8%, in 2014. This increase is a result of increased labor, fringe expenses and casualty and liability costs.

In 2013, subsidy revenue increased \$3.6 million, or 6.6%. This increase is a result of increased labor and fringe expenses offset by lower workers’ compensation costs.



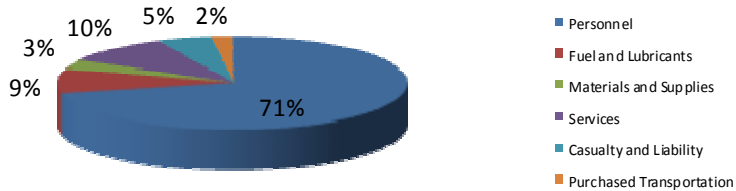
Expenses. Fiscal year 2014 operating expenses, before depreciation, increased 4.5%. This increase is due to increased labor expenses of \$900 thousand which was a result of a wage increases and reorganization expenses. In addition, pension cost increased \$1.5 million and casualty and liability increased due to increasing reserves on several cases.

In fiscal year 2013, operating expenses, before depreciation, increased 4.3%. This increase is due to increased labor expenses of \$1.5 million which was a result of a 2% wage increase, new JARC (Job Access Reverse Commute) service which started in February 2013 and several vacant positions filled in fiscal year 2013. In addition, pension and sick accrual cost increased \$2.6 million. These were offset by lower workers’ compensation costs which decreased by \$1.2 million.

Management's Discussion and Analysis, continued

In 2014, depreciation expense increased 1.8% and depreciation exceeded capital acquisitions by \$13.5 million. In 2013, depreciation expense increased 4.9% and capital acquisitions exceeded depreciation by \$19 million.

2014 Operating Expenses (before depreciation)



CAPITAL ASSETS

Long Beach Transit's investment in capital assets as of June 30, 2014, amounted to \$84.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, fleet, communication and farebox systems, machinery and equipment, and passenger facilities. All assets have been purchased with federal, state or local grants awarded to the Company, and Long Beach Transit has never issued any debt to fund the procurement of capital assets.

The total net decrease in the Company's investment in capital assets for the current fiscal year was 13.7%. Long Beach Transit had \$7.1 million in new capital acquisitions during the year, a decrease of \$32.2 million when compared to 2013. In 2014, the Company purchased a new phone system, continued with the major software upgrade and the maintenance bay modernization project, which consists of the replacement of 12 underground bus lifts. In addition, capital expenditures also included replacing a service truck, upgrades to passenger facilities, and routine replacement of bus components, shop, office and IT equipment.

As noted above, all assets are purchased with grants, the majority coming from federal funding. Total grant awards will vary each year as Long Beach Transit is eligible for a formula percentage of the County's federal funding, plus one-time grants available for specific projects, such as bus replacement. Grant requirements allow, on average, three years to expend these funds. As of June 30, 2014, the Company had \$99.5 million in grant funds designated for capital procurements. This is a \$16.7 million increase from the available balance at the end of fiscal year 2013.

Long Beach Public Transportation Company

Management's Discussion and Analysis, continued

Significant capital asset acquisitions during 2014 included the following:

- Continuation of the Maintenance Bay Modernization Project, which consists of the replacement of 12 underground bus lifts and associated flooring work totaling \$1.2 million.
- Software upgrade, new telephone system and information systems equipment totaling \$1 million.
- Routine replacement of engines, transmissions, tires and bus components totaling \$2.5 million.
- Purchased a new service truck totaling \$155 thousand.

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

	Year – Ended		
	2014	2013	2012
Land	\$ 5,525,000	\$ 5,525,000	\$ 5,525,000
Buildings and improvements	12,495,346	14,411,355	10,725,587
Fleet	53,940,659	62,367,909	41,269,035
Communications systems	372,231	521,063	96,156
Fare collection system	666,130	1,509,707	2,450,511
Office, shop and garage equipment	2,253,251	3,491,162	3,971,079
Passenger facilities	4,616,726	6,584,513	7,837,719
Construction in progress	<u>4,988,878</u>	<u>3,916,986</u>	<u>7,406,664</u>
Total capital assets, net of depreciation	<u>\$ 84,858,221</u>	<u>\$ 98,327,695</u>	<u>\$ 79,281,750</u>

Long Beach Transit's investment in capital assets as of June 30, 2013, amounted to \$98.3 million (net of accumulated depreciation). The Company had \$39.3 million in new capital acquisitions during the year, an increase of \$24.5 million, when compared to 2012.

Significant capital asset acquisitions during 2013 included the following:

- Purchased of fifty-eight CNG buses totaling \$30.4 million.
- Completed construction of a compressed natural gas station and facilities' modifications to support the incoming CNG fleet totaling \$2.3 million.
- Began the Maintenance Bay Modernization Project, which consists of the replacement of 12 underground bus lifts and associated flooring work totaling \$799 thousand
- Software upgrade and information systems equipment totaling \$2.3 million.
- Routine replacement of engines, transmissions, tires and bus components totaling \$2.0 million.

Management's Discussion and Analysis, continued

Additional information on Long Beach Transit's capital assets can be found in note (8) in the notes to the accompanying financial statements beginning on page 26 of this report.

ECONOMIC FACTORS and NEXT YEAR'S FINANCIAL PLAN

The state and local economies continue with a slow recovery from the recession. As we move into 2015, Long Beach Transit will continue to focus on rebuilding our reserves and ensuring the sustainability of our pensions. The existing state and federal funding environment is not expected to result in significant additional funding for transit in the future.

We continue to face escalating pension and health care costs. During FY 2015-16 we are focusing on addressing a structural challenge within our pension plans by decreasing the expected rate of return. The results of this change in assumptions requires us to put more funds into the pension plans to ensure they are sustainable for the future. By being more conservative now, Long Beach Transit will be better positioned heading into the future.

In addition to escalating pension costs, health care costs continue their steady climb and are increasing by \$1 million. The cost of coverage is increasing by 13.36% and the average annual cost of coverage for both Long Beach Transit and employees are increasing to \$12,471 in 2015, compared with \$11,002 in 2014. While health care costs continue to outpace inflation, offering competitive benefits are important in order to retain and attract high quality employees. With the rapid changes occurring within the health care industry, we will continue to look at concepts that may help to minimize our exposure in the future.

We are happy to report that effective April 6, 2014, the labor contract covering bus operators, mechanics, utility personnel and custodians was reached by Long Beach Transit and the Amalgamated Transit Union, Local 1277, for the period July 1, 2013, through June 30, 2016.

Despite challenges, Long Beach Transit remains financially healthy. Our FY 2015 budget is balanced with current revenues equal to current expenditures. The way we will achieve our mission in this environment is to continue to improve all aspects of our core business processes including our service delivery, customer experience and staff development. While management believes Long Beach Transit's conservative financial practices will allow us to meet the funding challenges for the upcoming year, we will closely monitor all of the issues. The Company's objective is to maintain current service levels for 2015. The final financial plan approved in June 2014 for fiscal year 2015 totals \$85.5 million.

REQUESTS FOR INFORMATION

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

Long Beach Public Transportation Company

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Long Beach Public Transportation Company

Statements of Net Position June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 37,796,332	\$ 35,809,859
Accounts receivable (note 4)	3,556,215	3,997,654
Materials and supplies inventory	1,084,633	1,218,685
Prepaid expenses	<u>1,059,041</u>	<u>355,775</u>
Total current assets:	<u>43,496,221</u>	<u>41,381,973</u>
Noncurrent Assets:		
Investments	25,608,449	21,429,991
Capital assets:		
Land	5,525,000	5,525,000
Construction-in-progress	4,988,878	3,916,986
Capital assets, net of accumulated depreciation:		
Buildings and improvements	12,495,346	14,411,355
Fleet	53,940,659	62,367,909
Communications systems	372,231	521,063
Fare collection system	666,130	1,509,707
Office, shop and garage equipment	2,253,251	3,491,162
Passenger facilities	<u>4,616,726</u>	<u>6,584,513</u>
Total noncurrent assets	<u>110,466,670</u>	<u>119,757,686</u>
Total assets	<u>\$ 153,962,891</u>	<u>\$ 161,139,659</u>
DEFERRED OUTFLOWS OF RESOURCES		
	<u>\$ ---</u>	<u>\$ ---</u>

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

Long Beach Public Transportation Company

Statements of Net Position, Continued June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
LIABILITIES:		
Current Liabilities		
Accounts payable	\$ 1,986,106	\$ 2,553,637
Accrued payroll expenses	1,321,928	1,209,213
Compensated absences payable (note 11)	2,959,273	2,792,062
Retiree health care benefits (note 11)	99,851	80,143
Subsidy deferral (note 9)	18,346,002	17,280,041
Estimated liability for insurance claims (note 6)	12,580,725	10,976,603
Noncurrent Liabilities:		
Unearned revenue (note 5)	25,218,034	21,621,054
Retiree health care benefits (note 11)	<u>2,987,972</u>	<u>2,694,432</u>
Total liabilities	<u>\$ 65,499,891</u>	<u>\$ 59,207,185</u>
 DEFERRED INFLOWS OF RESOURCES		
	<u>\$ ---</u>	<u>\$ ---</u>
 NET POSITION		
Restricted for:		
Invested in capital assets	84,858,221	98,327,695
Restricted for capital procurement	156,350	30,174
Unrestricted	<u>3,448,429</u>	<u>3,574,605</u>
Total Net Position	<u>\$ 88,463,000</u>	<u>\$ 101,932,474</u>

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

Long Beach Public Transportation Company

Statements of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Passenger fares	\$ 17,966,020	\$ 18,024,416
Special events	25,496	43,693
Advertising	630,413	542,382
Other revenue	<u>18,222</u>	<u>17,382</u>
Total operating revenues	<u>18,640,151</u>	<u>18,627,873</u>
Operating expenses:		
Transportation	38,869,648	37,554,281
Maintenance	21,878,415	22,042,606
Administration	19,144,974	16,858,263
Depreciation (note 8)	<u>20,605,041</u>	<u>20,249,160</u>
Total operating expenses	<u>100,498,078</u>	<u>96,704,310</u>
Operating loss	<u>(81,857,927)</u>	<u>(78,076,437)</u>
Nonoperating income:		
Subsidies (note 3)	61,008,975	57,671,790
Interest income	<u>243,911</u>	<u>155,487</u>
Total nonoperating income	<u>61,252,886</u>	<u>57,827,277</u>
Change in net position before capital grants	(20,605,041)	(20,249,160)
Capital grants	<u>7,135,567</u>	<u>39,295,105</u>
Change in net position	(13,469,474)	19,045,945
Total Net Position, July 1	<u>101,932,474</u>	<u>82,886,529</u>
Total Net Position, June 30	<u>\$ 88,463,000</u>	<u>\$ 101,932,474</u>

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

Long Beach Public Transportation Company

Statements of Cash Flows Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from customers	\$ 18,600,982	\$ 18,685,725
Cash paid to employees for services	(38,995,900)	(37,290,156)
Cash paid to other suppliers of goods or services	(39,886,796)	(37,352,653)
Net cash used in operating activities	(60,281,714)	(55,957,084)
Cash flows provided by noncapital financing activities:		
Operating subsidies received	62,034,064	60,576,789
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	21,472	312,161
Purchase of capital assets	(7,135,567)	(39,295,105)
Capital grant contributions received	11,353,894	36,385,584
Net cash provided by (used in) capital and related financing activities	4,239,799	(2,597,360)
Cash flows provided by investing activities:		
Proceeds from sales and maturities of investments	16,446,639	25,072,770
Purchase of investments	(20,289,366)	(22,530,008)
Realized and unrealized (gains)/losses	(335,731)	(277,255)
Interest received on cash and investments	172,782	177,424
Net cash provided by (used in) investing activities	(4,005,676)	2,442,931
Net increase in cash and cash equivalents	1,986,473	4,465,276
Cash and cash equivalents, July 1	35,809,859	31,344,583
Cash and cash equivalents, June 30 (note 2)	\$ 37,796,332	\$ 35,809,859

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

Long Beach Public Transportation Company

Statements of Cash Flows, Continued Years Ended June 30, 2014 and 2013

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	<u>2014</u>	<u>2013</u>
Operating loss	\$ (81,857,927)	\$ (78,076,437)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	20,605,041	20,249,160
Increase in accounts receivable from operations	(89,379)	(48,176)
Decrease in materials and supplies inventory	134,052	172,872
Decrease/(increase) in prepaid expenses	(703,266)	724,221
Increase/(decrease) in accounts payable	(567,531)	94,187
Increase in accrued payroll expenses, compensated absences payable, and retiree health care benefits	593,174	1,143,703
Increase (decrease) in estimated liability for insurance claims	<u>1,604,122</u>	<u>(216,614)</u>
Total adjustments	<u>21,576,213</u>	<u>22,119,353</u>
Net cash used in operating activities	<u>\$ (60,281,714)</u>	<u>\$ (55,957,084)</u>

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

Long Beach Public Transportation Company

Notes to Financial Statements June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

Reporting Entity

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. Principal areas requiring the use of estimates include determination of useful lives of capital assets, liability for insurance claims, accrued retiree sick leave and defined benefit plan assumptions.

Material and Supplies Inventory

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

Capital Assets

Capital assets, which include property, plant and equipment, are defined by the Company as assets with initial project values exceeding \$5,000, with individual federally funded items costing more than \$500 and having an estimated useful life of more than one year. The Federal Transit Administration (FTA) excludes the bus tire lease from this requirement as it is depreciated over a twelve-month period. Capital assets are valued at historical cost. Depreciation is provided using the straight-line method, with no allowance for salvage values. Donated capital assets are recorded at estimated fair market at the date of donation. The Company did not receive any donated capital assets during fiscal years 2014 and 2013.

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

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

Financial Plan

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

Government Grants

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

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

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

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

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

Statements of Cash Flows

For purposes of the statements of cash flows, the Company considers all of its cash deposits and investments with an original maturity of three months or less to be cash and cash equivalents. Monies invested with the State Treasurer's Local Agency Investment Fund (LAIF) may have maturities longer than 90 days; however, LAIF functions as a demand deposit account. Therefore, the Company considers such investments to be cash equivalents. There were no significant noncash capital and related financing activities in 2014 and 2013.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

(2) Cash and Investments

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

	<u>2014</u>	<u>2013</u>
Cash on hand	\$ 65,819	\$ 92,795
Deposits with financial institutions	1,165,810	13,058,982
Cash equivalents	<u>36,564,703</u>	<u>22,658,082</u>
Total cash and cash equivalents	<u>37,796,332</u>	<u>35,809,859</u>
Investments	<u>25,608,449</u>	<u>21,429,991</u>
Total cash, cash equivalents, and investments	<u>\$ 63,404,781</u>	<u>\$ 57,239,850</u>

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

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

The table below identifies the investment types that are authorized for Long Beach Transit by the Company's investment policy. The table also identifies certain provisions of the Company's investment policy that address interest rate risk, credit risk, and concentration of credit risk. During fiscal year 2014 and 2013, the Company elected to have its investments with LAIF and a similarly structured investment vehicle managed by an independent manager.

	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Percentage In One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Commercial Paper	270 days	10%	10%
Money Market Mutual Funds	N/A	None	None
Bankers Acceptances	180 days	40%	10%
Repurchase Agreements	90 days	None	None
Reverse Repurchase Agreements	92 days	20%	None
Mutual Funds	N/A	15%	10%
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Medium-Term Notes	5 years	30%	None
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Bonds	5 years	10%	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Company manages its exposure to declines in fair values by limiting the weighted average maturity of the investment portfolio to no more than two years.

Information about the sensitivity of fair values of the Company's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment at June 30, 2014 and 2013, respectively.

