

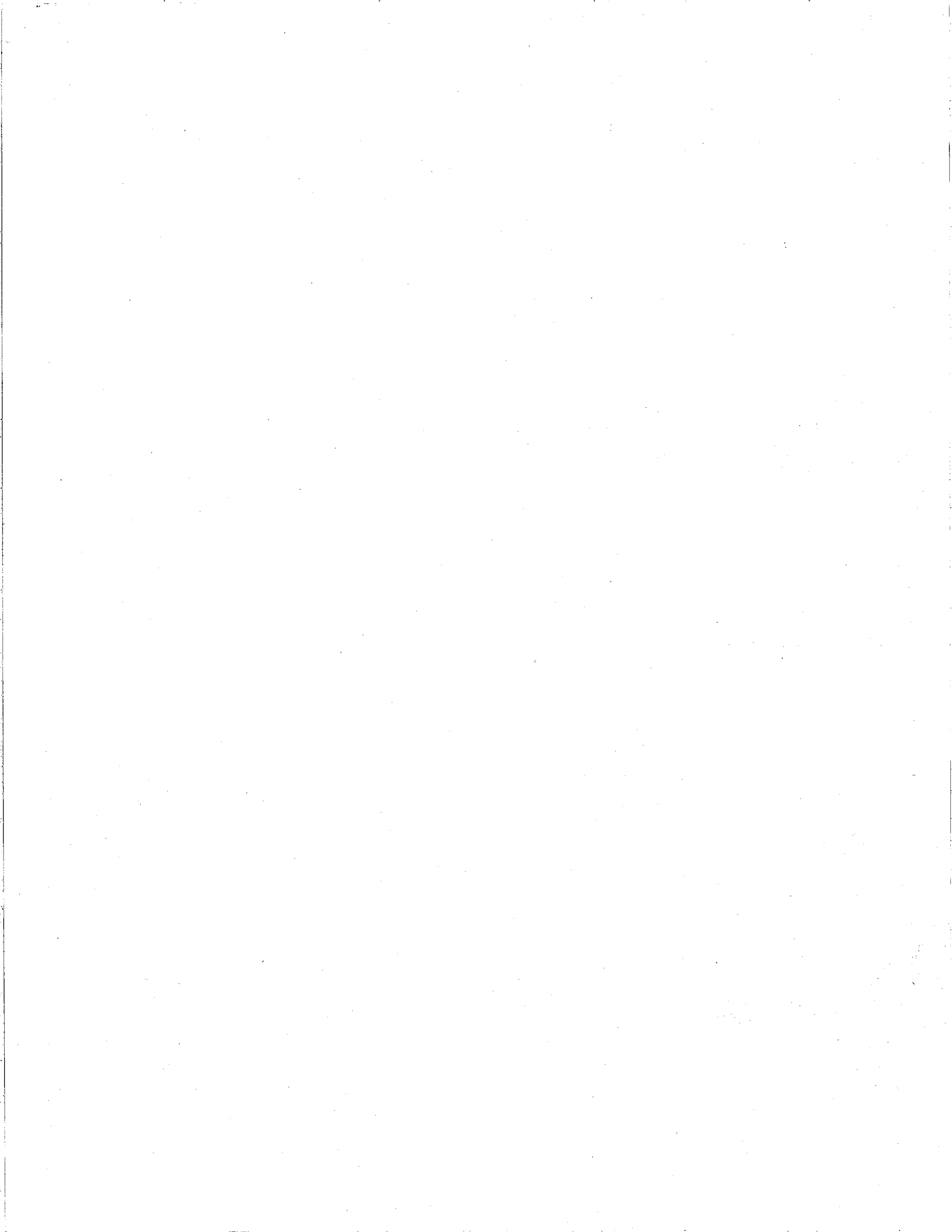
Comprehensive Annual Financial Report
LONG BEACH TRANSIT

2011



For the year ended June 30, 2011 Long Beach, CA • A component unit of the City of Long Beach

the shape of things to come



2011

Comprehensive Annual Financial Report LONG BEACH TRANSIT

For the year ended June 30, 2011 Long Beach, CA
A component unit of the City of Long Beach
Prepared by the Finance Department
Jennifer Abro, Controller • Lisa Patton, Executive Director / VP



