

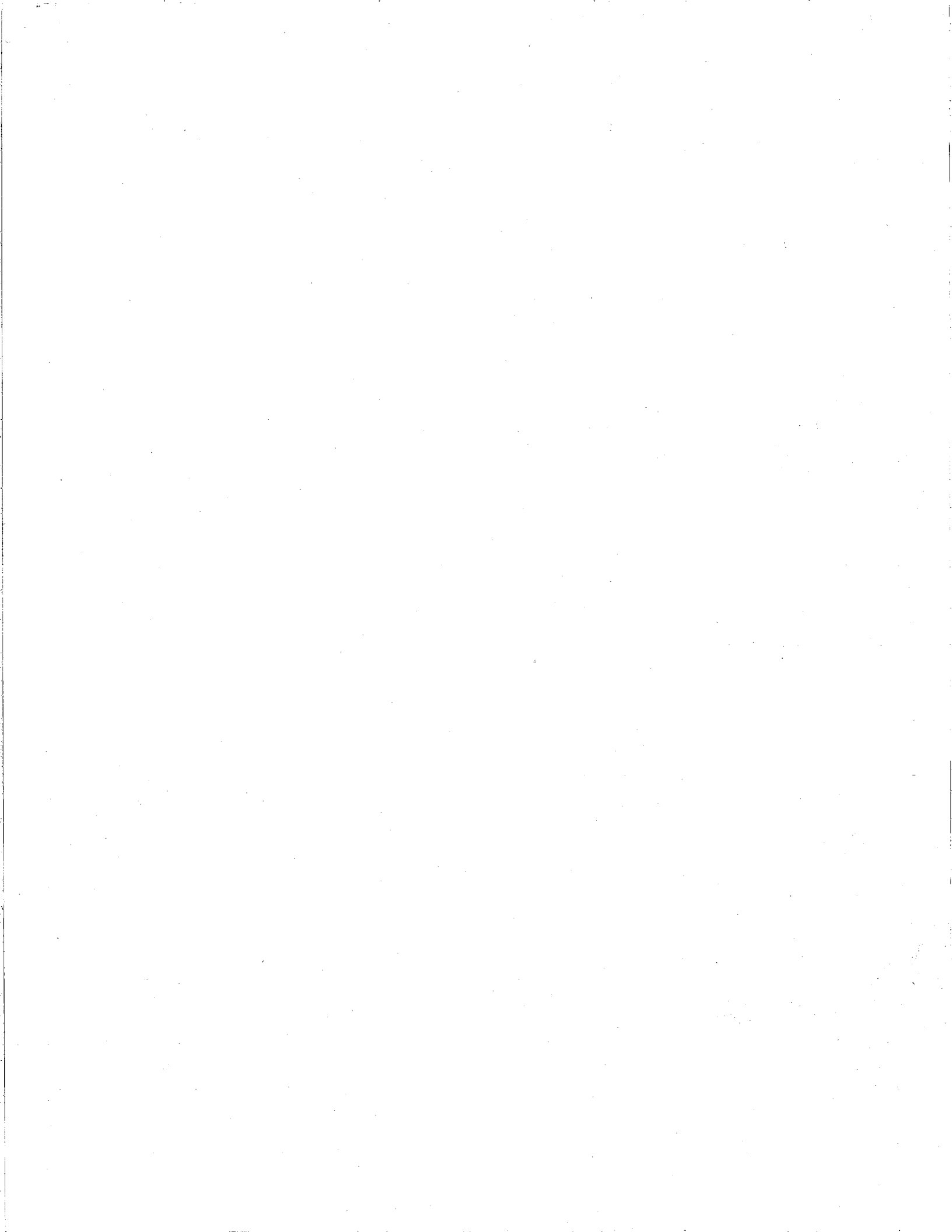
Comprehensive Annual Financial Report
LONG BEACH TRANSIT