Weighted Average Maturity (Yrs)

<u>Type</u>	<u>2014</u>	<u>Weighted Average Maturity (Yrs)</u>
Cash Equivalents		
Local Agency Investment Fund (LAIF)	\$ 36,384,622	.64
Fidelity Municipal Money Market	180,081	N/A
Total cash equivalents	<u>\$ 36,564,703</u>	

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

Type	2014	Weighted Average Maturity (Yrs)
<u>Corporate Bonds</u>		
Amazon.com 0.650% Due 11-27-15	\$ 700,406	1.4
Ameriprise Finl Inc 5.650% Due 11-15-15	369,078	1.4
Amgen Inc 2.125% Due 05-15-17	717,458	2.9
Anheuser-Busch In Bev 5.375% Due 11-15-14	712,586	0.4
Bellsouth Corp 5.200% Due 09-15-14	706,839	0.2
Berkshire Hathaway Fin 4.850% Due 01-15-15	614,862	0.5
General Elec Cap Corp 5.625% Due 05-01-18	802,081	3.8
Goldman Sachs Group Inc 5.0% Due 10-01-14	708,036	0.3
Merrill Lynch Co Inc Mtn Be 5.450% Due 07-15-14	701,512	0.0
Prudential Financial Inc. 6.200% Due 01-15-15	721,308	0.5
Target Corp 5.875% Due 07-15-16	772,527	2.0
Corporate Bonds Total	<u>\$ 7,526,693</u>	
<u>Government Bonds</u>		
Federal Hm Ln Bk 0.450% Due 06-17-16	\$ 1,499,055	2.0
Federal Hm Ln Bk 1.750% Due 09-11-15	1,323,608	1.2
Federal Hm Ln Bk 0.500% Due 06-12-15	1,002,550	1.0
Federal Farm Cr Bks 0.400% Due 11-09-15	1,252,163	1.4
Federal Hm Ln Bk 5.000% Due 11-17-17	1,692,330	3.4
Federal Nat/Mtg Assoc 2.000% Due 01-16-19	1,000,730	4.6
Federal Nat/Mtg Assoc 0.500% Due 05-27-15	1,253,450	0.9
Federal Nat/Mtg Assoc 0.550% Due 05-26-16	998,380	1.9
Federal Nat/Mtg Assoc 1.500% Due 05-25-18	996,470	3.9
Federal Nat/Mtg Assoc 1.875% Due 02-19-19	1,773,380	4.6
Federal Nat/Mtg Assoc 2.000% Due 09-28-15	1,276,500	1.2
Federal Nat/Mtg Assoc 0.625% Due 11-14-16	996,760	3.4
Federal Nat/Mtg Assoc 0.900% Due 11-14-17	990,880	2.6
US Treasury Note 1.750% Due 05-31-16	1,025,310	1.9
US Treasury Note 0.125% Due 12-31-14	1,000,190	0.5
Government & Government Agency Bonds Total	<u>\$ 18,081,756</u>	
Total Investment Value	<u><u>\$ 25,608,449</u></u>	

As of June 30, 2014, there was \$151,793 of accrued bond interest which is included in accounts receivable.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

Type	2013	Weighted Average Maturity (Yrs)
<u>Cash Equivalents</u>		
Local Agency Investment Fund (LAIF)	\$ 22,429,267	.76
Fidelity Municipal Money Market	228,815	N/A
Total cash equivalents	\$ 22,658,082	
<u>Corporate Bonds</u>		
Ameriprise Finl Inc 5.650% Due 11-15-15	\$ 719,830	2.4
Anheuser-Busch Inbev 5.375% Due 11-15-14	636,870	1.4
Bellsouth Corp 5.200% Due 09-15-14	630,036	1.2
General Electric Corp 5.900% Due 05-13-14	733,054	0.9
Goldman Sachs Grp Inc 5.000% Due 10-01-14	730,856	1.3
JPMorgan Chase & Co. 4.650% Due 06-01-14	722,750	0.9
Merrill Lynch Co Inc 5.450% Due 07-15-14	622,500	1.0
Metlife Inc 5.500% Due 06-15-14	725,620	1.0
Prudential Financial Inc. 6.200% Due 01-15-15	646,470	1.5
Corporate Bonds Total	\$ 6,167,986	
<u>Government Bonds</u>		
Federal Hm Ln Bk 0.400% Due 12-18-15	\$ 1,243,913	2.5
Federal Farm Cr Bks 0.400% Due 11-09-15	1,243,963	2.4
Federal Farm Cr Bks 0.420% Due 11-07-14	999,260	1.4
Federal Hm Ln Bk 3.125% Due 12-13-13	1,266,750	0.5
Federal Hm Ln Bk 2.750% Due 03-13-15	1,300,862	1.7
Federal Home Ln Mtg Corp 0.500% Due 10-15-13	1,001,040	0.3
Federal Nat/Mtg Assoc 0.500% Due 05-27-15	1,252,037	1.9
Federal Nat/Mtg Assoc 0.550% Due 05-26-16	993,010	2.9
Federal Nat/Mtg Assoc 0.625% Due 11-14-16	988,880	3.4
Federal Nat/Mtg Assoc 0.900% Due 11-14-17	977,360	4.3
US Treasury Note 0.250% Due 05-31-14	2,001,180	0.9
US Treasury Note 0.125% Due 12-31-14	998,200	1.5
US Treasury Note 0.375% Due 02-15-16	995,550	2.6
Government and Government Agency Bonds Total	15,262,005	
Total Investment Value	\$ 21,429,991	

As of June 30, 2013, there was \$85,833 of accrued bond interest which is included in accounts receivable.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization. Ratings on the investments, excluding LAIF and money market accounts, are as follows at June 30, 2014.

<u>Investment Type</u>	<u>Rating</u>
<u>Investments</u>	
Amazon.com 0.650% Due 11-27-15	AA-
Ameriprise Finl Inc 5.650% Due 11-15-15	A
Amgen Inc 2.125% Due 05-15-17	A
Anheuser-Busch In Bev 5.375% Due 11-15-14	A
Bellsouth Corp 5.200% Due 09-15-14	A-
Berkshire Hathaway Fin 4.850% Due 01-15-15	AA
General Elec Cap Corp 5.625% Due 05-01-18	AA+
Goldman Sachs Group Inc 5.0% Due 10-01-14	A-
Merrill Lynch Co Inc Mtn Be 5.450% Due 07-15-14	A-
Prudential Financial Inc. 6.200% Due 01-15-15	A
Target Corp 5.875% Due 07-15-16	A

<u>Investment Type</u>	<u>Rating</u>
<u>Government Bonds</u>	
Federal Hm Ln Bk 0.450% Due 06-17-16	AA+
Federal Hm Ln Bk 1.750% Due 09-11-15	AA+
Federal Hm Ln Bk 0.500% Due 06-12-15	AA+
Federal Farm Cr Bks 0.400% Due 11-09-15	AA+
Federal Hm Ln Bk 5.000% Due 11-17-17	AA+
Federal Nat/Mtg Assoc 2.000% Due 01-16-19	AA+
Federal Nat/Mtg Assoc 0.500% Due 05-27-15	AA+
Federal Nat/Mtg Assoc 0.550% Due 05-26-16	AA+
Federal Nat/Mtg Assoc 1.500% Due 05-25-18	AA+
Federal Nat/Mtg Assoc 1.875% Due 02-19-19	AA+
Federal Nat/Mtg Assoc 2.000% Due 09-28-15	AA+
Federal Nat/Mtg Assoc 0.625% Due 11-14-16	AA+
Federal Nat/Mtg Assoc 0.900% Due 11-14-17	AA+
US Treasury Note 1.750% Due 05-31-16	AAA
US Treasury Note 0.125% Due 12-31-14	AAA

Notes to Financial Statements, Continued

Long Beach Public Transportation Company

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

(3) Operating Subsidies

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

	<u>2014</u>	<u>2013</u>
Proposition A, County of Los Angeles	\$ 12,508,593	\$ 10,873,265
TDA and STA, State of California	24,909,438	22,547,344
Proposition C, County of Los Angeles	5,135,846	4,773,408
Proposition A Allocation, City of Long Beach	4,850,603	5,044,272
Preventative Maintenance, Federal	3,412,984	6,339,255
Measure R	8,463,119	7,160,978
Other local sources	1,728,392	933,268
Total	<u>\$ 61,008,975</u>	<u>\$ 57,671,790</u>

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

Additionally, each city in Los Angeles County receives a formula allocation of certain Proposition A revenues. The City of Long Beach in turn allocates a portion of its Proposition A local share funding to

Notes to Financial Statements, Continued

Long Beach Public Transportation Company

the Company in accordance with an agreement between the Company, the City and Metro. The portion of the local Proposition A funds used for operating assistance is included above.

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

In accordance with the Federal Transit Administration (FTA) regulations, the Company is allowed to use a portion of federal grant monies for operating preventative maintenance expenditures. These funds are shown as subsidy income in the Company's accompanying financial statements. The FTA funds 80% of the costs, with the remaining 20% matched by Proposition C funds.

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

Other local monies are reimbursement for service hours supplied to seven surrounding cities and Job Access Reverse Commute funds (JARC) awarded for service for the 7th St. peak service route 171 and route 176 weekday service that provides a direct connection between major employment centers in Long Beach and Lakewood with the Metro Blue Line Pacific Coast Highway (PCH) station.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

(4) Accounts Receivable

Accounts receivable were comprised of the following at June 30:

	<u>2014</u>	<u>2013</u>
Subsidies	\$ 74,843	\$ 33,971
Insurance reimbursements	348,893	298,683
Interest	170,926	99,797
Trade	551,095	511,926
Proposition A funds due from City	1,125,000	1,125,000
Capital grants receivable	1,285,458	1,928,277
Total	<u>\$ 3,556,215</u>	<u>\$ 3,997,654</u>

Accounts are written off when determined to be uncollectible. In the opinion of management, all significant accounts receivable at June 30, 2014 and 2013 are fully collectible.

(5) Unearned Revenue

At June 30, 2014 and 2013, the balances of unearned revenue are as follows:

	<u>2014</u>	<u>2013</u>
Capital grant funds	\$ 24,742,268	20,942,463
Other	475,766	678,591
Total unearned revenue	<u>\$ 25,218,034</u>	<u>\$ 21,621,054</u>

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

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

(6) Estimated Liability for Insurance Claims

Under its insurance programs, the Company retains the risk for each occurrence of workers' compensation and public liability and property damage claimed up to \$1.5 million. Claims in excess of \$1.5 million for workers' compensation and for public liability and property damage are covered under policies in force with an independent insurer up to \$25 million for workers' compensation and \$10 million for public liability and property damage. Individual claim settlements for both workers' compensation and public liability and property damage did not exceed insurance coverage limits in fiscal years 2014 and 2013.

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

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

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

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

	Public Liability and Property Damage	Workers' Compensation	Total
Estimated liabilities at June 30, 2012	\$ 3,926,385	\$ 7,266,832	\$ 11,193,217
Reserves:			
New claims	708,383	624,610	1,332,993
Adjustments to existing claims	1,422,797	1,205,773	2,628,570
Payouts	<u>(1,950,437)</u>	<u>(2,227,740)</u>	<u>(4,178,177)</u>
Estimated liabilities at June 30, 2013	4,107,128	6,869,475	10,976,603
Reserves:			
New claims	613,969	837,416	1,451,385
Adjustments to existing claims	2,581,704	1,545,822	4,127,526
Payouts	<u>(1,404,534)</u>	<u>(2,570,255)</u>	<u>(3,974,789)</u>
Estimated liabilities at June 30, 2014	<u>\$ 5,898,267</u>	<u>\$ 6,682,458</u>	<u>\$ 12,580,725</u>

(7) Deferred Compensation

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

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

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

(8) Capital Assets

Capital asset activity for the years ended June 30, 2014 and 2013 was as follows:

	Balance at June 30, 2013	Adjustments / Transfers	Increases	Decreases	Balance at June 30, 2014
Capital assets not being depreciated:					
Land	\$ 5,525,000	\$ ---	\$ ---	\$ ---	\$ 5,525,000
Construction in progress	3,916,986	(611,894)	1,683,786	---	4,988,878
Total capital assets not being depreciated	9,441,986	(611,894)	1,683,786	---	10,513,878
Capital assets being depreciated:					
Buildings & improvements	47,814,466	27,785	343,101	---	48,185,352
Fleet	143,145,289	318,367	4,008,348	(4,671,962)	142,800,042
Communications systems	7,401,829	---	---	---	7,401,829
Fare collection system	8,005,849	3,900	93,033	---	8,102,782
Office, shop & garage equipment	22,408,569	113,015	613,435	(244,705)	22,890,314
Passenger facilities	13,571,534	148,827	393,864	(4,483)	14,109,742
Total capital assets being depreciated	242,347,536	611,894	5,451,781	(4,921,150)	243,490,061
Less accumulated depreciation:					
Buildings & improvements	(33,403,111)	---	(2,286,895)	---	(35,690,006)
Fleet	(80,777,380)	---	(12,753,965)	4,671,962	(88,859,383)
Communications systems	(6,880,766)	---	(148,832)	---	(7,029,598)
Fare collection system	(6,496,142)	---	(940,510)	---	(7,436,652)
Office, shop & garage equipment	(18,917,407)	---	(1,964,361)	244,705	(20,637,063)
Passenger facilities	(6,987,021)	---	(2,510,478)	4,483	(9,493,016)
Total accumulated depreciation	(153,461,827)	---	(20,605,041)	4,921,150	(169,145,718)
Total capital assets being depreciated, net	88,885,709	611,894	(15,153,260)	---	74,344,343
Total capital assets, net	\$ 98,327,695	\$ ---	\$ (13,469,474)	\$ ---	\$ 84,858,221

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

	Balance at June 30, 2012	Adjustments/ Transfers	Increases	Decreases	Balance at June 30, 2013
Capital assets not being depreciated:					
Land	\$ 5,525,000	\$ ---	\$ ---	\$ ---	\$ 5,525,000
Construction in progress	7,406,664	(6,771,821)	3,282,143	---	3,916,986
Total capital assets not being depreciated	12,931,664	(6,771,821)	3,282,143	---	9,441,986
Capital assets being depreciated:					
Buildings & improvements	41,772,353	4,067,690	1,974,423	---	47,814,466
Fleet	128,391,014	696,705	32,642,746	(18,585,176)	143,145,289
Communications systems	6,910,393	390,248	128,665	(27,477)	7,401,829
Fare collection system	7,961,387	---	44,462	---	8,005,849
Office, shop & garage equipment	20,910,227	482,107	1,111,723	(95,488)	22,408,569
Passenger facilities	12,325,520	1,135,071	110,943	---	13,571,534
Total capital assets being depreciated	218,270,894	6,771,821	36,012,962	(18,708,141)	242,347,536
Less accumulated depreciation:					
Buildings & improvements	(31,046,768)	---	(2,356,343)	---	(33,403,111)
Fleet	(87,121,978)	---	(12,240,578)	18,585,176	(80,777,380)
Communications systems	(6,814,237)	---	(94,006)	27,477	(6,880,766)
Fare collection system	(5,510,876)	---	(985,266)	---	(6,496,142)
Office, shop & garage equipment	(16,939,148)	---	(2,073,747)	95,488	(18,917,407)
Passenger facilities	(4,487,801)	---	(2,499,220)	---	(6,987,021)
Total accumulated depreciation	(151,920,808)	---	(20,249,160)	18,708,141	(153,461,827)
Total capital assets being depreciated, net	66,350,086	6,771,821	15,763,802	---	88,885,709
Total capital assets, net	\$ 79,281,750	\$ ---	\$ 19,045,945	\$ ---	\$ 98,327,695

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

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

(9) Subsidy Deferral

The amount of subsidies received each year is based upon estimated funding marks prepared by Metro. These estimates are used for budget preparation, with final marks received after final budgets are approved. Subsidies received in excess of expenditures are carried over for use in the next year. Subsidy deferrals of \$18,346,002 and \$17,280,041, for 2014 and 2013, respectively, have been included in the accompanying financial statements.

(10) Commitments and Contingencies

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

Purchase Contracts

The Company had the following significant purchase commitments outstanding at June 30, 2014. These purchase orders are for future goods and services the Company has yet to receive and can be cancelled prior to delivery by either party subject to the provisions of each individual contract. The balances listed represent some contingency balances, therefore, actual costs may be lower than shown.