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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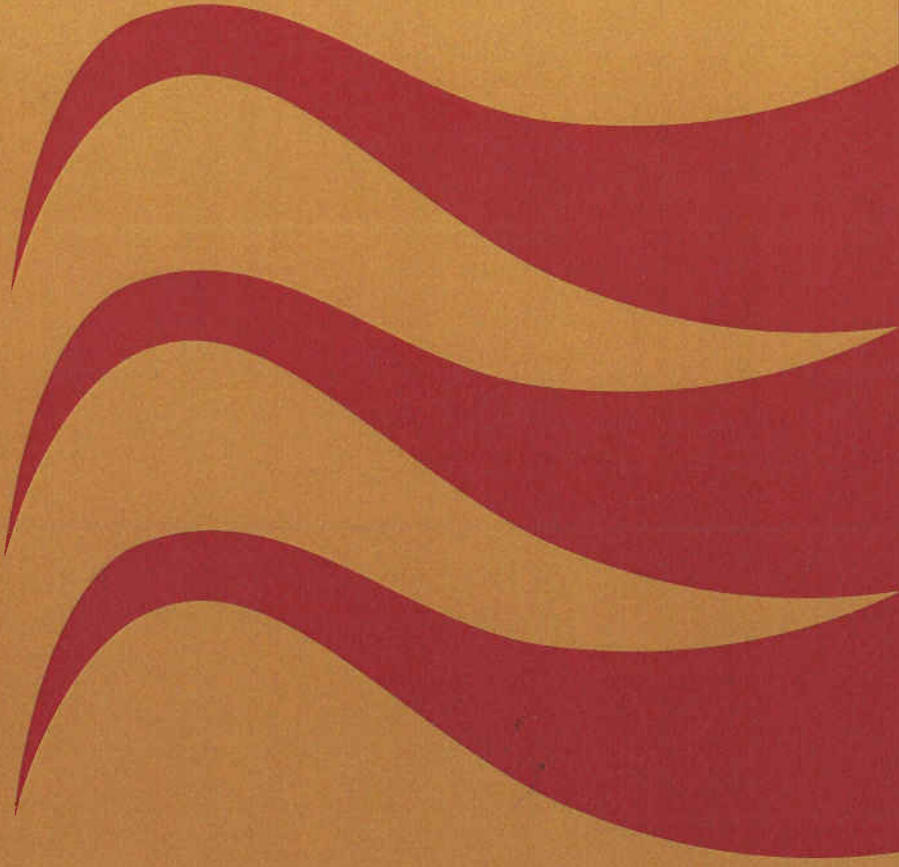
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INTRODUCTION







LONG BEACH

TRANSIT
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December 14, 2011

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, 2010 to June 30, 2011.

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 & McClaughry Accountancy Corporation, 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.

Laurence W. Jackson, 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 Chief Operating Officer, Chief Administrative Officer and six Executive Directors heading Finance, Maintenance, Information Services, Service Development, Operations 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's mission is "to provide public transit services that enhance and improve the quality of life for the residents of our community." The strategic business plan provides a framework for accomplishing this mission. The business plan serves as a foundation for the preparation of annual action plans and budgets which detail specific objectives to be achieved and the financial resources that will be provided to achieve them. The plan is updated each year to ensure goals are consistent with current and anticipated operating and economic conditions.

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

- Fixed route bus service
- Shuttle service (Passport)
- Demand responsive paratransit service (Dial-A-Lift)
- Water taxi service (AquaBus and AquaLink)
- 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 Bellflower, Carson, Cerritos, Hawaiian Gardens, Norwalk, Paramount and Seal Beach. This service covers 38 routes, requiring 223 buses and shuttles.

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 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.

Of the 38 fixed routes operated by the Company, 32 radiate from the Transit Gallery. This location is a major transfer point not only for the Company's routes but for the Metro Blue Line Light Rail System as well as other bus services provided by 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 60% of the vehicles are stored at the central administrative, operating and maintenance facility located at 1963 E. Anaheim St. in Long Beach. The remaining coaches are assigned to a secondary maintenance facility at 6860 Cherry Street in North Long Beach. Besides the coaches, the Company owns a fleet 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, benches, and standard bus stops providing customer convenience and comfort. There are over 2,900 stops throughout the system and the Company ensures the stops are well-maintained and meet high cleanliness standards.

Passport Shuttle Service

The Passport was designed to easily shuttle customers around downtown and then travel along the breathtaking Long Beach coastline. All Passports meet on Pine Avenue between 1st Street and Ocean Blvd. to take people to their destinations. Passport service is provided by 30 low-floor minibuses. Passport vehicles are stored and maintained at the main administrative facility on Anaheim Street. During fiscal year 2011, the Passport carried 4.26 million passengers.

