



2007

LONG BEACH TRANSIT

comprehensive annual financial report

for the year ended june 30, 2007 long beach, CA

a component unit of the city of long beach

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PREPARED BY THE FINANCE DEPARTMENT

DEBORAH ELLIS, CHIEF FINANCIAL OFFICER

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DEBORAH ELLIS, CHIEF FINANCIAL OFFICER

Long Beach Public Transportation Company

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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LONG BEACH

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October 30, 2007

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, 2006 to June 30, 2007.

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. Our 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.

Generally Accepted Accounting Principles (GAAP) require 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

Terry Fiskin, Chairman

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 Financial Officer and five Executive Directors heading Operations, Maintenance, Risk Management and Human Resources, Information Services, and Customer and Community 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 GAAP, 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 corporate 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, Pine Ave. Link and Tour D'Art)
- Demand responsive paratransit service (Dial-A-Lift)
- Water taxi service (AquaBus and AquaLink)
- Charter and 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 229 buses, including the shuttle and cultural loop services discussed below. During fiscal 2007, Long Beach Transit carried 26.6 million customers.

The Transit Mall, 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 Mall provides special features such as exclusive bus lanes and traffic control equipment, special bus stop improvements, passenger shelters equipped with graphic displays, electronic monitors displaying schedule information and a central customer service center. There is also a Bikestation located directly on the Transit Mall.

Of the 38 fixed routes operated by the Company, 32 radiate from the Transit Mall. 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, the Los Angeles Department of Transportation (LADOT), Los Angeles County Metropolitan Transportation Authority (LACMTA), and Orange County Transportation Authority (OCTA).

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 Anaheim Street in Long Beach. The remaining coaches are assigned to a satellite 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 2000 stops throughout the system and each year the Company ensures the stops are well-maintained and meet cleanliness standards.

Shuttle Service (Passport, Pine Ave. Link and Tour D'Art)

There are three shuttles, the Passport, Pine Ave. Link and Tour D'Art, providing circulator service via five routes as often as every eight minutes throughout the growing downtown Long Beach area. Service is provided by 30 low-floor minibuses. These vehicles are stored and maintained at the main administrative facility on Anaheim Street.

The Passport shuttles deliver service designed to provide easy access to the Convention Center, major hotels, restaurants, Catalina Landing, the Queen Mary, Belmont Shore and California State University, Long Beach (CSULB). The Pine Ave. Link services the downtown waterfront entertainment complex containing the Aquarium of the Pacific, the Convention Center, retail stores and restaurants and shuttles people directly from these waterfront attractions up to the Pine Ave. district's restaurants, shops and theaters. And, the Tour D'Art takes visitors and residents to downtown cultural sites while also providing a local circulator for downtown riders. During 2007, the Passport carried 2.7 million passengers.

Long Beach Public Transportation Company

Demand Responsive Paratransit Service (Dial-A-Lift)

Long Beach Transit offers a paratransit service for persons with disabilities. This curb to curb service operates on a subscription or 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 supplied by a local taxi company using a fleet of 18 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 approximately 59,500 boardings on Dial-A-Lift in 2007.

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 and Pine Ave. Link shuttles which serve the area, the Company also operates water taxi service in Queensway Bay and along the City's 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 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 from the Queen Mary area to Alamitos Bay Landing.

The service is provided by a private contractor. The vessels are owned by Long Beach Transit, but stored and maintained at the contractor's docking facilities. This service runs daily during the summer months and then reverts to weekend service for the remainder of the year.

Charter and Community Special Service

Charter service is provided to various community groups upon request and vehicle availability. This service provides these groups with a cost-effective solution for transporting their members to programs and special events. Each year, the Company also supports the Toyota Grand Prix of Long Beach and other large, special events by providing supplemental service where needed.

Long Beach Transit provides a Museum Express bus service to major museum and garden attractions in Los Angeles and Orange Counties. Tickets can be purchased in advance for the service, which runs from June through September. 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.