<u>Vendor</u>	<u>Project</u>	<u>Amount</u>	<u>Expected Completion</u>
New Flyer Parts Division	Bus Replacement	\$ 11,929,611	August 2015
Gillig LLC	Bus Replacement	4,333,225	September 2015
Pro Petroleum	Diesel Fuel	849,049	September 2014
New Flyer Parts Division	Inverter Upgrade	848,727	March 2015
Complete Coach Works	Mid Life Rehab	666,767	June 2015
Peterson Hydraulics Inc	Vehicle Lift Project	456,640	December 2014
Complete Coach Works	Engine Kits	341,151	June 2015
Petro Diamond	Gasoline Fuel	434,737	September 2014
Center for Transportation	Management Services	291,126	June 2019
TPSCO LLC	Software Implementation	266,642	June 2015
Michelin North America, Inc.	Tires	177,174	September 2014
El Camino Construction Co.	Bus Stop Project	166,619	November 2014
Sardo Bus & Coach	Coach Detailing	153,149	December 2014
RNL/Interplan	Transit Study	149,996	June 2015
STV Incorporated	A&E Services	139,435	September 2016
Windes, Inc.	Audit Services	112,000	March 2015

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

Lease Obligations

The Company's tire lease is eligible for capitalization and is depreciated over a twelve (12) month period. Under the terms of the lease, the vendor supplies the tires and invoices the Company based on monthly mileage. There are no minimum guarantee payments required in the contracts. Total lease costs were \$630,971 and \$666,235 for the years ended June 30, 2014 and 2013, respectively.

(11) Employee Benefits

Vacation Compensation

Employees accrue vacation by reason of tenure at annual rates ranging from 12 to 30 days per year. Salaried employees may accumulate and carryover no more than the number of vacation days earned in the previous year. Contract employees are paid their earned vacation in full each year. On June 30, 2014 and 2013, accrued unpaid vacation for all Company employees amounted to \$2,959,273 and \$2,792,062, respectively.

<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/14</u>	<u>Due Within One Year</u>
\$ 2,792,062	\$ 2,959,273	(\$2,792,062)	\$ 2,959,273	\$ 2,959,273
<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/13</u>	<u>Due Within One Year</u>
\$ 2,529,189	\$ 2,792,062	(\$ 2,529,189)	\$ 2,792,062	\$ 2,792,062

Once a year, the Company allows employees to sell back a portion of their earned vacation in lieu of taking the time off. The Company has agreed to buy back vacation time in excess of ten (10) days earned during the calendar year. Vacation days carried over from the previous year are not eligible for this program. The Company paid \$244,286 and \$249,955 under this program during 2014 and 2013, respectively.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

Post-Retirement Health Care Benefits

Full-time Company employees are entitled to receive up to 96 hours of sick leave per year. On April 4, 2011, the Board of Arbitration issued a unanimous decision in the Interest Arbitration Proceedings between the Amalgamated Transit Union, Local 1277, and Long Beach Transit. The Board increased the maximum unused sick hours accruable by contract employees and percentage of unused sick hours convertible for cash values from 1,200 hours to 2,722 hours and 50% to 100%, respectively, with a retroactive date of October 1, 2009. Unused sick leave may be accumulated until retirement with the cash value, or a percentage thereof for Contract retirees, used to pay health and dental insurance premiums under the Company's Retired Employees Health Insurance Program (REHIP). Once the cash value of the retiring employee's unused sick leave is exhausted, the retiree is required to pay all health and dental premiums.

There were 91 and 82 participants in the Company's REHIP at June 30, 2014 and 2013, respectively. The cash value equivalent of the remaining unused sick leave for the current retirees totaled \$1,113,711 and \$1,061,374, respectively. Total premiums paid by the Company under the REHIP during the fiscal years ended June 30, 2014 and 2013, were \$128,100 and \$114,598, respectively.

The Company has established a liability related to unused sick leave which it estimates will be used by retirees to cover premiums under the REHIP. The estimated costs of the REHIP for both current and expected future payments are \$3,087,823 and \$2,774,575 at June 30, 2014 and 2013, respectively.

<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/14</u>	<u>Due Within One Year</u>
\$ 2,774,575	\$ 441,348	(\$128,100)	\$ 3,087,823	\$ 99,851

<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/13</u>	<u>Due Within One Year</u>
\$ 2,004,517	\$ 884,656	(\$114,598)	\$ 2,774,575	\$ 80,143

(12) Labor Agreement

Union Labor Agreement

Effective April 6, 2014, a labor contract agreement covering bus operators, mechanics, utility personnel and custodians was reached by Long Beach Transit and the Amalgamated Transit Union, Local 1277, for the period July 1, 2013, through June 30, 2016.

The decision by the Board of Arbitration on June 15, 2012, regarding pension, specifies that the current employee pension plan contribution will continue to be 5% until the next actuarial statement of the amount needed to actuarially fund the Plan. When the amount is determined, the Company shall pay the first ten percent of the amount the actuary states is necessary for Plan funding. 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.

Notes to Financial Statements, Continued

(13) Pension Benefits

Plan Descriptions

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

The Company's payroll for employees covered by each pension plan for the years ended June 30, 2014 and 2013 was \$27,081,026 and \$26,589,061 for the Contract Plan, respectively, and \$8,538,999 and \$10,281,649 for the Salaried Plan, respectively. Total Company payroll for 2014 and 2013 was \$38,193,734 and \$37,290,154, respectively.

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

Pension Plan Benefits

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

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

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

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

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

Notes to Financial Statements, Continued

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

Death and Disability Benefits

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

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

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

Termination

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

Funding Policy and Annual Pension Cost

Plan members are required to contribute 5% of their annual salaries to the Plans. The Company is required to contribute to the Plans at an actuarially determined rate. The contribution rates for 2014 were 17.57% and 28.46% for the Contract and Salaried Plans, respectively. For 2014, the Company's annual pension costs were \$4,763,313 and \$3,284,256 for the Contract and Salaried Plans, respectively. The required contributions were determined as part of the July 1, 2014 actuarial valuation using the entry age normal cost frozen initial liability cost method. The actuarial assumptions were as follows:

- Remaining amortization period 24 years
- Asset valuation method Market value
- Mortality Table IRS 2007 Current
 Liability Combined
- Amortization Method Level Dollar
- Amortization Periods Closed
- Investment rate of return 7.5%
- Projected salary increases* 3.0%
- *includes inflation at 1.5%
- Cost-of-living adjustments None

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

Funding Progress

The status of funding progress for both Plans is based on the actuarial valuations performed as of July 1, 2014 and 2013. The actuarial accrued liability is calculated using the entry-age method.

Salaried Plan (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
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

Contract Plan (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
2014	\$ 46,310	\$ 62,011	\$ 15,701	74.68%	\$ 27,081	57.97%
2013	\$ 41,325	\$ 58,755	\$ 17,430	70.34%	\$ 26,589	65.55

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.

Three-Year Trend Information

Contract Plan

Year ended June 30	Actuarially Determined Amount	Actual Contribution	Net Pension Obligation
2014	\$4,763,313	\$4,763,313	\$0
2013	3,714,988	3,714,988	0
2012	3,241,510	3,241,510	0

Salaried Plan

Year ended June 30	Actuarially Determined Amount	Actual Contribution	Net Pension Obligation
2014	\$3,284,256	\$3,284,256	\$ 0
2013	1,886,343	2,694,143	0
2012	1,632,231	1,632,231	0

Notes to Financial Statements, Continued

Defined Contribution Plan 401 (a)

Participation in the 401(a) Plan is limited to full-time regular staff employees hired on or after April 1, 2011. The Company's contribution to the 401(a) Plan is as follows: (A) eligible employees with 3 years of service or less, a matching contribution equal to the amount of the employee's salary deferrals to the 457 Plan, up to a maximum of 5% of the employee's base salary, and (B) for eligible employees with more than 3 years of service, the Company would make the following contributions: (1) matching contribution equal to the amount of the employee's salary deferrals to the 457 Plan, up to a maximum of 4% of the employee's base salary, and (2) a non-elective contribution equal to 3% of the employee's base salary regardless of whether the employee makes any salary deferrals to the 457 Plan for the plan year. As of June 30, 2014 and 2013, there were twenty-nine and fourteen employees, respectively, eligible and twenty-one and eight, respectively, elected to participate in the program.

Financial statements for the Contract and Salaried Plans are available under separate covers. Copies of the financial statements can be obtained by writing to Long Beach Transit, Attn: Executive Director, VP Financial Services, P.O. Box 731, Long Beach, CA 90801.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

Required Supplementary Information

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

Contract Plan (in thousands)

Actuarial valuation date (July 1)	(a) Actuarial value of assets	(b) Actuarial liability (AAL) – entry age	(b-a) Unfunded (Funding Excess) (AAL)	(a/b) Funded ratio	(c) Covered payroll	((b-a)/c) UAAL as a percentage of covered payroll
2014	\$ 46,310	\$ 62,011	\$ 15,701	74.68%	\$ 27,081	57.97%
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

Salaried Plan (in thousands)

Actuarial valuation date (July 1)	(a) Actuarial value of assets	(b) Actuarial 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
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

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to assess how the Company's financial performance and well-being have changed over time.</i>	37
Revenue Capacity <i>These schedules contain information on the Company's revenue sources and their fluctuations over time.</i>	40
Demographic and Economic Information <i>These schedules offer demographic and economic indicators regarding the environment within which the Company's financial activities take place.</i>	42
Operating Information <i>These schedules contain information about services the Company provides and the activities it performs.</i>	44
Pension Information <i>The Company's Pension Plans' financial statements are issued under separate cover. The schedules contained in this section include general financial and actuarial information providing data concerning the Plans' funding status and general activity.</i>	52
Grant Information <i>The Company's grant programs are issued under separate cover in the Single Audit. The schedules contained in this section provide a summary of capital grant activity for Federal, State and Local sources.</i>	54

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

**Financial Trends
Net Position by Component
2005 - 2014**

Exhibit 1

	Invested in Capital Assets	(1)	Restricted	Unrestricted	Total
2005	87,934,270		166,914	3,437,866	91,539,050
2006	83,588,365		113,048	3,491,732	87,193,145
2007	74,761,808		84,674	3,520,105	78,366,587
2008	72,514,620		259,954	3,344,825	76,119,399
2009	87,250,464		102,205	3,502,574	90,855,243
2010	84,286,309		16,747	3,588,032	87,891,088
2011	83,828,062		21,356	3,583,423	87,432,841
2012	79,281,750		13,558	3,591,221	82,886,529
2013	98,327,695		30,174	3,574,605	101,932,474
2014	84,858,221		156,350	3,448,429	88,463,000

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

**Financial Trends
Operating Expenses By Type
2005 – 2014**

Exhibit 2

	Personnel Wages & Benefits	Fuel & Lubricants	Supplies & Materials	Services	Casualty & Liability	Purchased Transportation	Depreciation	Total
2005	\$ 41,013,333	\$ 4,254,173	\$ 2,327,356	\$ 4,403,307	\$ 1,398,575	\$ 1,304,570	\$ 15,209,043	\$ 69,910,357
2006	43,174,005	5,748,498	1,999,984	4,769,648	1,506,641	1,320,429	16,316,882	74,836,087
2007	45,273,578	5,580,884	2,041,326	5,670,338	1,454,319	1,331,373	16,712,820	78,064,638
2008	49,895,725	7,146,145	2,198,443	6,023,734	2,812,729	1,407,953	17,441,700	86,926,429
2009	50,711,153	5,721,736	2,442,697	5,758,880	2,115,349	1,380,796	14,009,081	82,139,692
2010	52,742,176	5,625,348	2,280,932	5,997,208	1,897,047	1,349,681	16,519,346	86,411,738
2011	52,462,571	6,754,776	2,858,490	6,644,394	3,693,995	1,026,413	17,588,757	91,029,396
2012	51,744,582	7,816,511	3,104,125	7,132,271	2,274,190	1,204,522	19,311,548	92,587,749
2013	54,820,343	7,290,527	2,654,286	7,692,693	2,532,732	1,464,569	20,249,160	96,704,310
2014	56,985,858	6,770,574	2,619,659	7,917,623	3,953,610	1,645,713	20,605,041	100,498,078

Long Beach Public Transportation Company

Financial Trends Changes in Net Position 2005 - 2014

Exhibit 3

Expenses	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Transportation	\$27,366,019	\$29,156,285	\$30,454,056	\$32,376,023	\$34,874,385	\$36,416,765	\$35,413,269	\$35,139,334	\$37,554,281	\$38,869,648
Maintenance	15,781,778	16,800,999	17,251,960	19,612,265	18,602,288	18,546,811	21,292,632	21,834,078	22,042,606	21,878,415
Risk Management	4,223,185	5,068,951	5,191,201	8,119,926	5,278,264	5,266,428	6,791,630	7,175,642	6,222,310	7,900,442
Marketing &										
Customer Service	1,296,256	1,286,531	1,397,475	1,631,278	1,578,839	1,673,878	1,665,938	1,761,195	1,827,629	1,917,253
General										
Administration	6,034,076	6,206,439	7,057,126	7,745,237	7,796,835	7,988,510	8,277,170	7,365,952	8,808,324	9,327,279
Depreciation	15,209,043	16,316,882	16,712,820	17,441,700	14,009,081	16,519,346	17,588,757	19,311,548	20,249,160	20,605,041
Total Expenses	\$69,910,357	\$74,836,087	\$78,064,638	\$86,926,429	\$82,139,692	\$86,411,738	\$91,029,396	\$92,587,749	\$96,704,310	\$100,498,078
Revenues										
Passenger Fares	\$12,814,406	\$14,542,379	\$14,239,543	\$14,789,817	\$15,785,523	\$16,473,909	\$17,308,290	\$18,085,942	\$18,024,416	\$17,966,020
Special Events	85,671	38,346	52,275	103,971	72,389	71,809	41,935	21,386	43,693	25,496
Advertising	743,750	724,158	847,296	857,449	797,814	609,161	558,490	688,089	542,382	630,413
Subtotal Operating	13,643,827	15,304,883	15,139,114	15,751,237	16,655,726	17,154,879	17,908,715	18,795,417	18,610,491	18,621,929
Subsidies	40,444,529	42,078,890	44,495,763	52,151,341	50,720,199	51,773,322	55,012,754	54,112,325	57,671,790	61,008,975
Interest & Other	612,958	1,135,432	1,716,941	1,582,151	754,686	964,191	519,170	368,458	172,869	262,133
Subtotal Non-Op	41,057,487	43,214,322	46,212,704	53,733,492	51,474,885	52,737,513	55,531,924	54,480,783	57,844,659	61,271,108
Total Revenues	\$54,701,314	\$58,519,205	\$61,351,818	\$69,484,729	\$68,130,611	\$69,892,392	\$73,440,639	\$73,276,200	\$76,455,150	\$79,893,037
Net Expense	\$(15,209,043)	\$(16,316,882)	\$(16,712,820)	\$(17,441,700)	\$(14,009,081)	\$(16,519,346)	\$(17,588,757)	\$(19,311,549)	\$(20,249,160)	\$(20,605,041)
Capital Grants	31,082,587	11,970,977	7,886,262	15,194,512	28,744,925	13,555,191	17,130,510	14,765,236	39,295,105	7,135,567
Change in Net Position	\$15,873,544	\$(4,345,905)	\$(8,826,558)	\$(2,247,188)	\$14,735,844	\$(2,964,155)	\$(458,247)	\$(4,546,313)	\$19,045,945	\$(13,469,474)

Long Beach Public Transportation Company

Financial Trends

Capital Expenditures By Type
2005 - 2014

Exhibit 4

Fiscal Year	Facilities	Fleet	Passenger Facilities	AVL, Farebox & Radio Equipment	Furniture & IT Equipment	Shop & Garage Equipment	Total
2005	\$ 761,993	\$ 27,650,227	\$ 719,055	\$ 728,378	\$ 1,032,081	\$ 190,853	\$ 31,082,587
2006	903,110	4,311,805	991,917	4,219,234	728,595	816,316	11,970,977
2007	2,013,508	4,839,412	257,740	267,526	193,018	315,058	7,886,262
2008	1,427,166	11,386,235	1,142,643	337,773	744,408	156,287	15,194,512
2009	3,133,478	20,214,981	1,557,227	2,068,732	1,468,789	301,718	28,744,925
2010	1,224,068	6,436,753	2,149,479	47,960	1,796,856	1,900,075	13,555,191
2011	1,206,706	6,764,468	7,256,720	518,104	1,134,931	249,581	17,130,510
2012	4,325,055	6,651,509	859,424	395,016	2,320,594	213,638	14,765,236
2013	3,499,678	33,192,608	246,410	173,465	1,900,072	282,872	39,295,105
2014	1,179,707	4,291,904	432,180	93,033	1,090,098	48,645	7,135,567