Passport A service travels along Long Beach's sun-dappled coast to the Long Beach Museum of Art, Belmont Shore, and Alamitos Bay Landing.

Passport B serves 4th Street's Retro Row shopping and dining. It provides service between downtown Long Beach and Belmont Heights including Cesar Chavez Park and the East Village Arts District.

The Passport C route, serving Pine Avenue, Shoreline Drive, the Aquarium of the Pacific and the iconic Queen Mary, is a free service that connects downtown Long Beach's finest attractions and destinations, including the AquaBus and AquaLink water taxis.

Passport D serves downtown, Belmont Shore, the college campus at CSULB and travels along

Long Beach Public Transportation Company

Atherton to the Traffic Circle shopping and restaurants.

Demand Responsive Paratransit Service (Dial-A-Lift)

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 47,064 boardings on Dial-A-Lift in FY 2011.

Long Beach Transit is a member of Access Services (ASI) which provides mandated paratransit transportation services to Los Angeles County under the Americans with Disabilities Act. To complement the service provided by ASI, the Company 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.

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, 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, a 75-seat catamaran, provides service that operates between the Queen Mary, Aquarium, Belmont Pier and Alamitos Bay Landing. Belmont Pier service began in May, 2011 as a result of renovations to accommodate AquaLink boat operations. With the new arrival of AquaLink II, express service will begin in FY 2012 from the Aquarium of the Pacific dock 4 in downtown Long Beach, directly to Alamitos Bay landing restaurants.

The service is provided 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 2011 was 26,716 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

Long Beach Transit's mission is "to provide public transit services that enhance and improve the quality of life for the residents of our community". To accomplish this mission, the Company has undertaken a wide variety of initiatives to continue improving the overall quality, effectiveness, and efficiency of transit services.

Fleet Improvements

The Company continues to focus on its goal of maintaining a modern, low emission, efficient transit fleet. With the recent completion of our alternative fuel study, LBT is now committed to adding Compressed Natural Gas (CNG) buses to our existing gasoline hybrid fleet. LBT has ordered 64 new CNG coaches, manufactured by Gillig, to be delivered in 2012 and operated out of our Larry Jackson Facility located at 6860 Cherry Street in North Long Beach.

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

Long Beach Transit and Catalina Express celebrated the arrival of AquaLink II, a sister boat to AquaLink I in June, 2011. The 68-foot catamaran, built by Kvichak Marine Industries comfortably ferries up to 75 passengers and began providing express service on July 1, 2011.

Customer Amenities

Using \$6 million in Federal Economic Stimulus funds, we were able to dramatically upgrade and modernize our First Street Transit Gallery while creating a significant number of jobs for our community. The First Street Transit Gallery has a new look and feel with more color, artwork, landscaping, lighting and eight new bold shelters with real-time information displays, making it a safer and more inviting atmosphere for the entire city. The upgrades compliment our recently constructed Heston Transit and Visitor Information Center, making it a more vibrant and functional regional transportation hub that benefits our customers and the entire downtown community.

The Company dedicated over \$1 million in Federal Economic Stimulus funds to implement major improvements to 18 bus stops throughout our service area. These improvements provided both added convenience to our customers and a pleasing neighborhood environment while creating many construction job opportunities. The stops received new shelters, benches, public art work and TranSmart real-time information signage.

Using our TranSmart communications system that features satellite GPS tracking of all of our vehicles, we implemented an interactive voice response (IVR) system that provides 24-hour real-time schedule information allowing customers to access schedule information from their cell phone and other devices. This system assigns a unique four-digit number to each of the more than 2,900 LBT bus stops. The stop number is posted at each stop, where waiting customers may dial a 24-hour telephone line, enter the stop number, and get updated next-bus arrival information. Long Beach Transit is the first on the west coast to offer such technology.

Facility Upgrades

As a result of funding from the Federal Economic Stimulus program, we were able to complete renovations to portions of the Maintenance and Operations buildings at our Anaheim Street

Long Beach Public Transportation Company

facility. The remodel of the Operations building improved communications and coordination between the employees by bringing these two critical functions together into one open space. The maintenance remodel has modernized the mechanics' locker, lunch and rest rooms and provided an additional 535 feet of office space.

With the decision to add CNG to our fuel mix, we have started the process to build a CNG station at our Larry Jackson Facility and upgrade both our facilities to repair CNG coaches. The facility team has hired a consultant to help with the design/build of this new station and facility modifications, with the goal of completing the project in mid-2012 – ready to serve the newly anticipated CNG coaches.