Long Beach Public Transportation Company

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 continued to focus on its goal of maintaining a modern, efficient transit fleet. In July and August 2007, Long Beach Transit received 15 new hybrid-electric coaches to replace vehicles that had reached their useful life. Over 30% of the Company's 40' fleet now consist of alternative fueled vehicles. Long Beach Transit has determined the hybrid-electric vehicle offers the most advantages, including emission levels lower than those of compressed natural gas engines (CNG). Long Beach Transit is the first transit system in the nation to use production model hybrid gasoline-electric buses in service. The Company exceeds all federal and state emission regulations and is a national leader in reducing fleet emissions.

The Company continued the practice of mid-life cosmetic upgrading of buses at six years of age, with 19 coaches receiving new windows, upholstery replacement where needed, repainting and other improvements to make them look new. In addition, all windows received a new sealant to prevent spotting which can occur as a result of frequent washes.

Customer Amenities

The Company's global satellite positioning system, Transmart, allows continuous tracking of the exact location of every vehicle in our fleet. Besides generating critical data for operations, it also provides real-time bus arrival information for our customers. This technology has allowed the Company to deploy variable message signs at its busiest stops throughout the City. These solar-powered LED signs provide real-time schedule information with next bus arrival times. Various messages can also be displayed informing passengers of detours and delays. During 2007, variable message signs were installed at four locations, bringing this technology to 22 total stops with another 15 stops under construction.

The Company has dedicated close to \$1 million to implement major improvements to bus stops throughout our service area. These improvements will not only provide added convenience to our customers, but will also provide a pleasing neighborhood environment. Sixteen high volume stops have been identified and will receive shelters, information kiosks, public art work, solar lighting and landscaping. Work is estimated for completion in February 2008.

The Company has also been working to improve the appearance of many other stops by refurbishing approximately 150 bus shelters. This two-year campaign required each shelter to be removed from the site and brought back to the Company's facility for repair and repainting. When the shelters were reinstalled, the stops also included new seating and, at some sights, solar lighting. Refurbishing the shelters allowed the Company to improve considerably more stops than if new shelters had been purchased.

Long Beach Public Transportation Company

Facility Upgrades

A new Transit Information Center is currently being designed for the Downtown Transit Mall. This facility would be larger than the existing visitor center and located on a corner of the mall that is highly visible and easily accessed by pedestrian traffic. Route and schedule displays, transit pass sales, and other facilities for coach operators and customers are some of the planned features of this new center. There would also be space for agencies such as the Convention and Visitors Bureau to provide information about the region.

New State regulations and the fleet of 62 gasoline hybrid-electric coaches required the Company to replace its existing underground diesel and fuel tanks with those that are environmentally upgraded and can handle increased amounts of gasoline storage. In addition, the tanks are wired and fluid levels are monitored by a new fuel and mileage system.

Other Achievements

Recent service and demographic surveys indicate the Hispanic community will comprise 53% of Long Beach Transit's ridership by 2010. During 2007, the Company initiated a new marketing campaign targeting this section of the community by providing media advertisements and expanding transit information in Spanish. The Company also launched a new Spanish website to assist customers in obtaining critical transit information such as route scheduling.

Perhaps the most important accomplishment is the continuing high level of customer satisfaction with the quality of services provided by Long Beach Transit, as summarized in Exhibit 11 in the Statistical Section and discussed in further detail in the Management's Discussion and Analysis section of this document.

KEY PERFORMANCE RESULTS

Performance Statistics

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 2007 are on page 40. The cost per vehicle service hour increased 5% to \$87.48. Service levels were reduced during 2006 due to financial uncertainties caused by state-imposed regulations regarding operator meal and rest periods. While this issue was successfully resolved during labor negotiations, it has taken the Company over a year to restore the manpower and service levels. During last year, passengers per vehicle service hour increased 5% putting Long Beach Transit at the top end of productivity compared to systems of our size.

Although the total number of accidents increased during 2007, the number of preventable accidents actually went down. The Company implemented new safe driving programs tailored to new operators along with refresher classes on particular driving techniques. The drop in preventable accidents is a significant accomplishment considering there were over 70 new drivers hired during the last year.