Long Beach Public Transportation Company

**Revenue Capacity
Operating Subsidy Sources
2005 - 2014**

Exhibit 5

	Prop A Funds City of Long Beach	Prop A Discretionary Funds L.A. County	Prop C & Measure R Funds L.A. County	State Assistance	Federal Preventative Maintenance Program	Other Sources	Total
2005	\$ 5,740,953	\$ 7,956,295	\$ 5,296,405	\$18,236,348	\$ 2,533,066	\$ 681,462	\$ 40,444,529
2006	5,014,805	11,333,677	4,145,171	20,655,260	302,184	627,793	42,078,890
2007	4,656,775	11,840,403	5,507,340	21,864,340	---	626,905	44,495,763
2008	7,087,958	11,679,125	5,224,479	25,777,123	2,126,915	255,741	52,151,341
2009	4,067,755	12,500,860	9,848,459	21,266,639	2,378,850	657,636	50,720,199
2010	3,536,593	12,069,662	14,374,634	14,777,565	6,704,200	310,668	51,773,322
2011	5,375,238	13,460,669	12,371,325	17,480,351	6,067,800	257,371	55,012,754
2012	5,891,768	8,822,958	13,546,398	20,170,522	5,325,134	355,545	54,112,325
2013	5,044,272	10,873,265	11,934,386	22,547,344	6,339,255	933,268	57,671,790
2014	4,850,603	12,508,593	13,598,965	24,909,438	3,412,984	1,728,392	61,008,975

**Revenue Capacity
Farebox Recovery Percentage
2005 - 2014**

Exhibit 6

<u>Year</u>	<u>Percentage</u>
2005	24.1
2006	25.8
2007	23.8
2008	21.9
2009	23.9
2010	24.3
2011	24.2
2012	25.4
2013	24.3
2014	23.1

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

Long Beach Public Transportation Company

Exhibit 7

**Revenue Capacity
Fare History
2005 - 2014**

	<u>2005</u>	<u>2006-2008</u>	<u>2009</u>	<u>2010-2014</u>
Fixed Route Service:				
<u>Cash Fares:</u>				
Regular	\$.90	\$.90	\$ 1.10	\$ 1.25
Student	.75	.90	1.10	1.25
Senior & Disabled	.45	.45	.50	.60
Local transfer	.10	---	---	---
Interagency transfer	.35	.50	.50	.50
 <u>Day Pass:</u>				
Regular		\$ 2.50	\$ 3.50	\$ 4.00
Discounted		1.50	2.00	2.50
 <u>5 Day Pass:</u>				
Regular			\$ 16.00	\$ 18.00
Discounted			8.00	9.00
 <u>Monthly Pass:</u>				
Regular	\$ 40.00	\$ 50.00	\$ 60.00	\$ 65.00
Student	23.00	31.00	35.00	40.00
Senior & Disabled	11.00	19.00	21.00	24.00
 Dial-A-Lift Service:				
Cash Fares	\$ 1.00	\$ 1.50	\$ 2.00	\$ 2.00
 Water Taxi:				
<u>Cash Fares:</u>				
AquaBus	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
AquaLink	2.00	3.00	5.00	5.00

Demographic and Economic Information
City of Long Beach
Demographic Statistics
2004-2013

Exhibit 8

Fiscal Year Ended June 30	Estimated Population (A)	Personal Income (in millions) (B&E)	Per Capita Personal Income (B&E)	Public School Enrollment (C)	Unemployment Rate (D)
2004	472,013	11,290	23,919	97,560	7.2
2005	470,781	11,939	23,266	96,319	5.9
2006	467,586	12,854	27,490	93,589	5.3
2007	465,017	13,222	28,434	90,663	5.6
2008	463,250	13,422	28,974	88,186	8.2
2009	462,211	12,866	27,880	87,509	12.8
2010	462,685	12,783	27,627	86,283	13.9
2011	462,257	12,981	28,081	84,812	13.4
2012	465,576	13,129	28,199	83,691	12.2
2013	467,646	13,451	28,764	82,256	10.3

Sources:

- (A) California Department of Finance.
- (B) Bureau of Economic Analysis. Personal income and per capita personal income, with exception of 2005, are based on percent change of per capita personal income for Los Angeles-Long Beach-Santa Ana, CA (Metropolitan Statistic Area). BEA's report does not have personal income and per capita personal income available for 2013, so an average of the last five years was used.
- (C) California Department of Education Educational Demographic Unit. Annual school census from Long Beach Unified School District for preschool, grades kindergarten through 12.
- (D) Average annual rate reported by California Employment Development Department (EDD).
- (E) Restated prior years due to the data's annual revision.

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

Exhibit 9

Employer	2013 Number of Employees	Percentage of Total City Employment	2004 Number of Employees	Percentage of Total City Employment
Long Beach Unified School District	10,389	4.31%	9,064	3.91%
Long Beach Memorial Medical Center	5,693	2.36	3,500	1.51
Boeing, N.A. (Previously - McDonnell Douglas)	5,042	2.09	10,500	4.53
City of Long Beach	5,028	2.09	6,289	2.72
California State University, Long Beach	2,679	1.11	6,007	2.59
Veterans Affairs Medical Center	2,413	1.00	1,700	.73
Long Beach City College	2,137	.89	2,000	.86
California State Univ Long Beach Foundation	1,464	.61	N/A	N/A
St. Mary's Medical Center	1,200	.50	1,634	.71
Molina Healthcare Inc.	841	.35	N/A	N/A

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

* This is the latest information available.

Long Beach Public Transportation Company

Operating Information Key Performance Indicators 2005 – 2014

Exhibit 10

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Fixed Route</u>										
Operating Cost Per Vehicle Service Hour	\$75.64	\$83.12	\$87.48	\$96.17	\$96.28	\$98.73	\$106.77	\$105.61	\$110.11	\$115.04
Operating Cost Per Passenger	\$ 1.95	\$ 2.08	\$ 2.22	\$ 2.36	\$ 2.20	\$ 2.34	\$ 2.54	\$ 2.50	\$ 2.56	\$ 2.69
Roadcalls	1,133	871	1,142	1,339	1,392	1,481	1,325	1,819	1,778	2,243
Miles Between Roadcalls	7,211	9,014	6,771	5,904	5,716	5,384	5,807	4,219	4,438	3,413
Total Accidents	754	883	937	923	940	923	851	865	881	1026
Preventable Accidents	138	164	154	166	149	100	90	89	120	101
Preventable Accidents Per 100,000 Miles	1.69	2.09	1.99	2.10	1.87	1.25	1.17	1.16	1.52	1.36
Passengers per Vehicle Service Hour	41	40	42	43	44	43	45	48	43	42
Schedule Adherence	99.73%	99.35%	99.45%	99.81%	99.81%	99.85%	99.83%	99.90%	99.94%	77.4%
Number of Vehicles	228	229	229	229	263	265	265	260	262	248
Number of Employees	691	680	737	739	742	732	708	725	728	729
<u>Special Services</u>										
Dial-A-Lift Cost Per Passenger	\$15.97	\$18.57	\$19.96	\$21.32	\$21.65	\$23.02	\$19.71	\$19.64	\$20.42	\$20.60
Dial-A-Lift Passengers Per Vehicle Service Hour	5.9	5.3	5.0	4.8	4.7	4.8	5.0	5.1	4.8	5.1
Number of Dial-A-Lift Vehicles	18	18	18	17	16	17	15	15	13	13
Water Taxi Cost Per Passenger	\$ 6.29	\$ 7.10	\$ 8.24	\$10.17	\$ 9.47	\$10.99	\$11.94	\$13.73	\$ 9.23	\$12.69
Water Taxi Passengers Per Vehicle Service Hour	18.56	14.03	13.50	14.54	14.96	13.81	13.45	13.40	13.80	16.33
Number of Water Taxi Vessels	3	3	3	3	3	3	3	4	4	4

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

Long Beach Public Transportation Company

Operating Information Customer Satisfaction Trends 2003-2014*

Exhibit 11

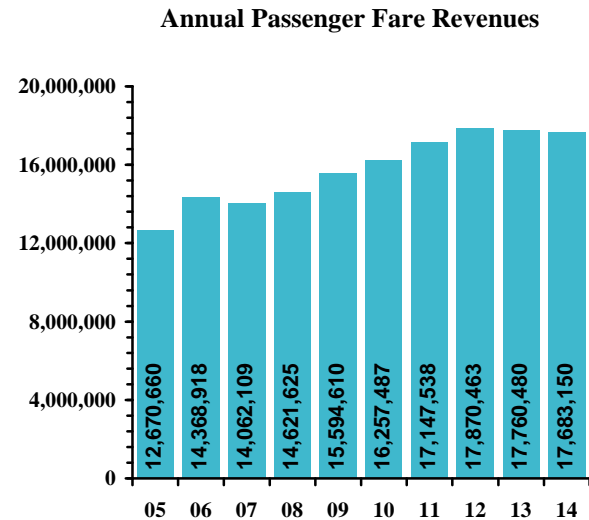
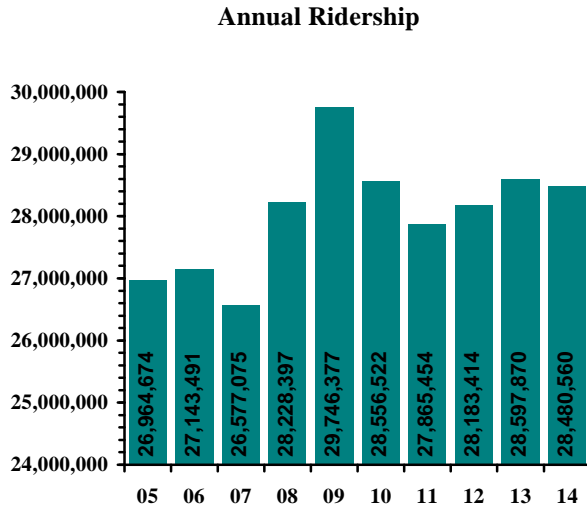
<u>Service Element</u>	% of Customers Rating Favorably									
	<u>2003</u>	<u>2004</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
LBT Overall	94	92	90	95	96	95	97	97	97	97
LBT Compared to Others	88	91	87	94	92	89	89	93	95	91
Driver Appearance	96	96	97	97	99	97	99	99	99	98
Fares	94	92	88	90	91	85	73	87	91	92
Driver Courtesy	89	86	90	91	88	90	90	92	94	91
Driver Safety	93	92	93	93	93	97	97	98	99	92
On Board Safety	91	88	91	90	93	95	95	96	97	95
Route Convenience	96	85	92	93	96	93	95	96	98	95
Information Available	89	89	88	88	93	93	90	95	95	92
Telephone Information	86	86	81	90	92	91	90	91	89	86
Bus Stop Safety	84	83	86	82	91	87	90	92	95	92
Bus Stop Convenience	94	---	94	95	97	95	96	96	97	97
Schedule Reliability	84	69	74	72	77	78	78	85	89	84
Bus Cleanliness	90	79	84	76	88	85	93	94	95	95
Bus Stop Cleanliness	74	80	81	75	89	84	86	91	91	92
Customer Satisfaction Index**	90	86	88	88	92	90	90	93	95	93

Source: Annual community survey.

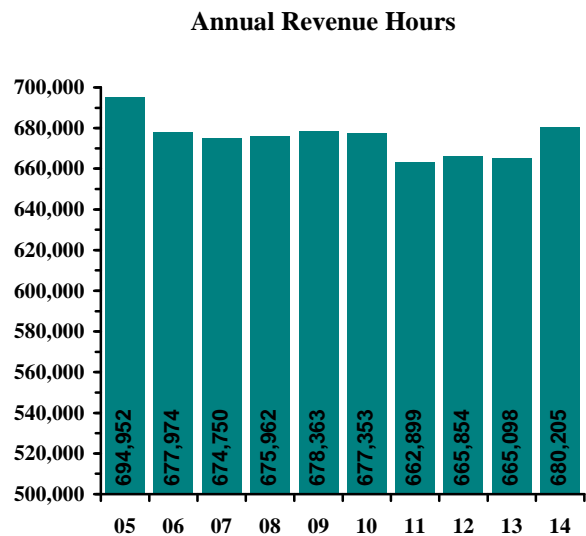
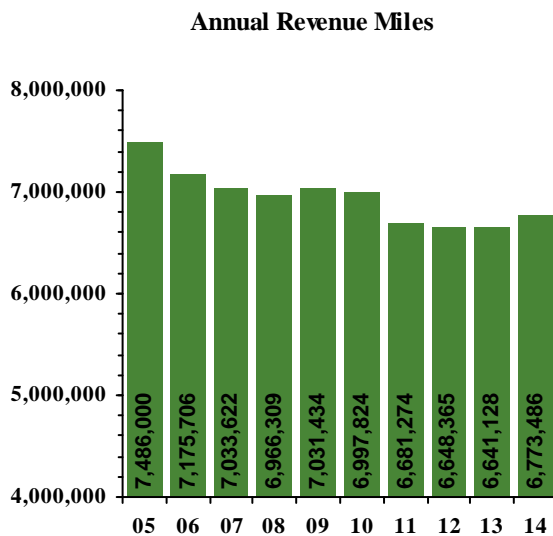
* Formal customer surveys were not performed for fiscal years 2005 and 2010.

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

Operating Information
Fixed Route Statistics
2005 - 2014



Long Beach Transit had a slight loss of ridership from FY 2013 to FY 2014, with 28.6 million boardings on Long Beach Transit buses in FY 2013 falling to 28.5 million boardings on Long Beach Transit buses in FY 2014. The 28.5 million boardings represented a 0.3 percent decrease from the previous year. Part of this slight decrease is due to ridership losses on the Passport due to its being on a long-term construction detour on account of extensive construction on Pine Avenue.

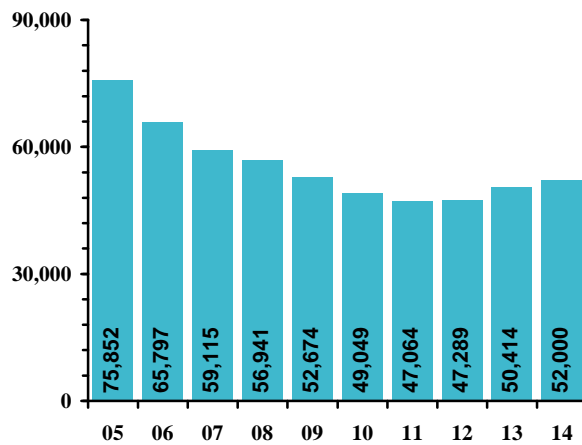


Source: Long Beach Transit's Annual National Transit Database Report

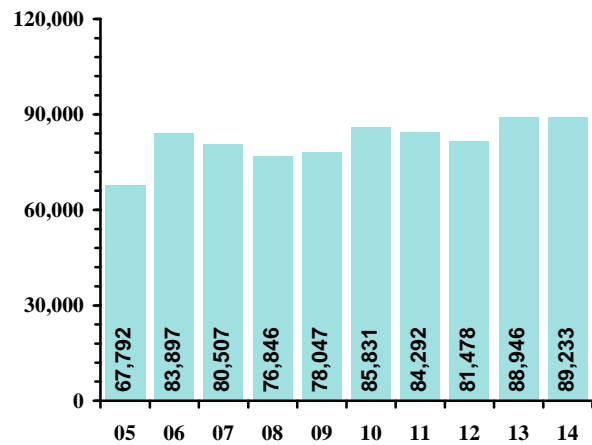
**Operating Information
Dial-A-Lift Statistics
2005 - 2014**

Exhibit 13

Annual Ridership

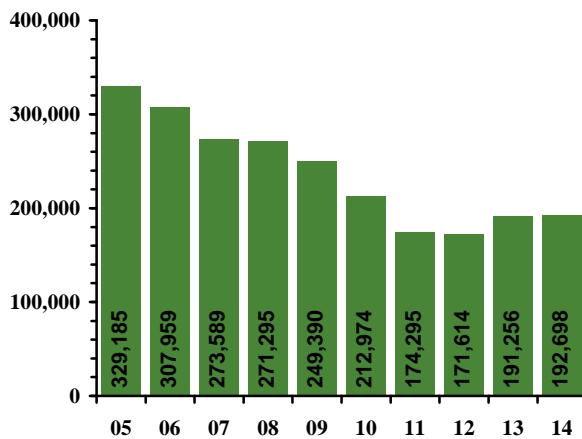


Annual Passenger Fare Revenues

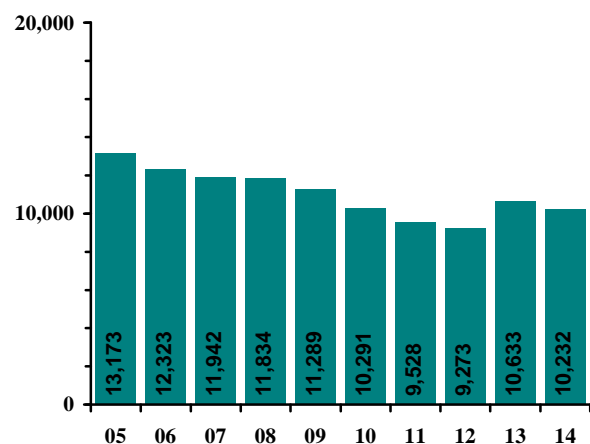


Dial-A-Lift had a 3.1% increase in ridership in FY14. Now that it is required for a DAL applicant to first be a member of Access Services, FY14 continues to see a shift in riders from Access to DAL. The Dial-A-Lift service is supplied by a local taxi company which supplements Dial-A-Lift van rides with taxi trips on an as-needed basis.