Sustainability Program

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 (89 coaches). Further, our Board of Directors has approved an alternative fuel policy that includes the introduction of CNG-powered vehicles in fiscal year 2012.

Sustainability efforts continue with the formation of our new Environmental Sustainability Management System (ESMS) team with a focus on the conservation of energy and water through facility upgrades with efficient fluorescent lights, motion-sensors, upgraded sprinkler system, low flush toilets and water free urinals. Our sustainable bus stops continue to grow with the use of solar-based power to provide lighting and energy for the real-time variable message signs.

The employee green team kicked off a "Let's Be Thinking Green" employee information campaign, asking every employee to pledge to be committed to LBT's sustainability efforts. With this effort, we have been able to see an increase in our recycling efforts, with over 60% of our waste now being recycled.

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.

Federal and State Audits

Every third year, Long Beach Transit is subject to comprehensive audits by the Federal Transit Administration (FTA) and the State of California. Both of these triennial audits were completed in fiscal year 2010. The federal audit found Long Beach Transit 100% compliant in all 24 areas, and the state performance audit highlighted the Company's successful efforts to control costs.

KEY PERFORMANCE RESULTS

Performance Statistics

Despite the continuing difficult economic environment in which we operate, Long Beach Transit achieved many noteworthy results during the fiscal year. In particular, our rate of preventable accidents dropped to 1.2 per 100,000 miles. Fewer accidents translates to reduced claims costs, so our total risk management costs for the year were 7.4% of total operating costs, an outstanding result.

One of the actions we have taken is to delay the purchase of new buses. This means we have older buses on the street operating more miles. Despite this, we saw a significant improvement in the miles between road calls, a measurement of service reliability for our customers, during the quarter ending June 30. The miles between road calls increased to 6,381.

On time performance remained remarkably high at 97.6%. This is an incredible achievement considering that we were required to detour virtually all of our service coaches for the reconstruction of the First Street Transit Gallery, one of our region's busiest transit hubs. We were very efficient with maximizing our passenger loads this year, carrying 45 passengers per vehicle service hour, the highest it's been in 8 years. Considering the budget constraints we have been experiencing, including a surge in the cost of fuel, LBT continued to efficiently manage our cost per vehicle service hour compared to other like transit agencies.

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 2011 are on page 45.

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 2011 and prior years are shown on page 45.

Overall, 97% of riders continue to view Long Beach Transit service as good or excellent. The information provided by these surveys is a key source for the development of the Company's business plan. Ratings and customer comments are analyzed in detail to ensure Long Beach Transit is responsive to customer and community concerns and ideas.

FACTORS AFFECTING FINANCIAL CONDITION

General Economic Conditions

Long Beach Transit, like transit systems and businesses all across California and the nation, is operating in an exceedingly difficult economic climate. We face the twin challenges of the worst national economy since the 1930's and the State Legislature's decision to slash state transit assistance. The result is state transit subsidies, which account for the largest portion of our operating budget, have declined by 28% since 2008. Some of this shortfall has been made up by the introduction of Measure R revenues deriving from a voter-approved one-half cent transit sales tax in Los Angeles County, but certainly not all. Further, we have asked our customers to absorb two fare increases, one in 2009 and another in 2010. We have also implemented service reductions totaling 3%. This reduction in vehicle service hours was achieved by increasing the time between buses on several routes. A wide variety of cost reductions have also been

Long Beach Public Transportation Company

implemented such as unfilled management staff positions, a three-year salary freeze, negotiations with suppliers to reduce costs, and others. To date we have avoided layoffs and the major service reductions that have been implemented by transit systems throughout California. Our ability to maintain existing service levels to the communities we serve will depend upon how quickly economic conditions improve.

Financial Policies

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.

The Company currently has no long-term debt and has historically only used available grant funds to procure capital acquisitions. The Company has no immediate plans to issue debt and will continue to fund future capital needs through formula and discretionary grants.

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 sales tax subsidies received each year is based on a regional formula comprised of fares, revenue miles, and passengers.

Accounting System

Internal Control Structure

In evaluating and developing the accounting system, Federal Transit Administration (FTA) and generally accepted accounting principles (GAAP) are applied to achieve an adequate system of internal accounting controls which ensures assets are protected against loss from unauthorized use or disposition and the data used to prepare financial statements are timely and reliable. These controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance is to ensure the cost of the control does not exceed the benefit received. It also recognizes that evaluation of costs and benefits require estimates and judgments by management. We believe the Company's internal accounting controls adequately safeguard assets and provide reasonable assurance financial transactions are properly recorded.