Mechanical issues with the engines of articulated coaches and electrical problems with the smaller Passport vehicles required Maintenance to perform 31% more roadcalls in 2007. Maintenance is procuring new components and exploring new technology to resolve the problems. Even with the increase in roadcalls, the Company's service delivery rate consistently stayed above 99%.

Long Beach Public Transportation Company

Community Evaluation

Long Beach Transit also tracks the degree of customer satisfaction with the quality of services provided. An independent research firm is engaged to randomly sample customers and non-riders and measure perceptions of service quality. Results for 2007 and prior years are shown on page 41.

Overall, 95% of riders continue to view Long Beach Transit service as good or excellent. The information provided by this survey is a key source for the development of the Company's annual 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

Local Economy

High fuel prices continue to have a significant affect on Long Beach Transit's budget and operations. Over the last three years, the Company has experienced an 81% increase in fuel costs. While per gallon diesel prices in fiscal year 2007 were not as volatile as the last two years, prices consistently stayed above \$2.00. For fiscal year 2008, the Company is allocating close to 10% of total operating costs to fuel. Only five years ago fuel comprised less than 5% of total costs.

When assessing the County of Los Angeles's economic future, the Los Angeles Economic Development Corporation is forecasting a moderate growth in jobs and sales tax revenue for next year. Employment growth for Los Angeles County is expected to rise by 1.5% with growth coming from health care, hospitality, and professional services. Hotel occupancy rates and air travel passenger loads continue to rise due to continued increases in Long Beach's tourism market. The Long Beach Convention and Visitors Bureau is reporting a 10% increase in hotel room bookings in 2007 with another 8% rise projected for 2008. Airport passenger traffic is up 5% for the first 8 months of the year and the airport is planning on expanding its terminal facility to accommodate the increased numbers.

The majority of Long Beach Transit's subsidy revenue is sales tax based, so changes in retail sales affect subsidy levels. Long Beach continues to have residential and retail development including the Douglas Park project which is scheduled to break ground by the end of 2007. This development will include commercial, retail, residential units and a hotel. When combining this with favorable projected tourism numbers for next year, a 5% growth in tax revenues is projected for the immediate area. The Company will closely monitor the economy and fuel prices and will adjust service levels as needed to remain within its operating budget.

Financial Policies

The Company procures the majority of all 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. The remaining capital needs are financed through state and local grants.

Long Beach Public Transportation Company

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. In addition, the Company does not have any capital projects scheduled which are expected to result in significant increases in maintenance and operating costs.

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. During 2007, Long Beach Transit was eligible to receive an additional \$1.2 million to subsidize high fuel costs. Subsidy revenues for 2008 are not expected to increase beyond three percent.

Accounting System

Internal Control Structure

In evaluating and developing the accounting system, Federal Transit Administration (FTA) and GAAP accounting methods 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 the 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 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

Idle cash during the year was invested with the State Treasurer's Local Agency Investment Fund (LAIF) and overnight repurchase agreements. All investments are governed by an investment policy adopted by the Board of Directors. 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. Other than LAIF, the Company is authorized to participate in obligations of the federal government and its agencies, 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.

Long Beach Public Transportation Company

Risk Management

Long Beach Transit is self-insured for each occurrence of worker's compensation and public liability and property damage claimed up to \$3 million and \$1 million, respectively. Claims in excess of \$3 million for worker's compensation and \$1 million for public liability and property damage are covered under policies in force with an independent insurer up to \$25 million for worker's compensation and \$10 million for public liability and property damage. There were no changes in the self-insurance threshold for both programs during 2007. 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 22 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.

As a matter of policy, Long Beach Transit fully funds each year's annual required contribution to the Pension Plans as determined by the actuary. As a result of the Company's conservative funding policy, at July 1, 2007, the present value of Plan assets exceeded the present value of all accrued benefits for both Plans. When taking into consideration future projected benefits, the funding status is 77% and 75% for the Contract Plan and Salaried Plan, respectively. The remaining unfunded future liability is being systematically funded over thirty years as part of the annual required contribution calculated by the actuary.

The financial statements for the Contract and Salaried Plans are available under separate cover. There is also additional information regarding the pension plans in this CAFR which can be found on page 28 in note (13) of the notes to the accompanying basic financial statements.