Annual Revenue Miles



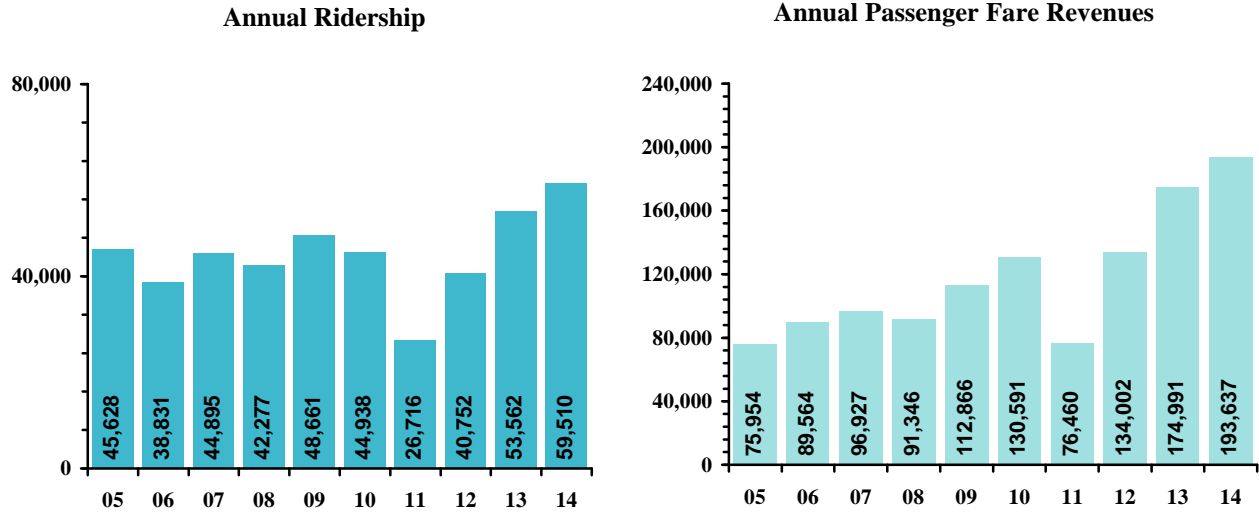
Annual Revenue Hours



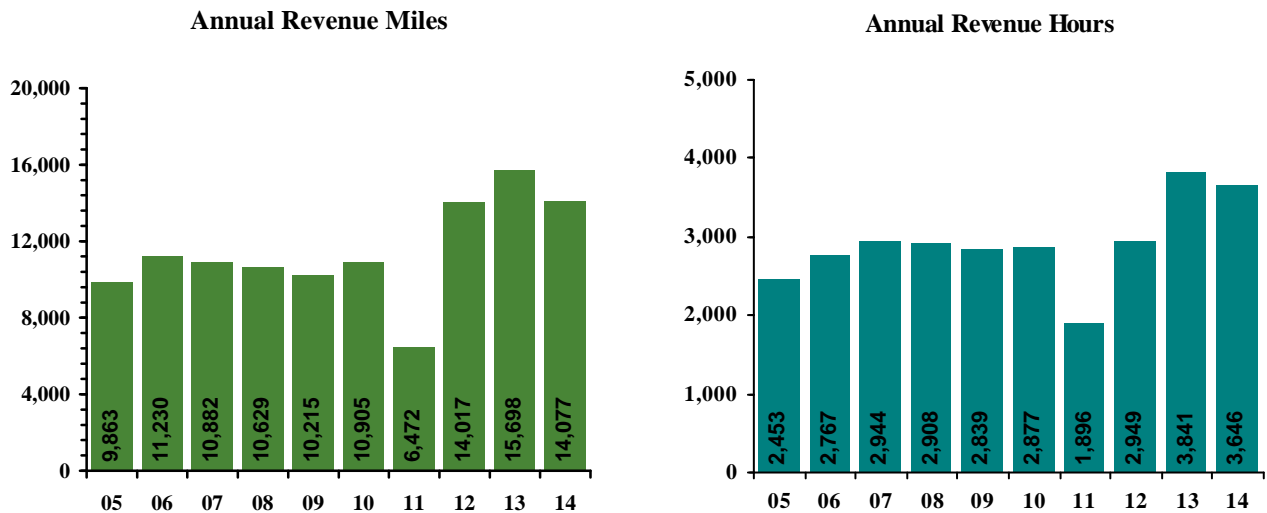
Source: Long Beach Transit's Annual National Transit Database Report

**Operating Information
Water Taxi Statistics
2005-2014**

Exhibit 14



Water Taxi ridership increased 11% in FY14. This is attributed to an improved schedule and extending the Water Taxi Service past Labor Day with a new Friday through Sunday weekend service that operated through October 26, 2014. Revenues increased 11% due the discontinuation, except on the holidays, of a coupon that allowed two passengers to ride for the price of one.



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

Operating Information

Exhibit 15

Long Beach Public Transportation Company

Schedule of Insurance in Force June 30, 2014

<u>Program</u>	<u>Expiration Term</u>	<u>Company</u>	<u>Amount/Limit</u>
<u>LIABILITY</u>			
A. Auto and General Liability			
	7/1/14 1 yr	Starr Indemnity & Liability Co.	\$10,000,000 excess of \$1,500,000 SIR
B. Underground Storage Tank- Third-Party Liability			
	3/4/15 1 yr	Illinois Union Insurance Co.	\$2,000,000 - each incident \$3,000,000 - aggregate Deductible \$25,000
<u>COMMERCIAL PROPERTY</u>			
	3/14/15 1 yr	Travelers Property Casualty Co.	\$ 20,331,000 Real Property \$ 17,583,000 Business Personal Property \$ 25,000 Deductible for buses in the open \$ 476,000 Extra Expense \$ 2,500 per occurrence; except \$25,000 for buses in the yard
<u>WORKERS' COMPENSATION</u>			
	7/1/14 1 yr	Safety National Casualty Corp	\$25,000,000 excess of \$1,500,000 SIR
<u>CRIME SHIELD POLICY</u>			
	8/8/14 1 yr	Hartford Fire Insurance Co.	\$1,000,000 - employee theft; \$20,000 deductible \$1,000,000 - computer and funds transfer fraud; \$5,000 deductible \$100,000 – theft, disappearance and destruction; \$5,000 deductible
<u>FELONIOUS ASSAULT POLICY</u>			
	7/1/14 3 yr	Chubb and Son, A Division of Federal Insurance Company	\$100,000 – life insurance policy

Long Beach Public Transportation Company

Operating Information Schedule of Insurance in Force (Continued) June 30, 2014

FIDUCIARY LIABILITY

11/1/14	1 yr	Chubb Group of Insurance Co.	\$ 1,000,000 Each Loss
			\$ 1,000,000 Each Policy Period
			\$ 5,000 Deductible

ENVIRONMENTAL LEGAL LIABILITY

6/21/16	2 yr	Aspen Specialty Insurance Co.	\$ 5,000,000 Pollution Incident Coverage
			\$ 5,000,000 Aggregate Limit of Liability

Source: Long Beach Transit's Risk Management Department.

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

ROUTES	FREQUENCY OF SERVICE				DAILY HOURS OF OPERATION					
	<u>Peak/Base</u> (5am-6pm)		<u>Evening/Night</u> (after 6pm)		Weekday	Saturday	Sunday	Weekday	Saturday	Sunday
	Weekday	Saturday	Sunday	Weekday						
1	30	45	45	30/60	45/60	45/60	45/60	530A - 903P	516A - 1007P	516A - 1007P
20	15	22.5	22.5	15/30/60	22.5/30/60	22.5/30/60	22.5/30/60	445A - 110X	510A - 113X	510A - 113X
40	7.5	12	15	10/30	15/30	15/30	15/30	436A - 1256X	504A - 1256X	504A - 1256X
50	12/20	15/20	20	15/20/30	20/30	20/30	20/30	430A - 1209X	503A - 1211X	510A - 1211X
60	12/20	15	20	20/30	20/30	20/30	20/30	450A - 120X	530A - 117X	532A - 118X
70	30	45	45	30	45/60	45/60	45/60	455A - 820P	516A - 1051P	516A - 1051P
80	50/60	--	--	--	--	--	--	615A - 708P	----	----
90	10/12	15/20/30	20/30	20/30	20/30	20/30	20/30	410A - 111X	500A - 115X	500A - 105X
96 ZAP	8/12	--	--	--	--	--	--	632A-842A 120P-436P	----	----
100	15/20	30	--	30	--	--	--	458A - 1035P	550A - 745P	----
110	20	30	30/35	30/60	30/60	30/60	30/60	500A - 114X	505A - 1259X	505A - 1259X
121	20	20/30	25	20/30	25/30	25/30	25/30	450A - 114X	507A - 111X	507A - 111X
131	40	60	60	60	60	60	60	440A - 950P	530A - 926P	530A - 926P
151	20	30/35	30/35	20/30/60	30/35/60	30/35/60	30/35/60	428A - 1253X	459A - 1253X	459A - 1253X
170	15	15/30	15/30	20/30/60	30/60	30/60	30/60	505A - 1255X	515A - 1255X	515A - 1255X
171	35	45	45	40/60	45	45	45	430A - 1155P	708A - 808P	708A - 808P
176	30	--	--	--	--	--	--	646A - 710P	----	----
180	20	30	30	30/60	30/60	30/60	30/60	505A - 1223X	525A - 1223X	525A - 1223X
190	15	20	20	20/30	20/30/60	20/30/60	20/30/60	434A - 115X	510A - 120X	510A - 120X
Passport	15/30	9/10	9/10	15/20/30	10/20/30	10/20/30	10/20/30	509A - 104X	511A - 104X	511A - 104X

Source: Long Beach Transit's Service Development Department

Long Beach Public Transportation Company

Pension Information
Employer and Employee Pension Contributions
2005 – 2014

Exhibit 17

Fiscal Year Ended June 30	Employer Contribution*	Employee Contribution	Payroll	Contribution as a Percentage of Payroll
<u>Contract Plan</u>				
2005	\$ 1,910,696	\$	20,859,915	9.11%
2006	2,055,584		21,628,593	10.08
2007	2,777,353		21,866,049	12.32
2008	2,661,268		23,643,084	11.35
2009	3,048,814		25,266,127	12.18
2010	4,111,605		25,501,412	16.20
2011	3,791,200		25,473,634	15.01
2012	2,099,802	1,141,708	25,904,690	12.32
2013	2,473,826	1,105,052	26,589,061	13.74
2014	3,326,307	1,437,006	27,081,026	17.75
<u>Salaried Plan</u>				
2005	\$ 1,052,894	\$	7,849,876	13.35%
2006	1,060,300		7,954,923	12.88
2007	1,006,587		8,486,732	12.30
2008	1,202,609		9,125,649	13.43
2009	1,582,975		9,554,774	17.26
2010	1,964,523		9,337,229	23.11
2011	2,041,762		9,520,926	22.19
2012	1,244,244	387,987	9,516,264	18.90
2013	2,244,185	449,958	10,281,649	20.97
2014	2,847,508	436,748	10,732,641	28.46

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

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

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

Long Beach Public Transportation Company

Exhibit 18

Pension Information
Pension Revenues by Source and Expenses by Type
2005 - 2014

Fiscal Year Ended June 30	Revenues by Source				Expenses by Type			
	Employer and Employee Contributions	Benefit transfer receivable	Investment Return	Total	Administrative Expenses	Benefit Payments	Benefit transfer payable	Total
Contract Plan								
2005	\$ 1,910,696	\$ ---	\$ 2,029,549	\$ 3,940,245	\$ 191,829	\$ 2,294,689	\$ 31,496	\$ 2,518,014
2006	2,055,584	---	2,599,457	4,655,041	226,499	3,095,306	160,267	3,482,072
2007	2,777,353	---	3,485,553	6,262,906	224,618	2,847,651	365,198	3,437,467
2008	2,661,268	---	571,633	3,232,901	242,097	2,238,944	6,800	2,487,841
2009	3,048,814	---	(5,613,626)	(2,564,812)	167,515	1,448,156	35,377	1,651,048
2010	4,111,605	---	(3,780,305)	331,300	204,627	2,544,902	158,341	2,907,870
2011	3,791,200	---	6,604,495	10,395,695	227,965	1,852,836	168,731	2,249,532
2012	3,241,510	---	(682,971)	2,558,539	255,280	2,610,617	25,643	2,891,540
2013	3,714,988	---	3,324,692	7,039,680	291,858	2,447,910	---	2,739,768
2014	4,763,313	---	5,113,555	9,876,868	323,518	4,326,353	241,886	4,891,757
Salaries Plan								
2005	\$ 1,052,894	\$ 31,496	\$ 976,622	\$ 2,061,012	\$ 107,490	\$ 1,202,742	\$ ---	\$ 1,310,232
2006	1,060,300	160,267	1,014,406	2,234,973	130,980	1,669,281	---	1,800,261
2007	1,006,587	365,198	1,687,859	3,059,644	134,999	2,092,796	---	2,227,795
2008	1,202,609	6,800	(184,115)	1,025,294	124,292	3,654,399	---	3,778,691
2009	1,582,975	35,377	(1,889,274)	(270,922)	90,378	1,567,196	---	1,657,574
2010	1,964,523	158,341	(1,169,295)	953,569	94,633	950,146	---	1,044,779
2011	2,041,762	168,731	2,235,151	4,445,644	118,827	2,255,212	---	2,374,039
2012	1,632,231	25,643	(238,790)	1,419,084	118,457	2,294,168	---	2,412,625
2013	2,694,143	---	960,977	3,655,120	117,013	702,018	---	819,031
2014	3,284,256	241,886	1,750,047	5,276,189	142,002	2,342,868	---	2,484,870

Source: Contract and Salaries pension plan financial statements for the year-ended June 30, 2014.
These financial statements are prepared under separate cover and contain additional trend information.