Basis of Accounting

Long Beach Transit is a single enterprise proprietary fund using the accrual method of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred.

Government grants for operating assistance and the acquisition of capital assets 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

Long Beach Public Transportation Company

non-operating revenues in the year in which the grant is applicable and the related reimbursable expenditure is incurred. It is the Company's policy to record capital grants as an addition to capital assets and net assets as the related expenditures are incurred.

Cash Management

The Company's cash assets continue to be held at the State Treasurer's Local Agency Investment Fund (LAIF), the Corporate Investment Account which contains investment vehicles similarly structured to LAIF and money market accounts. All investments are governed by an investment policy adopted by the Board. The policy is in accordance with the California Government Code and all other applicable federal, state and local laws, as well as using prudent money management. The Company is authorized to participate in obligations of the federal government and its agencies, corporate notes, money market accounts, local bonds, commercial paper, bankers' acceptances, repurchase agreements, certificates of deposit, and mutual funds issued by diversified management companies.

All deposits are covered by federal insurance or collateralized under the California Government Code requiring the financial institution to pledge government securities as collateral with a market value of at least 110% of deposits.

Risk Management

Long Beach Transit is self-insured for each occurrence of workers' compensation and public liability and property damage claimed up to \$1.5 million and \$1 million, respectively. Claims in excess of \$1.5 million for workers' compensation and \$1 million for public liability and property damage are covered under policies in force with an insurance company up to \$25 million for workers' compensation and \$10 million for public liability and property damage. Risk retention levels for public liability and property damage did not change during fiscal year 2011. The amount of settlements for both programs has not exceeded the insurance coverage limits for the last three fiscal years.

An independent claims manager estimates losses and recommends reserve levels with losses recognized on an accrual basis. Cash and investments are maintained to fully fund the estimated liabilities. Additional information on Long Beach Transit's risk management activity can be found on page 24 in note (6) of the notes to the accompanying basic financial statements.

Pension Benefits

The Company sponsors two single employer defined benefit pension plans, one for contract employees and the other for salaried employees. Each year, an independent actuary calculates the amount of annual contribution that Long Beach Transit must make to the pension plans to ensure the plans will be able to fully meet its obligations to retired employees on a timely basis.

Long Beach Transit contributes funding to each plan based on the actuary's calculation of future benefits. When taking into consideration future projected benefits, the funding status is 79% and 66% for the Contract Plan and Salaried Plan, respectively. The remaining unfunded future liability is being systematically funded over 30 years as determined by the actuary.

The financial statements for the plans are available under separate cover. There is also additional information regarding the pension plans in this CAFR which can be found on page 31 in note (13) of the notes to the accompanying basic financial statements.

Long Beach Public Transportation Company

INNOVATION AND RECOGNITION

For the 20th 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, 2010. 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.

Long Beach Transit was acknowledged by the International Association of Public Transport for our contribution as a pledge charter signatory for 2010 - 2012 in pursuing sustainable development practices. LBT is committed to the continuation of sustainable development as a strategic objective and has put in place practices for regular reporting on the social, environmental and economic performance of the organization. We also received similar recognition from the American Public Transportation Association for our sustainability efforts.

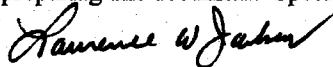
Long Beach Transit partnered with the Long Beach Police Department (LBPD) SWAT team to assist their Explorer program with training high school students in leadership and responsible citizenry. The Company invited the Explorer members and their LBPD instructors to train for a national Explorer competition where a key element was a bus evacuation under duress. The Explorer team of 20 youths spent a day learning and practicing how to board a bus in a concise progressive manner, becoming a commanding presence and evacuating passengers safely. The result was a 1st Place in the National Explorer Program competition.

Long Beach Transit partnered with the Federal Air Marshall Service (FAM) to conduct a Visual Intermodal Prevention and Response (VIPR) operation. The exercise included five agencies, teams of officers, K-9, behavior detection officers and LBT management. The purpose was to present a visual police presence to the public for the purpose of empowering the citizenry to participate in our homeland security.