INNOVATION AND RECOGNITION

For the 16th 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, 2006.

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.

In addition to the GFOA award, Long Beach Transit was recognized in a variety of areas during 2007. The Company's Security Program received special recognition from the U.S. Department of Homeland Security for the agency's high level of commitment to ensure the safety and security of its customers, employees and suppliers.

Long Beach Public Transportation Company

The American Public Transportation Association awarded an Adwheel advertising award for the Company's recruitment material. These innovative advertisements played a significant role in Long Beach Transit being able to recruit 70 operators over the last year.

The South Coast Air Quality Management District congratulated Long Beach Transit for achieving emission reduction targets for calendar year 2006. The Company has taken delivery of 62 new hybrid-electric coaches over the past two years and continues to maintain particulate traps and use low sulfur fuel on all remaining diesel coaches.

Lastly, the City of Long Beach Citizens Advisory Commission on Disabilities recognized the Company for its ongoing work in providing outstanding service to persons with disabilities in the community. Long Beach Transit was the first transit system in the nation to offer paratransit service, the first to be 100% wheelchair accessible, and the first to provide 100% low-floor buses for mobility-challenged customers.

ACKNOWLEDGMENTS

We wish to acknowledge the participation and professional contribution of the accountancy firm of Windes & McClaughry 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 Jacqueline Dricker, Office Administrator.



President and
Chief Executive Officer



Executive Vice President and
Chief Operating Officer



Senior Vice President and
Chief Financial Officer

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, 2006

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.