Long Beach Public Transportation Company

Exhibit 19

Grant Information
Capital Grant History
Federal Grants 2005 - 2014

FTA Grants	Authorized Amount	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CA-90-X915	8,769,677	\$ 320,232	\$(1,267)								
CA-90-X950	6,249,570	1,212,151	(21,161)								
CA-90-Y057	10,381,045	1,225,417	273,569	\$127,546							
CA-90-Y082	11,356,000	1,177,836	3,478,611	227,586	\$ 79,907	\$ 608,104					
CA-90-Y117	7,751,180	529,645	104,451	104,124	582,745	239,603					
CA-03-0596	1,980,630	1,966,039	23,702								
CA-90-Y136	7,788,668	4,526,858	297,813	36,203							
CA-90-Y226	10,958,295	6,216,499	2,077,500	166,025	452,558	241,178	\$ 57,407				
CA-90-Y271	9,982,170	5,154,206	1,574,121	1,168,787	754,104	1,132,509	130,707				
CAL0301	204,000		(131,611)								
CA-03-0642	1,980,058	1,921,249	58,809								
CA-03-0664	2,074,022	1,668,386	53,052								
CA-90-Y391	13,354,477	454,548	98,868	1,974,135	5,457,189	2,125,881	484,648	\$ 95,849	\$ 60,034	\$2,527,386	
CA-90-Y440	6,358,401			1,295,708	1,343,478	3,394,798	178,157	35,420	11,972		
CA-90-Y502	14,756,941				1,979,965	10,160,890	1,582,195	81,688	132,711	26,545	
CA-90-Y652	13,051,167				5,821	1,446,032	1,569,176	654,528	398,367	8,331,767	\$ 428,257
CA-95-X040	447,000				18,538	70,418	300,763	57,282			
CA-03-0714	970,874			970,874							
CA-04-0061	1,915,492	3,651				1,911,839					
CA-90-Y731	14,960,635					71,794	5,850,160	4,965,764	234,409	3,761,979	71,168
CA-03-0759	485,888					485,888					
Subtotal		\$25,918,518	\$8,341,005	\$5,100,114	11,648,830	\$21,888,934	\$10,153,213	\$5,890,531	\$837,493	\$14,647,677	\$ 499,425

Long Beach Public Transportation Company

Exhibit 19

Grant Information
 Capital Grant History (Continued)
 Federal Grants 2005 - 2014

FTA Grants	Authorized Amount	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Subtotal		\$25,918,518	\$8,341,005	\$5,100,114	\$11,648,830	\$21,888,934	\$10,153,213	\$5,890,531	\$837,493	\$14,647,677	\$ 499,425
CA-96-X007	16,497,214					496,563	6,466,024	8,840,940	693,688		
CA-04-0065	2,604,050							1,998,932	(173,860)	778,978	
CA-04-0134	1,783,466							222,952	351,368	1,096,541	71,421
CA-90-Y798	13,994,380							3,046,130	6,541,814	646,277	312,347
CA-90-Y880	15,774,862								746,816	7,199,267	2,525,909
CA-04-0184	2,863,280								899,012	702,223	387,690
CA-04-0199	950,000									950,000	
CA-88-0004	6,700,000									637,161	193,185
CA-90-Y957	16,248,527									1,048,270	2,605,970
CA-90-X053	17,391,081										773,241
CA-90-Z120	20,701,104										49,875
TOTAL		\$25,918,518	\$8,341,005	\$5,100,114	\$11,648,830	\$22,385,497	\$16,619,237	\$19,999,485	\$9,896,331	\$27,706,394	\$7,419,063

Long Beach Public Transportation Company

**Grant Information
Capital Grant History
State Grants 2005 - 2014**

Exhibit 20

State Grants	Authorized Amount	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CA-90-X915	2,142,753	\$ 77,936	\$ 329								
CA-90-X950	1,660,481	204,778	11,388								
CA-90-Y057	2,429,263	302,449	79,382	\$33,271							
CA-90-Y082	1,471,292	152,352	450,691	29,486	\$ 10,394	\$ 84,231					
CA-90-Y117	1,937,795	132,350	26,111	26,047	145,681	59,932					
CA-03-0596	495,158	491,442	3,701								
CA-90-Y136	1,404,025	968,205	51,248	4,689							
CA-90-Y226	2,739,574	1,331,200	440,036	39,728	111,941	88,662	\$ 14,374				
CA-03-0642	405,554	438,604	(33,049)								
CA-95-X040	203,182				8,427	32,009	11,826				
TDA 03	655,624	41,010	(1,161)								
STA 01	990,696	6,257	557		7,280						
STA 02	1,341,400	(25,150)	27,391	3,568	2,230						
STA 03	838,329	153,430	19,189	30,568	3,698						
STA 07	910,000				746,044						
STA 08	3,528,162				102,135	2,352,877	440,431	\$ 40,077	\$ 10,681	\$ 19,986	
STA 11	580,795									331,826	\$ 248,972
MSRC 05	335,453	330,453									
IB SEC	2,232,588					240,999	417,044	100,896	252,533	197,999	374,050
TOTAL		\$4,605,316	\$ 1,075,813	\$ 167,357	\$1,137,830	\$2,858,710	\$ 883,675	\$ 140,973	\$ 263,214	\$ 549,811	\$ 623,022

Long Beach Public Transportation Company

Grant Information
Local Grants 2005 - 2014

Exhibit 21

Local Grants	Authorized Amount	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Prop C Security FY 01	152,000	\$12,882									
Prop C Security FY 02	65,000	4,745									
Prop C Security FY 03	349,154	24,817	\$ 60,772	\$40,346	\$ 23,888	\$ 4,096					
Prop C Security FY 04	923,452	825,606	36,957	5,603	16,208	127					
Prop C - CA-90-Y271	2,375,547	1,199,967	388,360	300,489	173,882	212,278	\$ 27,101				
Prop C FY 02	1,041,853	395,502	242,904	60,541	3,004						
Prop C FY 03	1,123,797	592,344	61,441	223,736	111,223						
Prop C-CA-03-0664	352,584	341,786	10,798								
Prop C FY 04	923,452	203,569	164,860	5,018	98,592	335					
Prop C Security FY 05	324,000	194,669	11,742			110,000					
Prop C FY 05	1,324,200		382,558	639,725	237,755	39,410					
Prop C-CA-90-Y391	2,934,372		101,084	455,102	1,168,738	486,797	118,327	\$21,172	\$13,250	\$517,992	
Prop C-CA-90-Y440	1,329,020			242,753	331,894	682,488	36,085	8,134	2,935		
Prop C FY 06	1,398,323			12,717	1,364,204						
MTA8320	65,625		65,624								
Prop C FY 07	152,022			291	13,570	137,823					
Prop C Security FY 07	24,000			4,731	18,279						
Prop C Sec-CA-90-440	138,600			81,202	3,943	44,280	8,456	721			
Prop C FY 08	1,661,127				237,858	670,767	111,424	433,695	207,383		
Prop C-CA-90-Y502	3,512,702				495,589	2,562,193	394,626	20,417	33,179	6,698	
Prop C-CA-90-Y652	2,030,062				1,455	245,504	289,667	163,641	131,869	1,037,686	\$107,052
Prop C-CA-03-0714	198,854				198,854						
Subtotal		\$3,795,887	\$1,527,100	\$2,072,254	\$4,498,936	\$5,196,098	\$ 985,686	\$ 647,780	\$388,616	\$1,562,376	\$107,052

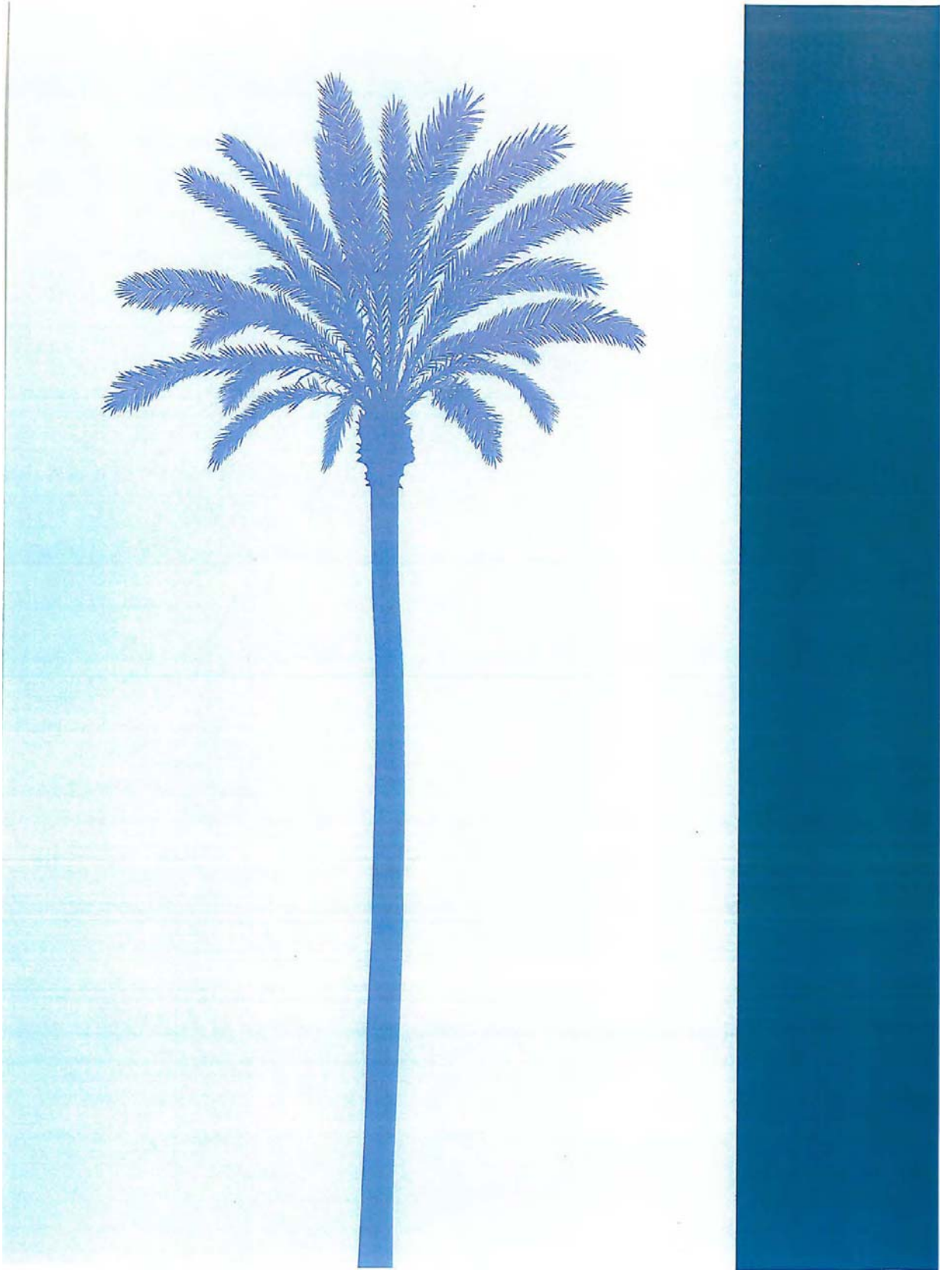
Continued

Long Beach Public Transportation Company

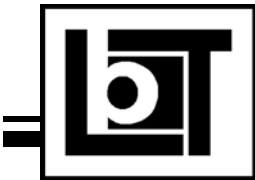
Exhibit 21

Grant Information
 Capital Grant History (Continued)
 Local Grants 2005 - 2014

Local Grants	Authorized Amount	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Subtotal		\$3,795,887	\$1,527,100	\$2,072,254	\$4,498,936	\$5,196,098	\$985,686	\$ 647,780	\$ 388,616	\$1,562,376	\$ 107,052
Prop C-CA04-0061	392,330				748	391,582					
MTA 8111	428,774				162,341	62,909	164,545				
AQMD 08	81,744					81,744					
Prop C- CA03-0759	99,520					99,520					
Prop C Sec-CA-90-Y652	47,128					13,381	33,761	(13)			
Prop C Sec FY08	31,896					31,896					
Prop C FY 09	985,343					142,767	322,747	519,828			
Prop C-CA90-Y731	3,604,442					63,292	1,484,939	1,239,842	58,875	736,865	17,792
Prop C FY 10	110,000						60,825	49,175			
Prop C FY 11	3,808,593						155,049	155,049	908,816	1,257,341	702,307
Prop C-CA-90-798	3,003,969							762,626	1,635,402	161,627	78,086
Prop C-CA-04-065	576,983							499,766	(43,498)	120,715	
Prop C-CA-04-134	312,540							55,704	87,876	140,809	17,855
Prop C-CA-04-184	860,720								224,801	225,800	125,882
Prop C FY 12	2,818,242									987,020	928,199
Prop C FY 13	3,242,074									27,419	328,881
Prop C-CA-88-0004	876,429									219,786	82,791
Prop C-CA-90-Y957	2,864									881	701
Prop C FY 14	2,518,706										61,119
Prop C-CA-90-Y880	2,252										927
TOTAL		\$3,795,887	\$1,527,100	\$2,072,254	\$4,662,025	\$6,083,189	\$3,052,513	\$3,929,757	\$3,260,888	\$5,440,639	\$ 2,451,592



***SINGLE AUDIT REPORTS
AND GRANT ACTIVITY REPORTS***
LONG BEACH PUBLIC TRANSPORTATION COMPANY
For the Year Ended June 30, 2014



LONG BEACH TRANSIT

LONG BEACH PUBLIC TRANSPORTATION COMPANY
SINGLE AUDIT AND GRANT ACTIVITY REPORTS
YEAR ENDED JUNE 30, 2014

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LONG BEACH PUBLIC TRANSPORTATION COMPANY

Principal Officials

Board of Directors

Freda Hinsche Otto	Chair of the Board
Barbara Sullivan George	Vice Chair
Maricela de Rivera	Secretary - Treasurer
Donald M. First	Director
Victor Irwin	Director
Dr. James P. Norman, Jr.	Director
* April Economides	Director
* Sumire Gant	Director
Amy Bodek	Ex-Officio Member, City of Long Beach
David Roseman	Ex-Officio Member, City of Long Beach

* Appointed by City of Long Beach Mayor in October 2014 with an effective start date of January 2014

Management

Kenneth A. McDonald	President & CEO
Debora Johnson	Deputy CEO
Lee Burner	Executive Director, VP Transit Service Delivery & Planning (Effective August 18, 2014)
Lisa Patton	Executive Director, VP Financial Services
Rolando Cruz	Executive Director, VP Maintenance & Facilities
LaVerne David	Executive Director, VP Risk Management Training & Human Resources
Patrick Pham	Executive Director, VP Information Systems & Technology

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Long Beach Public Transportation Company

We have audited, in accordance with the 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, the financial statements of Long Beach Public Transportation Company (a nonprofit organization), which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Long Beach Public Transportation Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Long Beach Public Transportation Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Long Beach Public Transportation Company's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Long Beach Public Transportation Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Winder, Inc.

Long Beach, California
December 19, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To the Board of Directors of
Long Beach Public Transportation Company

Report on Compliance for Each Major Federal Program

We have audited Long Beach Public Transportation Company's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Long Beach Public Transportation Company's major federal programs for the year ended June 30, 2014. Long Beach Public Transportation Company's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Long Beach Public Transportation Company's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Long Beach Public Transportation Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Long Beach Public Transportation Company's compliance.

Opinion on Each Major Federal Program

In our opinion, Long Beach Public Transportation Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Long Beach Public Transportation Company is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Long Beach Public Transportation Company's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Long Beach Public Transportation Company's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB A-133

We have audited the financial statements of Long Beach Public Transportation Company as of and for the year ended June 30, 2014, and have issued our report thereon dated December 19, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and non-federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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 schedule of expenditures of federal awards and non-federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Long Beach, California
December 19, 2014

Schedule 1
LONG BEACH PUBLIC TRANSPORTATION COMPANY
 Schedule of Expenditures of Federal and Non-Federal Awards
 Year ended June 30, 2014

Program of Federal Domestic Assistance Catalogue No. 20.507 Department of Transportation Federal Transit Administration				
	CA-90-652	CA-90-731	CA-04-134	CA-90-798
Grant Period:				
From	08/04/08	08/04/09	09/08/09	09/15/10
To	Completion	Completion	Completion	Completion
Total grant award(s):				
Federal	\$ 13,051,166	\$ 14,960,635	\$ 1,783,466	\$ 13,994,380
Non-Federal	1,987,866	3,558,764	398,823	3,359,861
Total	\$ 15,039,032	\$ 18,519,399	\$ 2,182,289	\$ 17,354,241
Revenues:				
Federal:				
Cash received	\$ 462,575	\$ 54,072	\$ 71,421	\$ 422,957
(Accrued) deferred, July 1, 2013	(34,318)	---	---	(110,610)
Accrued (deferred), June 30, 2014	---	17,096	---	---
Grant revenue recognized	428,257	71,168	71,421	312,347
Non-Federal	107,052	17,792	17,855	78,086
Total revenues	\$ 535,309	\$ 88,960	\$ 89,276	\$ 390,433
Expenditures:				
Federal	\$ 428,257	\$ 71,168	\$ 71,421	\$ 312,347
Non-Federal	107,052	17,792	17,855	78,086
Total expenditures	\$ 535,309	\$ 88,960	\$ 89,276	\$ 390,433

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal and Non-Federal Awards and accompanying Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.