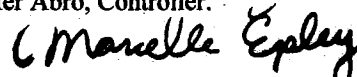
The Board of Harbor Commissioners awarded a plaque to Long Beach Transit for Outstanding Support and Partnership of their 100th Birthday Celebration. Using our hybrid buses, Long Beach Transit provided shuttle service for the Green Port Fest.

ACKNOWLEDGMENTS

We wish to acknowledge the participation and professional contribution of the accountancy firm of Windes & McClaughy in providing technical assistance when needed. In addition, we wish to recognize those Finance and Administrative staff members who contributed their time and efforts in preparing this document. Special thanks to Jennifer Abro, Controller.



President and
Chief Executive Officer



Executive Vice President and
Chief Administrative Officer



Executive Director and
Vice President of Financial Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Long Beach Public Transportation
Company, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

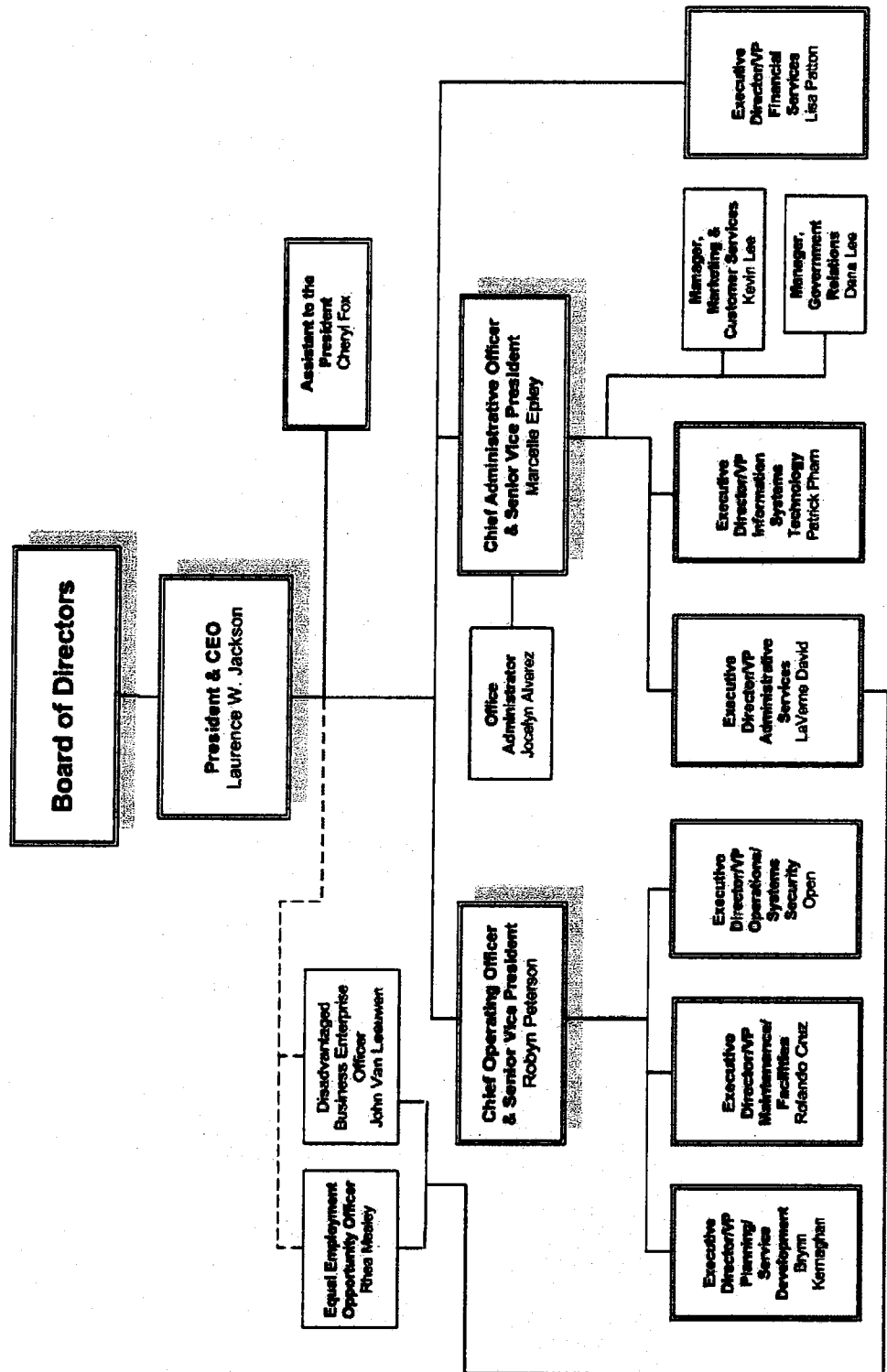
President

Jeffrey R. Emer

Executive Director

Long Beach Public Transportation Company

Long Beach Transit General Management



Long Beach Public Transportation Company

Board of Directors

Mark Curtis	Chair of the Board
Dr. James P. Norman, Jr.	Vice Chair
Barbara Sullivan George	Secretary – Treasurer
Vacant	Assistant Secretary – Treasurer
Lori Ann Farrell	Director
Freda Hinsche Otto	Director
Robert W. Parkin	Director
Michael Conway	Ex Officio Member, City of Long Beach
David Roseman	Ex Officio Member, City of Long Beach

Management

Laurence W. Jackson	President & Chief Executive Officer
Robyn Peterson	Senior Vice President & Chief Operating Officer
Marcelle Epley	Senior Vice President & Chief Administrative Officer
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
Brynn Kernaghan	Executive Director, VP Planning & Service Development

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FINANCIAL







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ACCOUNTANCY CORPORATION
Certified Public Accountants & Consultants
EXCEEDING EXPECTATIONS SINCE 1926

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Long Beach Public Transportation Company

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, as of and for the year ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Company's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

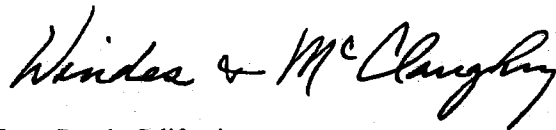
As described more fully in note 1, the financial statements referred to above include only the financial activities of the Long Beach Public Transportation Company and are not intended to present fairly the financial position and results of operations of the City of Long Beach, California in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Long Beach Public Transportation Company, as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2011, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and the required supplementary information on page 31, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Long Beach Public Transportation Company's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script, appearing to read "Winder & McCaughey".