President

Executive Director

Long Beach Public Transportation Company

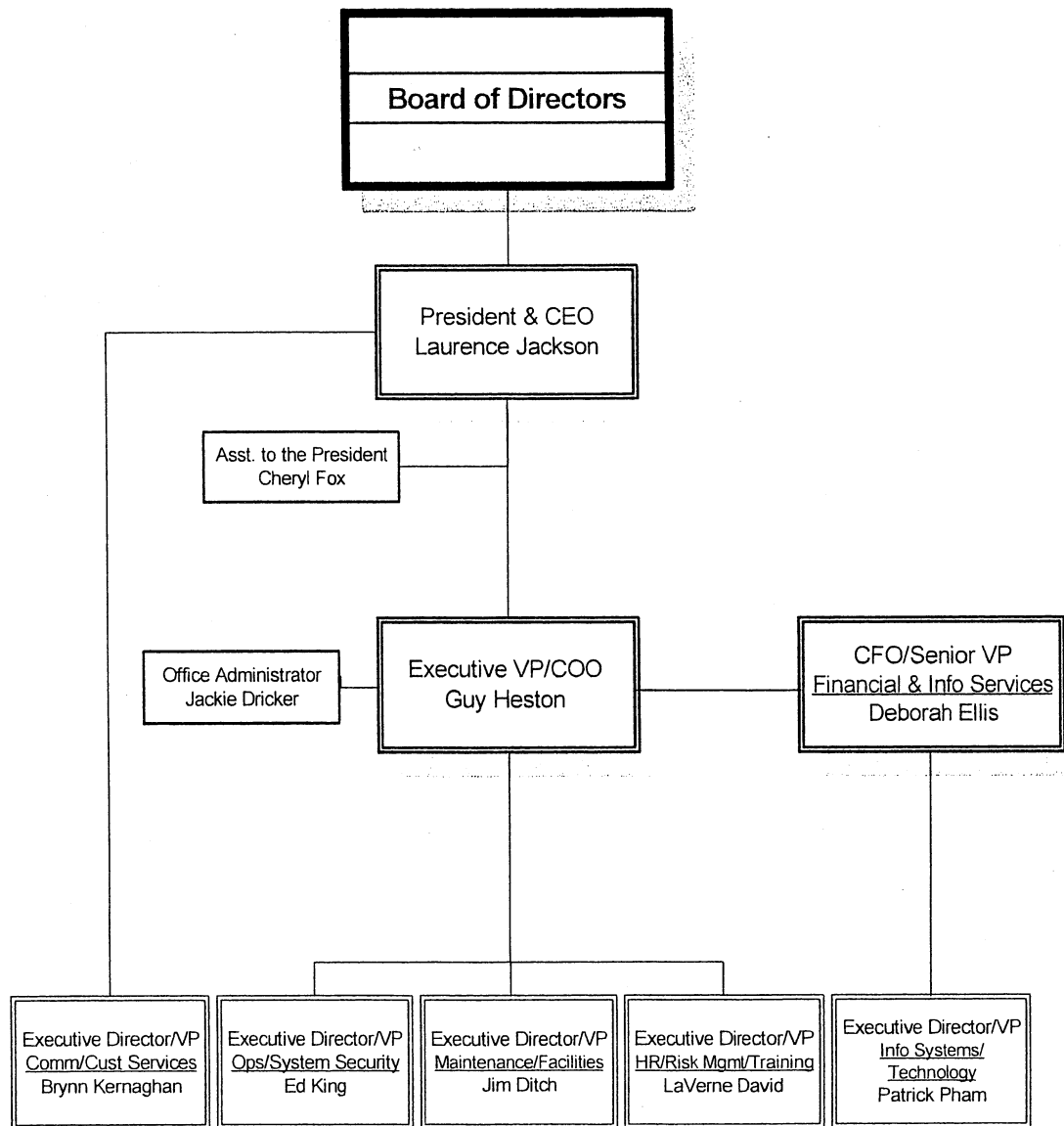
Board of Directors

Terry Fiskin	Chairman of the Board
Renee B. Simon	Vice Chairman
Mark Curtis	Secretary – Treasurer
Dr. James P. Norman, Jr.	Assistant Secretary – Treasurer
Robert W. Parkin	Director
Freda Hinsche Otto	Director
Barbara Sullivan	Director
Christine F. Shippey	Ex Officio Member, City of Long Beach
Christine F. Andersen	Ex Officio Member, City of Long Beach

Management

Laurence W. Jackson	President & Chief Executive Officer
Guy Heston	Executive Vice President & Chief Operating Officer
Deborah Ellis	Senior Vice President & Chief Financial Officer Financial & Information Systems
Ed King	Executive Director, VP Operations & System Security
Jim Ditch	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 Community & Customer Services

ORGANIZATION CHART





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*Certified Public Accountants
& Consultants*

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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, 2007, 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 audit. We did not audit the financial statements of the Company as of and for the year ended June 30, 2006. Those financial statements were audited by other auditors whose report dated September 8, 2006, expressed an unqualified opinion on those statements.

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. 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 audit provides 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, 2007, and the respective changes in financial position and cash flows for the year 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 October 30, 2007, 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 audit.

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, reading "Winder & McCaughey".

Long Beach, California
October 30, 2007

Long Beach Public Transportation Company

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, 2007, 2006 and 2005. 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, 2007 by \$78.4 million (net assets). Of this amount, \$3.5 million (unrestricted net assets) may be used to meet the Company's ongoing obligations arising from providing transportation service to the community.
- The Company received a one-time award of \$1.2 million to subsidize fuel costs. An additional \$4 million in State Transit Assistance Funds was also received in 2007 and will be used to fund 2008 capital projects.
- Operating expenses before depreciation rose 5% with the majority of the increase related to wages, health coverage and pension contributions.
- Net assets decreased \$8.8 million or 10% as annual depreciation expenses were greater than the amount of capital asset acquisitions as we received no new coaches during the year. All capital procurements are funded by federal, state, and local grants and are debt free.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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).

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.

Long Beach Public Transportation Company

Management's Discussion and Analysis, continued

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 15-30 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 \$78.4 million at the close of fiscal year 2007.