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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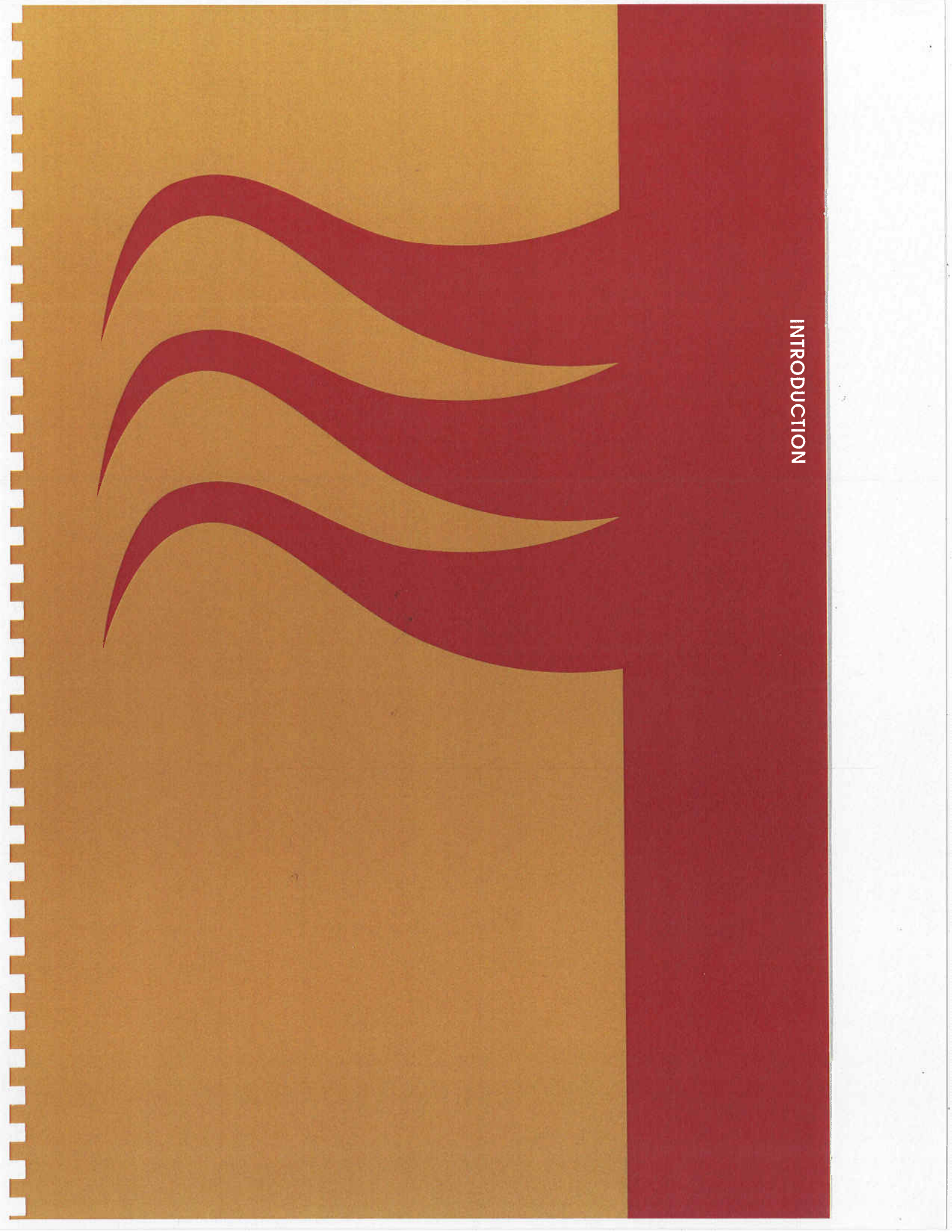
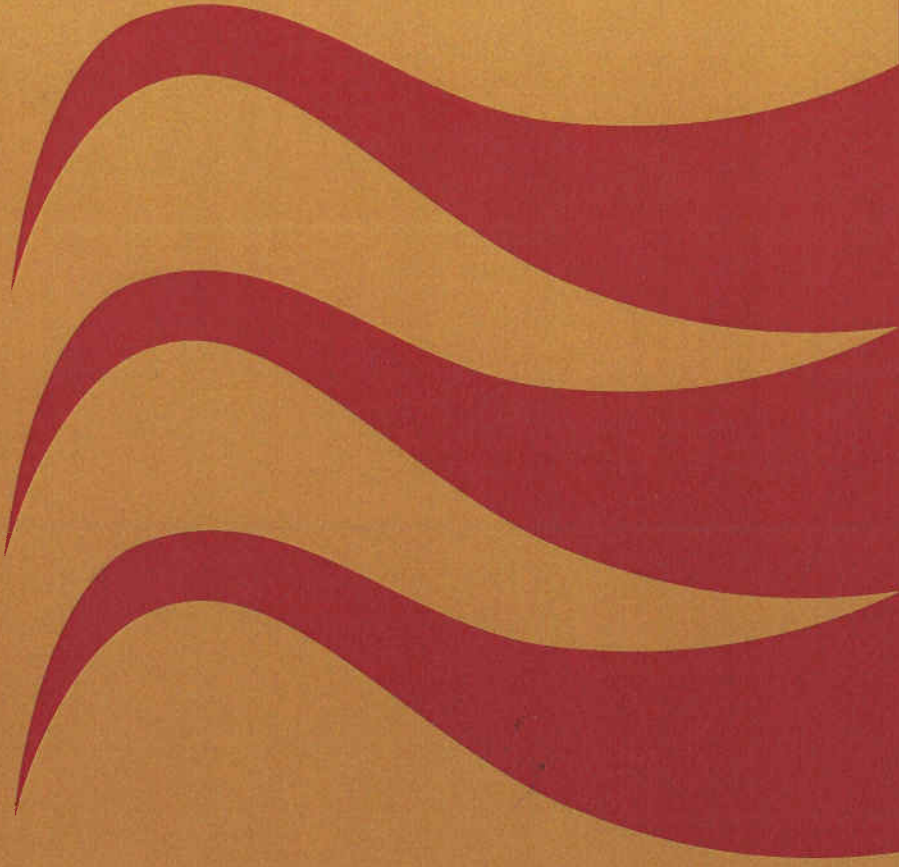
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INTRODUCTION







LONG BEACH

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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