Long Beach, California
December 14, 2011

M D & A



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, 2011, 2010 and 2009. 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-x of this report.

FINANCIAL HIGHLIGHTS

- Long Beach Transit's assets exceeded its liabilities at June 30, 2011 by \$87.4 million (net assets). Of this amount, \$3.6 million (unrestricted net assets) 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 \$3.7 million in STA funds in fiscal year 2011.
- Measure R, approved by the voters, provides a ½ cent sales tax for transportation improvements. In fiscal year 2011, we received \$6.4 million in Measure R funds.
- Increased fuel costs and casualty and liability costs resulted in an increase in operating expenses before depreciation of 5.1%.
- In order to balance the operating budget, the Company used funds from reserves and 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 assets present information on all of Long Beach Transit's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Long Beach Transit is improving or deteriorating.

The statements of revenues, expenses, and changes in net assets present information showing how the Company's net assets changed for the two most recent fiscal years. All changes in net assets 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).

Long Beach Public Transportation Company

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 15-35 of this report.

FINANCIAL STATEMENT ANALYSIS

As noted earlier, net assets 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 \$87.4 million at the close of fiscal year 2011.

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

	Year - Ended		
	2011	2010	2009
Current assets	\$ 35,347,004	\$ 34,825,780	\$ 33,910,993
Other noncurrent assets	24,446,023	23,670,356	19,909,267
Capital assets, net	<u>83,828,062</u>	<u>84,286,309</u>	<u>87,250,464</u>
Total assets	<u>143,621,089</u>	<u>142,782,445</u>	<u>141,070,724</u>
Current liabilities	32,280,231	32,013,149	31,121,815
Noncurrent liabilities	<u>23,908,017</u>	<u>22,878,208</u>	<u>19,093,666</u>
Total liabilities	<u>56,188,248</u>	<u>54,891,357</u>	<u>50,215,481</u>
Net assets:			
Invested in capital assets	83,828,062	84,286,309	87,250,464
Restricted	21,356	16,747	102,205
Unrestricted	<u>3,583,423</u>	<u>3,588,032</u>	<u>3,502,574</u>
Total net assets	<u>\$ 87,432,841</u>	<u>\$ 87,891,088</u>	<u>\$ 90,855,243</u>

Long Beach Public Transportation Company

Management's Discussion and Analysis, continued

Almost all of Long Beach Transit's net assets (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 and local grant funds. The remaining balance of unrestricted net assets (\$3.6 million in 2011, \$3.6 million in 2010 and \$3.5 million in 2009) may be used to meet the Company's ongoing obligations arising from providing transportation service to the community.