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

	Year - Ended		
	2007	2006	2005
Current assets	\$ 30,023,743	\$ 27,081,859	\$ 25,647,604
Other noncurrent assets	18,248,769	14,054,152	11,884,506
Capital assets, net	74,761,808	83,588,365	87,934,270
Total assets	123,034,320	124,724,376	125,466,380
Current liabilities	25,952,804	24,886,650	23,346,976
Noncurrent liabilities	18,714,929	12,644,581	10,580,354
Total liabilities	44,667,733	37,531,231	33,927,330
Net assets:			
Invested in capital assets	74,761,808	83,588,365	87,934,270
Restricted	84,674	113,048	166,914
Unrestricted	3,520,105	3,491,732	3,437,866
Total net assets	\$ 78,366,587	\$ 87,193,145	\$ 91,539,050

Almost all of Long Beach Transit's net assets (95%) 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 (\$3.5 million in 2007 and 2006 and \$3.4 million in 2005) may be used to meet the Company's ongoing obligations arising from providing transportation service to the community.

In fiscal year 2007, Long Beach Transit's net assets decreased by \$8.8 million. This is due to the annual depreciation expense exceeding capital purchases by \$8.8 million. Long Beach Transit spent \$7.9 million for capital assets which included upgrades to key administrative and website software, installation of a new tank farm, six Dial-A-Lift vehicles, and routine replacement of bus tires, shop, office and EDP equipment.

For fiscal year 2006, the Company's net assets decreased by \$4.3 million due to the annual depreciation expense exceeding capital purchases by \$4.3 million. Long Beach Transit spent \$12 million for capital assets which included installation of new fareboxes on all coaches, four new hybrid-electric buses, six Dial-A-Lift vehicles, procurement of additional real-time message signs at major bus stops, and routine replacement of shop, office and EDP equipment.

Long Beach Public Transportation Company

Management's Discussion and Analysis, continued

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

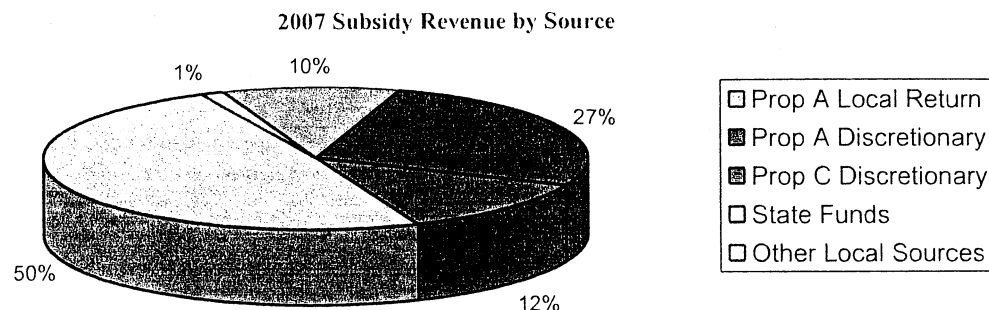
	Year - Ended		
	2007	2006	2005
Operating revenues:			
Passenger fares and special events	\$ 14,291,818	\$ 14,580,725	\$ 12,900,077
Advertising	847,296	724,158	743,750
Other	30,182	28,316	17,558
Total operating revenues	<u>15,169,296</u>	<u>15,333,199</u>	<u>13,661,385</u>
Non-operating revenues:			
Subsidies	44,495,763	42,078,890	40,444,529
Interest	<u>1,686,759</u>	<u>1,107,116</u>	<u>595,400</u>
Total non-operating revenues	<u>46,182,522</u>	<u>43,186,006</u>	<u>41,039,929</u>
Total revenues	<u>61,351,818</u>	<u>58,519,205</u>	<u>54,701,314</u>
Expenses:			
Transportation	30,454,056	29,156,285	27,366,019
Maintenance	17,251,960	16,800,999	15,781,778
Administration	13,645,802	12,561,921	11,553,517
Depreciation	<u>16,712,820</u>	<u>16,316,882</u>	<u>15,209,043</u>
Total expenses	<u>78,064,638</u>	<u>74,836,087</u>	<u>69,910,357</u>
Change before capital grants	(16,712,820)	(16,316,882)	(15,209,043)
Capital grants	<u>7,886,262</u>	<u>11,970,977</u>	<u>31,082,587</u>
Change in net assets	<u>\$ (8,826,558)</u>	<u>\$ (4,345,905)</u>	<u>\$ 15,873,544</u>