Schedule 1-2

LONG BEACH PUBLIC TRANSPORTATION COMPANY

Schedule of Expenditures of Federal and Non-Federal Awards

Year ended June 30, 2014

	Program of Federal Domestic Assistance Catalogue No. 20.507 Department of Transportation Federal Transit Administration			
	<u>CA-90-880</u>	<u>CA-04-184</u>	<u>CA-90-957</u>	<u>CA-88-004</u>
Grant Period:				
From	08/30/11	07/5/12	09/5/12	09/19/12
To	Completion	Completion	Completion	Completion
Total grant award(s):				
Federal	\$ 15,774,862	\$ 2,863,280	\$ 16,248,527	\$ 6,700,000
Non-Federal	<u>11,261</u>	<u>860,720</u>	<u>14,319</u>	<u>2,871,429</u>
Total	<u>\$ 15,786,123</u>	<u>\$ 3,724,000</u>	<u>\$ 16,262,846</u>	<u>\$ 9,571,429</u>
Revenues:				
Federal:				
Cash received	\$ 2,572,633	\$ 859,622	\$ 2,617,981	\$ 212,946
(Accrued) deferred, July 1, 2013	(46,724)	(471,932)	(16,623)	(19,761)
Accrued (deferred), June 30, 2014	<u>---</u>	<u>---</u>	<u>4,612</u>	<u>---</u>
Grant revenue recognized	2,525,909	387,690	2,605,970	193,185
Non-Federal	<u>4,646</u>	<u>125,882</u>	<u>3,499</u>	<u>82,791</u>
Total revenues	<u>\$ 2,530,555</u>	<u>\$ 513,572</u>	<u>\$ 2,609,469</u>	<u>\$ 275,976</u>
Expenditures:				
Federal	\$ 2,525,909	\$ 387,690	\$ 2,605,970	\$ 193,185
Non-Federal	<u>4,646</u>	<u>125,882</u>	<u>3,499</u>	<u>82,791</u>
Total expenditures	<u>\$ 2,530,555</u>	<u>\$ 513,572</u>	<u>\$ 2,609,469</u>	<u>\$ 275,976</u>

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal and Non-Federal Awards and accompanying Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.

Schedule 1-3

LONG BEACH PUBLIC TRANSPORTATION COMPANY

Schedule of Expenditures of Federal and Non-Federal Awards

Year ended June 30, 2014

	Program of Federal Domestic Assistance Catalogue No. 20.507 Department of Transportation Federal Transit Administration		
	CA-90-Z053	CA-90-Z120	Sub Total CFDA No. 20.507
Grant Period:			
From	12/10/13	07/30/14	
To	Completion	Completion	
Total grant award(s):			
Federal	\$ 17,391,081	\$ 20,701,104	\$ 123,468,501
Non-Federal	<u>1,489,629</u>	<u>1,570,742</u>	<u>16,123,414</u>
Total	<u>\$ 18,880,710</u>	<u>\$ 22,271,846</u>	<u>\$ 139,591,915</u>
Revenues:			
Federal:			
Cash received	\$ 698,583	\$ 40,580	\$ 8,013,370
(Accrued) deferred, July 1, 2013	---	---	(699,968)
Accrued (deferred), June 30, 2014	<u>74,658</u>	<u>9,295</u>	<u>105,661</u>
Grant revenue recognized	773,241	49,875	7,419,063
Non-Federal	<u>---</u>	<u>---</u>	<u>437,603</u>
Total revenues	<u>\$ 773,241</u>	<u>\$ 49,875</u>	<u>\$ 7,856,666</u>
Expenditures:			
Federal	\$ 773,241	\$ 49,875	\$ 7,419,063
Non-Federal	<u>---</u>	<u>---</u>	<u>437,603</u>
Total expenditures	<u>\$ 773,241</u>	<u>\$ 49,875</u>	<u>\$ 7,856,666</u>

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal and Non-Federal Awards and accompanying Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.

Schedule 1-4
LONG BEACH PUBLIC TRANSPORTATION COMPANY
 Schedule of Expenditures of Federal and Non-Federal Awards
 Year ended June 30, 2014

	<u>Program of Federal Domestic Assistance Catalogue No. 20.516 Department of Transportation Federal Transit Administration</u>	<u>Totals CFDA No. 20.507 & 20.516</u>
	<u>JARC CA-37-124</u>	
Grant Period:		
From	09/5/12	
To	Completion	
Total grant award(s):		
Federal	\$ 4,596,602	\$ 128,065,103
Non-Federal	427,306	16,550,720
	<u>5,023,908</u>	<u>144,615,823</u>
Total	<u>\$ 5,023,908</u>	<u>\$ 144,615,823</u>
Revenues:		
Federal:		
Cash received	\$ 1,490,969	\$ 9,504,339
(Accrued) deferred, July 1, 2013	---	(699,968)
Accrued (deferred), June 30, 2014	---	105,661
	<u>1,490,969</u>	<u>8,910,032</u>
Grant revenue recognized	<u>1,490,969</u>	<u>8,910,032</u>
Non-Federal	<u>---</u>	<u>437,603</u>
Total revenues	<u>\$ 1,490,969</u>	<u>\$ 9,347,635</u>
Expenditures:		
Federal	\$ 1,490,969	\$ 8,910,032
Non-Federal	---	437,603
	<u>1,490,969</u>	<u>9,347,635</u>
Total expenditures	<u>\$ 1,490,969</u>	<u>\$ 9,347,635</u>

See accompanying notes to the Schedule of Expenditures of Federal and Non-Federal Awards and accompanying Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.

LONG BEACH PUBLIC TRANSPORTATION COMPANY

Notes to the Schedule of Expenditures of Federal and Non-Federal Awards
Year ended June 30, 2014

(1) General

The accompanying Schedule of Expenditures of Federal and Non-Federal Awards presents the activity of Federal financial assistance programs of the Long Beach Public Transportation Company.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal and Non-Federal Awards is presented using the accrual basis of accounting, whereby grant revenues are recognized when they are earned and expenses are recognized when they are incurred.

(3) Definition of Major Federal Financial Assistant Program

The Single Audit Act Amendments of 1996 define major Federal award programs based upon total Federal expenditures of the grantee during the period reported and inherent risk of the programs audited. Based on guidelines established by the OMB Circular A-133, the Department of Transportation Cluster – Federal Transit Administration Formula Grants (CFDA No. 20.507) are collectively considered to be a major Federal program for the year ended June 30, 2014. (See summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.)

(4) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree, in all material respects, with the amounts reported in the related federal financial reports taken as a whole.

LONG BEACH PUBLIC TRANSPORTATION COMPANY

Schedule of Findings and Questioned Costs
Year ended June 30, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued – Unmodified

Internal control over financial reporting

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – None reported
3. Noncompliance material to financial statements noted? – No

Federal awards

Internal control over major programs

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – None reported
3. Type of auditors’ report issued on compliance for major programs? – Unmodified
4. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? – No
5. Identification of major programs: Federal Transit Administration Formula Grants (CFDA No. 20.507).
6. Dollar threshold used to distinguish between type A and type B programs was \$300,000
7. Auditee qualified as low-risk auditee? – Yes

SECTION II – FINANCIAL STATEMENTS FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

**INDEPENDENT AUDITORS' REPORT ON THE LONG BEACH PUBLIC TRANSPORTATION
COMPANY'S COMPLIANCE WITH THE STATE OF CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT**

To the Board of Directors of
Long Beach Public Transportation Company

We have audited the financial statements of Long Beach Public Transportation Company as of and for the year ended June 30, 2014, and have issued our report thereon, dated December 19, 2014. We conducted our audit 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.

As part of obtaining reasonable assurance about whether the Long Beach Public Transportation Company's financial statements are free of material misstatement, we performed the procedures contained in the Transportation Development Act (TDA) Handbook published by the State of California Department of Transportation, to test the Long Beach Public Transportation Company's compliance with the published rules and regulations of the TDA. Compliance audit procedures performed in accordance with the handbook have been determined to be adequate by the State of California for compliance with the published rules and regulations of the TDA with respect to fiscal and conformance audits of Public Transportation claimants. Such procedures would not necessarily disclose all instances of noncompliance because they were based on selective tests of the accounting records and related data. In addition, providing an opinion on compliance with the published rules and regulations of the TDA was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance, which would lead us to believe that the allocated funds were not expended in conformance with the published rules and regulations of the TDA.

Schedule of State of California Expenditures of Awards

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules of State of California Expenditures of Awards and the Transportation Development Act – 50% expenditure limitation calculation are presented for purposes of additional analysis as required by the State of California Transportation Development Act and are not required parts of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the board of directors and management of the Long Beach Public Transportation Company, its federal awarding agencies, pass-through entities, and other agencies granting funds to Long Beach Public Transportation Company and is not intended to be, and should not be, used by anyone other than these specified parties.



Long Beach, California
December 19, 2014

Schedule 2
LONG BEACH PUBLIC TRANSPORTATION COMPANY
 Schedule of State of California Expenditures of Awards
 Year ended June 30, 2014

**State of California
 Southern California Association
 of Governments SB-325**

Grant Period:	<u>LTF Art. 4</u>	<u>STA 10/11</u>	<u>STA 12/14</u>	<u>1BPTMISEA</u>
From	07/01/13	07/01/10	07/01/13	06/05/08
To	Completion	Completion	Completion	Completion
Total grant award(s):				
TDA 12/14	\$ 20,969,876	\$ ---	\$ ---	\$ ---
STA 10/11	---	3,698,590	---	---
STA 12/14	---	---	3,939,562	---
1B PTMISEA 07/08	---	---	---	3,710,249
1B PTMISEA 08/09	---	---	---	2,090,089
1B PTMISEA 09/10	---	---	---	2,099,367
1B PTMISEA 10/11	---	---	---	9,275,621
Bond Interest 08/09	---	---	---	88,529
Bond Interest 09/10	---	---	---	36,857
Bond Interest 10/11	---	---	---	28,707
Bond Interest 11/12	---	---	---	27,081
Bond Interest 12/13	---	---	---	8,166
Bond Interest 13/14	---	---	---	26,009
Total	\$ <u>20,969,876</u>	\$ <u>3,698,590</u>	\$ <u>3,939,562</u>	\$ <u>17,390,675</u>
Revenues:				
State:				
Cash received	\$ 20,969,876	\$ ---	\$ 2,954,672	\$ 55,778
(Accrued) deferred, July 1, 2013	---	248,976	---	10,579,296
Accrued (deferred), June 30, 2014	---	(4)	984,891	(10,614,150)
Total revenues	\$ <u>20,969,876</u>	\$ <u>248,972</u>	\$ <u>3,939,563</u>	\$ <u>20,924</u>
Expenditures:	\$ <u>20,969,876</u>	\$ <u>248,972</u>	\$ <u>3,939,563</u>	\$ <u>20,924</u>

(Continued)

See accompanying Independent Auditors' Report on the Long Beach Public Transportation Company's Compliance with the State of California Transportation Development Act.

Schedule 2-2

LONG BEACH PUBLIC TRANSPORTATION COMPANY

Schedule of State of California Expenditures of Awards

Year ended June 30, 2014

			State of California Southern California Association of Governments SB-325	
			<u>1B SEC</u>	<u>Totals</u>
Grant Period:				
From		08/11/08		
To		Completion		Completion
Total grant award(s):				
TDA 12/14		---		\$ 20,969,876
STA 10/11		---		3,698,590
STA 12/14		---		3,939,562
1B PTMISEA 07/08		---		3,710,249
1B PTMISEA 08/09		---		2,090,089
1B PTMISEA 09/10		---		2,099,367
1B PTMISEA 10/11		---		9,275,621
Bond Interest 08/09-12/14		---		215,349
1B SEC 07/08	\$	371,111		371,111
1B SEC 08/09		371,122		371,122
1B SEC 09/10		371,122		371,122
1B SEC 10/11		371,112		371,112
1B SEC 11/12		371,112		371,112
1B SEC 12/13		371,112		371,112
1B SEC Interest 11/12-13/14		5,897		5,897
Total	\$	2,232,588		\$ 48,231,291
Revenues:				
State:				
Cash received	\$	373,750		\$ 24,354,076
(Accrued) deferred, July 1, 2013		646,108		11,201,694
Accrued (deferred), June 30, 2014		(645,808)		(10,002,385)
Total revenues	\$	374,050		\$ 25,553,385
Expenditures:	\$	374,050		\$ 25,553,385

(Continued)

See accompanying Independent Auditors' Report on the Long Beach Public Transportation Company's Compliance with the State of California Transportation Development Act.

LONG BEACH PUBLIC TRANSPORTATION COMPANY

Notes to Schedule of State of California Expenditures of Awards
Year ended June 30, 2014

(1) General

The accompanying Schedule of State of California Expenditures of Awards presents the activity of State of California financial assistance programs of the Long Beach Public Transportation Company.

(2) Basis of Accounting

The accompanying Schedule of State of California Expenditures of Awards is presented using the accrual basis of accounting, whereby grant revenues are recognized when they are earned and expenses are recognized when they are incurred.

(3) Relationship to Long Beach Public Transportation Company Financial Reports

Amounts reported in the accompanying schedule agree, in all material respects, with the amounts reported in the related Long Beach Transportation Company financial reports taken as a whole.

Schedule 3
LONG BEACH PUBLIC TRANSPORTATION COMPANY
 Transportation Development Act - 50% Expenditure Limitation Calculation
 Year ended June 30, 2014

Total operating costs, excluding depreciation	\$	<u>79,893,037</u>
Add:		
Depreciation		20,605,041
Capital outlay expenditures		<u>7,135,567</u>
		<u>27,740,608</u>
Less:		
Federal grants received		9,504,339
Local Transportation funds - capital intensive received		---
State Transit Assistance funds - capital intensive received		<u>---</u>
		<u>9,504,339</u>
Total		<u>98,129,306</u>
50% of total		49,064,653
Add total Local Transportation funds - capital intensive received		<u>---</u>
Total permissible expenditures - (Local Transportation funds)	\$	<u><u>49,064,653</u></u>

See accompanying Independent Auditors' Report on the Long Beach Public Transportation Company's Compliance with the State of California Transportation Development Act.

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

To the Board of Directors of
Long Beach Public Transportation Company

Long Beach Public Transportation Company (Long Beach Transit) is eligible to receive grants under Section 9 of the Urban Mass Transportation Act of 1964, as amended, and in connection therewith, Long Beach Transit is required to report certain information to the Federal Transit Administration (FTA). Furthermore, we understand that Long Beach Transit has contracted with Catalina Express and Taxi Systems, Inc. for specific mass transportation services.

The FTA has established the following standards with regard to the data reported in the Urbanized Area Formula Statistics Form (FFA-10) of Long Beach Transit's annual National Transit Database (NTD) report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data is being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following FTA's receipt of the NTD report. The data is fully documented and securely stored.
- A system of internal controls is in place to ensure the accuracy of the data collection process and to ensure the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
- The data collection methods are those suggested by FTA or meet FTA requirements.
- The deadhead miles as computed appear to be accurate.
- Data as reported is consistent with prior reporting periods and appears reasonable based upon Long Beach Transit's operations.

We have performed the procedures enumerated in the attachment to this report on the data contained in Long Beach Transit's Urbanized Area Formula Statistics Form (FFA-10) for the fiscal year ended June 30, 2014, solely to assist the management of Long Beach Transit in evaluating whether Long Beach Transit complied with the standards described in the second paragraph of this report and whether the information included in the NTD report Urbanized Area Formula Statistics Form (FFA-10) is presented in conformity with the requirements of the Urban Mass Transportation Industry Uniform System of Accounts and Records and Reporting Systems, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the 2013 Reporting Manual. As of the date of this report, the 2014 reporting model was not yet available. Long Beach Transit's management is responsible for the Urbanized Area Formula Statistics Form (FFA-10).

This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment either for the purpose for which this report has been requested or for any other purpose.

The procedures described in the attachment to this report were applied separately to the information systems used to develop the reported vehicle revenue miles, passenger miles, and operating expenses of Long Beach Transit for the fiscal year ended June 30, 2014 for each of the following modes:

- Fixed route directly operated transportation service,
- Purchased Transportation – Water Taxi (ferry boats) operations is provided by Catalina Express
- Purchased Transportation – Demand responsive service provided by Taxi Systems, Inc. for residents of Long Beach, Signal Hill and Lakewood who are at least 18 years old and are unable to use Long Beach Transit’s fixed route systems because of permanent mobility impairment.