For fiscal year 2011, Long Beach Transit's net assets decreased by \$458 thousand due to the annual depreciation expense exceeding capital purchases by \$458 thousand. Long Beach Transit spent \$17.1 million for capital assets which included the renovation of certain portions of our main operations and maintenance facility, major upgrades to passenger facilities, and routine replacement of bus tires, shop, office and IT equipment.

In fiscal year 2010, Long Beach Transit's net assets decreased by \$2.9 million. This is due to annual depreciation exceeding capital purchases by \$2.9 million. Long Beach Transit spent \$13.5 million for capital assets which included the ground-breaking for the renovation of certain portions of our main operations and maintenance facility, a new bus washer, upgrades to passenger facilities, and routine replacement of bus tires, shop, office and IT equipment.

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

	Year - Ended		
	2011	2010	2009
Operating revenues:			
Passenger fares and special events	\$ 17,350,225	\$ 16,545,718	\$ 15,857,912
Advertising	558,490	609,161	797,814
Other	22,872	25,861	14,551
Total operating revenues	<u>17,931,587</u>	<u>17,180,740</u>	<u>16,670,277</u>
Non-operating revenues:			
Subsidies	55,012,754	51,773,322	50,720,199
Interest	496,298	938,330	740,135
Total non-operating revenues	<u>55,509,052</u>	<u>52,711,652</u>	<u>51,460,334</u>
Total revenues	<u>73,440,639</u>	<u>69,892,392</u>	<u>68,130,611</u>
Expenses:			
Transportation	35,413,269	36,416,765	34,874,385
Maintenance	21,292,632	18,546,811	18,602,288
Administration	16,734,738	14,928,816	14,653,938
Depreciation	17,588,757	16,519,346	14,009,081
Total expenses	<u>91,029,396</u>	<u>86,411,738</u>	<u>82,139,692</u>
Change before capital grants	(17,588,757)	(16,519,346)	(14,009,081)
Capital grants	<u>17,130,510</u>	<u>13,555,191</u>	<u>28,744,925</u>
Change in net assets	<u>\$ (458,247)</u>	<u>\$ (2,964,155)</u>	<u>\$ 14,735,844</u>

Management's Discussion and Analysis, continued

Operating revenues. Overall total operating revenues for 2011 increased 4.3%. Fare revenue comprises 97% of operating revenues.

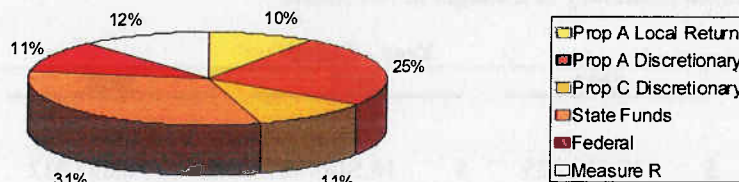
Fare and special events revenue in 2011 rose \$804,507 or 4.8%. This was the fourth consecutive year of increased fare revenue; 2010 totals increased 4% over 2009, 2009 was 6% over 2008 and 2008 totals increased 4% over 2007. Fiscal year 2010's increase was due to a fare increase implemented in February 2010.

The current economic recession continues to negatively affect the advertising industry, resulting in less advertising revenue for the past three years. In 2011, advertising revenue decreased \$50,671 or 8%. In 2010, advertising revenue decreased \$188,653 or 24%.

Non-operating revenues. To make up for the decrease in state and local subsidies, we have had to draw down from our operating reserves and have had to transfer a portion of our capital grants to the operating budget to pay for maintenance costs. As a result, subsidies, which comprise 75% of total revenues, increased \$3.2 million or 6.2% in 2011. This increase is a direct result of higher expenses due to major increases in fuel prices and public liability and property damage reserves.

In 2010, subsidy revenue increased \$1.1 million or 2%. This increase is a direct result of higher expenses due to higher pension and unemployment costs.

2011 Subsidy Revenue by Source



Expenses. Fiscal year 2011 operating expenses, before depreciation, increased 5.1% primarily due to increased fuel costs and casualty and liability costs. Fuel costs increased \$1.1 million and casualty and liability costs for public liability and property damage costs increased \$1.8 million over fiscal year 2010.

In fiscal year 2010, operating expenses, before depreciation, increased 2.6% primarily due to increased pension and workers' compensation costs. Pension costs increased \$1,547,024 or 33%. Workers' compensation costs increased 10% or \$209,804.