The results of the procedures performed are included in the accompanying attachment. We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Long Beach Transit’s NTD report Urbanized Area Formula Statistics Form (FFA-10) for the fiscal year ended June 30, 2014, which is presented in conformity with the requirements of the Urban Mass Transportation Industry Uniform System of Accounts and Records and Reporting Systems, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the 2014 Reporting Manual. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the information described above and does not extend to Long Beach Transit’s financial statements, or the forms in Long Beach Transit’s NTD report other than the Urbanized Area Formula Statistics Form (FFA-10), for any date or period.

This report is intended solely for the information and use of the board of directors and management of the Long Beach Public Transportation Company and the FTA, and is not intended to be, and should not be, used by anyone other than those specified parties.



Long Beach, California
December 19, 2014

AGREED-UPON PROCEDURES

- A. *Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the 2014 Reporting Manual. If procedures are not written, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance.*

We were informed Long Beach Public Transportation Company (LBT) does not have formal written policies and procedures relating to the system for reporting and maintaining transit data for the NTD. Specific procedures in completing the NTD report were discussed with personnel responsible for completing and/or supervising the process. Personnel interviewed include the following:

- Service Development Planning Manager
- Service Development Planner
- Director of Financial Services

- B. *Discuss the procedures (written or informal) with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data to determine:*

- *The extent to which the transit agency followed the procedures on a continuous basis, and*
- *Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the 2014 Reporting Manual.*

We discussed the procedures with LBT personnel and were informed the informal procedures to complete the NTD report are the same guidelines issued by NTD in 49 CFR Part 630. Those procedures are followed continuously such that the accumulation and data reported is consistent with NTD definitions and requirements set forth in 49 CFR Part 630, and as presented in the 2014 Reporting Manual.

- C. *Inquire of same personnel concerning the retention policy that is followed by the transit agency with respect to source documents supporting the NTD data, reported on the Federal Funding Allocation Statistics form (FFA-10).*

We discussed the retention policy with LBT personnel and determined that source documents supporting the data reported on the FFA-10 is maintained for a minimum of five years, which exceeds the three-year minimum required by NTD.

- D. *Based on a description of the transit agency's procedures obtained in items A and B above, identify all the source documents which are to be retained by the transit agency for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.*

We discussed with LBT personnel and noted the following source documents are maintained for five years, which exceeds the three-year minimum required by NTD:

- Passenger Miles Sampling (Trip Sheets) – Checker Survey Sheets
- Fixed Guideway Directional Route Mile
- Operating Expenses
- Contractual Agreement for Purchased Transportation

We reviewed the source documents maintained by LBT and observed that source documents existed and was organized in folders by month.

AGREED-UPON PROCEDURES

- E. *Discuss the system of internal controls with the person responsible for supervising and maintaining the NTD data. Inquire whether individuals, independent of the individuals preparing source documents and posting data summaries, review the source documents and data summaries for completeness, accuracy and reasonableness and how often such reviews are performed.*

We discussed with LBT personnel about internal controls and determined the following personnel were involved with the NTD reporting process:

- Operations Specialist will enter survey data (passenger count and passenger mile) collected from the random surveys and entered into an Access database.
- Service Development Planner, Assistant extracts the data from Access and summarizes the data onto worksheets formatted similar to the NTD reports.
- Service Development Planner reviews the summaries for reasonableness.

- F. *Select a random sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how the supervisors' reviews are documented.*

Discussions with LBT personnel indicated that supervisors' signatures are not required to document the review of source documents. LBT does not have formal procedures requiring supervisors to document their review. However, all source documents and summaries prepared for NTD reporting are reviewed by the Service Development Planner for reasonableness prior to submission.

- G. *Obtain the worksheets utilized by the transit agency to prepare the final data that are transcribed onto the Federal Funding Allocation Statistics form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summarizations.*

We obtained the worksheets utilized by LBT to summarize the final data that are transcribed onto the FFA-10 form. We compared the worksheets to the FFA-10 form and noted no exceptions. We also tested the arithmetical accuracy of the summary and noted no exceptions.

- H. *Discuss the transit agency's procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure used is (1) one of the two procedures suggested by FTA and described in FTA Circulars 2710.1A or 2710.2A; (2) a 100% count of actual PMT; (3) an alternative sampling procedure (if the transit agency uses an alternative sampling procedure, inquire whether the procedure has been approved by FTA or whether a qualified statistician has determined that the procedure meets FTA's statistical requirements. Note as a negative finding in the report use of an alternative sampling procedure that has not been approved in writing by a qualified statistician.) (4) the NTD Sampling Method.*

Discussed with LBT personnel about procedures for accumulating passenger mile data and was informed that a statistical sampling is used for their regular routes and Passport routes. LBT utilizes statistical sampling procedures approved in FTA Circular 2710.1A, which takes three samples every other day.

AGREED-UPON PROCEDURES

- I. *Discuss with transit agency staff the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets one of the three criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:*
1. *According to the 2010 Census, the public transit agency serves a UZA of less than 500,000 population.*
 2. *The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size urbanized area).*
 3. *The service is purchased from a seller operating fewer than 100 revenue vehicles in VOMS, and is included in the transit agency's NTD report.*

For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2011) and determine that statistical sampling was conducted and meets the 95% confidence and $\pm 10\%$ precision requirements.

Determine how the transit agency estimated annual PMT for the current report year.

We discussed with LBT personnel about the eligibility to conduct statistical sampling of passenger miles every third year and were informed that LBT has chosen to perform statistical sampling on an annual basis. Statistical sampling was utilized to determine passenger miles in the current reporting year.

- J. *Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the average trip length was used, determine that the universe of runs was used as the sampling frame. Determine that the methodology to select specific runs from the universe resulted in a random selection of runs. If a selected sample run was missed, determine that a replacement sample run was randomly selected. Determine that the transit agency followed the stated sampling procedure.*

We discussed with LBT personnel about sampling procedures and were informed that LBT utilizes procedures approved in FTA circular 2710.1A, which is taking three samples every other day. We were also informed the sample is taken from the entire route universe. A random generator built into the scheduling software will randomly select the routes to be sampled. If the route was missed, another route is selected from the generator. We did not note any instances of any missed samples. LBT is following the stated sampling procedure.

AGREED-UPON PROCEDURES

- K. *Select a random sample of the source documents for accumulating PMT data and determine that they are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and re-compute the accumulations for each of the selected periods. List the accumulation periods that were tested. Test the arithmetical accuracy of the summarization.*

We haphazardly selected a sample of 40 source documents (trip sheets) for accumulating passenger mile data for fiscal year 2014 and inspected the documents to determine if all required data were recorded and the computations were accurately performed and no exceptions were noted for the sample selected.

	<u>Date</u>	<u>PTN</u>	<u>Route</u>
1	7/5/2013	4885696	1
2	7/17/2013	4885548	91
3	7/19/2013	3091137	151
4	7/20/2013	2065091	37
5	7/21/2013	2065172	37
6	8/28/2013	4885972	1
7	9/19/2013	1511224	61
8	9/25/2013	2940134	102
9	10/1/2013	2409307	45
10	10/3/2013	2833268	93
11	10/5/2013	2225129	173
12	10/7/2013	1512004	101
13	11/4/2013	3091127	157
14	11/12/2013	1511949	101
15	11/18/2013	1512182	112
16	12/6/2013	2938501	101
17	12/8/2013	1514571	192
18	12/18/2013	2833274	92
19	1/1/2014	2065051	37
20	1/3/2014	2833173	93
21	1/15/2014	1511233	61
22	1/27/2014	1511988	102
23	2/4/2014	2833157	94
24	2/22/2014	1512925	21
25	2/24/2014	1511321	61
26	3/10/2014	1511982	103
27	3/16/2014	2065160	37
28	3/18/2014	2833134	93
29	3/18/2014	2833233	91
30	3/30/2014	1744361	71
31	4/11/2014	3703020	111
32	4/17/2014	1511929	101
33	5/1/2014	3127156	93
34	5/11/2014	2225116	173
35	5/17/2014	1514512	191
36	5/23/2014	3865882	103
37	5/29/2014	2409089	45
38	5/31/2014	1514526	191
39	6/10/2014	4006749	112
40	6/22/2014	3113583	151

AGREED-UPON PROCEDURES

- L. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and determine that stated procedures are followed. Select a random sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.*

We discussed with LBT personnel about the excluding charter, school buses, and other ineligible vehicle miles from the calculation of actual vehicle miles and noted that LBT does provide charter services but no school buses. We obtained worksheets documenting the calculation of vehicle miles and noted that charter miles and training miles are excluded from the calculations. Charter and training miles were maintained on worksheets by the Customer Service Department and Training Department, respectively. We reviewed the worksheets maintained to track charter and training miles and tested for arithmetical accuracy. No exceptions were noted.

- M. For actual vehicle revenue mile (VRM) data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:*

- If actual VRM's are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated and re-compute the daily total of missed trips and missed VRM. Test the arithmetical accuracy of the summarization.*
- If actual VRM's are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summarization of intermediate accumulations.*
- If actual VRM's are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA's definitions.*

We discussed the methodology of calculating vehicle revenue miles with LBT personnel and determined that the calculation is based on time schedules of each route. Worksheets are utilized by LBT to track VRM on a monthly basis. For each month, we vouched the miles back to summary reports (Time & Mile Report) prepared by the Scheduling Department. We also tested the mathematical accuracy of the worksheet and noted no exceptions. LBT will then multiply the monthly total by a ratio (total vehicle miles vs. scheduled service miles) to determine the final VRM to be reported on NTD. We recalculated the computation and noted no exceptions.

- N. For rail modes, review the recording and accumulation sheets for actual VRM's and determine that locomotive miles are not included in the computation.*

We discussed with LBT personnel and determined LBT does not operate rail modes or have locomotive miles. As such, this procedure does not apply for the current reporting period.

AGREED-UPON PROCEDURES

- O. *If fixed guideway or High Intensity Bus directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting the NTD data whether the operations meet FTA's definition of fixed guideway (FG) or High Intensity Bus (HIB) in that the service is:*
- *Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR) or*
 - *Bus (MB, CB, or RB) service operating over exclusive or controlled access rights-of-way (ROW), and*
 - *Access is restricted*
 - *Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway, and*
 - *Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation (see Fixed Guideway Segments form (S-20))*
 - *High Occupancy / Toll (HO/T) lanes meet FHWA requirements for traffic flow and use of toll revenues, and that the transit agency has provided to NTD a copy of the State's certification to the US Secretary of Transportation that it has established a program for monitoring, assessing and reporting on the operation of the HOV facility with HO/T lanes.*

We discussed with LBT personnel and determined that fixed guideway directional miles are reported on the NTD. The fixed guideway is a segment located on 1st Street between Pacific and Long Beach Blvd. and meets FTA's definition of fixed guideway in that the bus service operates over a controlled access right-of-way, the access is restricted, legitimate need for restricted access is demonstrated by peak period level of service D, and the restricted access is enforced by Long Beach Police.

- P. *Discuss the measurement of fixed guideway FG and HIB DRM with the person reporting the NTD data and determine that the mileage is computed in accordance with FTA's definitions of FG/HIB and DRM. Inquire whether there were service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, recompute the average monthly DRMs, and reconcile the total to the FG DRM reported on the FFA-10 form.*
- Q. *The auditor should inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:*
- *DRMs for the segment(s) should be reported for the entire report year if the interruption is less than 12 months in duration. The months of operation on the S-20 form should be reported as 12. The transit agency should have completed a Form Note describing the interruption.*
 - *If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact their validation analyst to discuss. FTA will make a determination on how the DRMs should be reported.*

We discussed with LBT personnel and determined the identification and measurement of the FG DRM is performed in accordance with FTA guidance. The fixed guideway segment has been the same for years and there were no service changes or interruptions that would have increased or decreased the segment directional miles.

AGREED-UPON PROCEDURES

- R. *Measure FG/HIB DRM from maps or by retracing route.*

We discussed with LBT personnel about how fixed guideway directional route miles are measured and were informed LBT utilizes a computer mapping system to measure the mileage. We verified the segment measurement reported on the NTD report agreed with the measurement per the mapping software.

- S. *Discuss with the person reporting the NTD data whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the FFA-10 form. Each transit agency should report the actual VRM, PMT, and OE for the service operated over the same FG/HIB.*

We discussed with LBT personnel and determined that two other public transit agencies utilize the fixed guideway. LBT personnel have informed us that adequate coordination exists such that operations in the fixed guideway are reported only once.

- T. *Review the S-20 form. Discuss with the persons reporting NTD data the Agency Revenue Service Start Date for any segments added in the 2014 report year. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date is reported as when the agency begins revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2014 fiscal year, the Agency Revenue Service Date must occur within the transit agency's 2014 fiscal year. Segments are summarized by like characteristics. Note that for apportionment purposes under the State of Good Repair (5337) and Bus and Bus Facilities (5339) programs, the 7-year age requirement for fixed guideway/High Intensity Bus segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, FTA will only consider segments continuously reported to NTD.*

We discussed with LBT personnel and determined LBT has one fixed guideway segment located on 1st Street between Pacific and Long Beach Boulevard. This segment has been in service since 1963 and has not been changed or altered during the reporting year. We obtained and reviewed the S-20 and determined the data has been entered correctly.

- U. *Compare operating expenses with audited financial data, after reconciling items are removed.*

We discussed with LBT personnel and determined that operating expense reported on the NTD is taken directly from the audited financial data. We compared operating expense reported on the NTD to the audited financial data and noted no exceptions.

- V. *If the transit agency purchases transportation services, interview the personnel reporting the NTD data regarding the amount of PT generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form (B-30).*

We discussed with LBT personnel and determined fare revenues from purchased transportation services are recorded and tracked in LBT's accounting records. The amount on the accounting records equals the amount reported on the Contractual Relationship form (B-30).

AGREED-UPON PROCEDURES

- W. *If the transit agency's report contains data for PT services and assurances of the data for those services is not included, obtain a copy of the IAS-FFA data of the PT service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement (IAS) for the PT data.*

We discussed with LBT personnel and determined transportation services are purchased from Taxi Systems, Incorporated, which does not file its own NTD report and data for those riders are included in LBT's NTD report. As such, an Independent Auditor Statement is not necessary.

- X. *If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract (1) specifies the specific public transportation services to be provided; (2) specifies the monetary consideration obligated by the transit agency or governmental unit contracting for the service; (3) specifies the period covered by the contract and that this period overlaps the entire or a portion of, the period covered by the transit agency's NTD report; and (4) is signed by representatives of both parties to the contract. Interview the person responsible for maintaining the NTD data regarding the retention of the executed contract, and determine that copies of the contracts are retained for three years.*

We discussed with LBT personnel and determined that LBT purchased transportation services from Taxi Systems, Incorporated. We obtained and reviewed a copy of the contract and determined the contract (1) specifies the services to be provided; (2) specifies the monetary consideration; (3) specifies the period covered; (4) is signed by both parties; and (5) the contract is retained in the Purchasing department at the end of the contract for three years.

- Y. *If the transit agency provides service in more than one UZA, or between a UZA and a non-UZA, inquire of the person responsible for maintaining the NTD data regarding the procedures for allocation of statistics between UZAs and non-UZA. Agencies that operate service in both within a UZA and outside of a UZA (non-UZA) will report to the 2014 Annual NTD database. Agencies who operate service only in a non-UZA should report the 2014 NTD Rural Report. Obtain and review the FG segment worksheets, route maps and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.*

We discussed with LBT personnel and determined that LBT only provides services in one urbanized area and does not allocate between urbanized and non-urbanized areas.

- Z. *Compare the data reported on the FFA-10 form to comparable data for the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT or OE data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased, interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor, but not by FTA.*

AGREED-UPON PROCEDURES

We compared vehicle revenue mile, passenger mile, and operating expense data reported on the current FFA-10 form to comparable data reported for the prior reporting period and calculated the percentage change for the two fiscal years and noted no increases or decreases greater than 10%. We also compared fixed guideway miles reported on the current FFA-10 form to comparable data reported for the prior reporting period and noted a increase of about 2%. We interviewed the Service Development Planning Manager and were informed the increase was due to detours from road construction during the fiscal year.