Operating revenues. In July 2005, the Company implemented a fare increase which resulted in \$1.7 million more fares in 2006. However, in 2007, fare revenue was lower by \$400,000 as the number of passes sold declined. This drop was mainly attributed to a reduction in subsidized student passes by local schools and more riders electing to purchase a regional EZ Pass. The regional pass allows riders to use several different transit systems throughout Los Angeles County while costing slightly more than a Long Beach Transit regular pass. Revenue from the sale of EZ Passes is shared amongst all participating transit agencies resulting in reduced revenue to the Company on a per boarding basis. Since fare revenue comprises 94% of operating revenues, total operating revenues also declined (1%). After two soft years in the advertising market, sales rebounded in 2007 yielding 17% more advertising revenue for the Company.

Non-operating revenues. Subsidies, which comprise 73% of total revenues both operating and non-operating, increased, \$2.4 million, or 6%, in 2007. The Company did receive a one-time award of \$1.2 million to subsidize fuel costs which have risen 76% in the last three years. These monies combined with increases in State funding were needed to match the 5% increase in expenditures. During 2006, the Company did receive more fare revenue from the implementation of the July 2005 fare increase. However, additional Proposition A Discretionary funds and State Transit Assistance funds were required to meet the Company's operational requirements which, besides fuel increases, included labor contract settlement costs. Over the last two fiscal years, investment returns have increased due to a 77% rise in interest rates from 2005 to 2007.

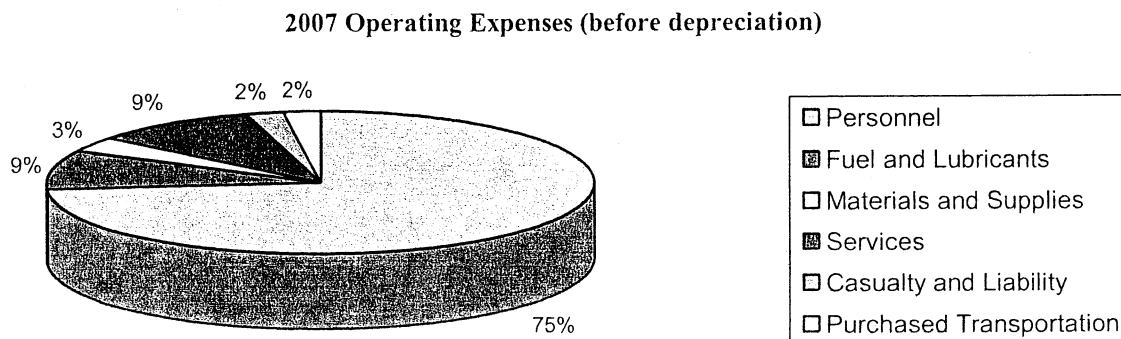
Long Beach Public Transportation Company

Management's Discussion and Analysis, continued



Expenses. Operating expenses, before depreciation, increased 5%. The majority of the increase is attributed to wages, pension contributions and health care costs. Total personnel costs comprise 75% of operating expenses, before depreciation. The settlement of the labor agreement during fiscal year 2006 awarded union personnel a 3% wage increase (which was also given to salaried employees) in 2007. The new labor agreement also contained increased pension benefits. Overall, personnel costs also rose with the hiring of more than 70 additional union personnel during the year. The Company expanded recruitment efforts to restore manpower levels that were frozen during labor negotiations and to provide additional service hours on the most heavily used bus routes.

In 2006, operating expenses, before depreciation, rose 7%, mainly due to increased fuel and labor expenditures. The Company experienced a 35%, \$1.5 million, increase in the cost of fuel. This was on top of a 34% increase in the prior year. The labor agreement that expired on September 30, 2004 was settled in December 2005. Wage increases and a lump sum settlement payment for fiscal 2005 and 2006 were paid during 2006 resulting in an increase of 5% in wages. Workers compensation costs also rose 30% after declining in fiscal year 2005, primarily due to the high cost of older claims.



Depreciation expense increased 2% for 2007. The Company did not take receipt of any new buses during the year resulting in capital asset acquisitions declining \$4.1 million. In 2006, depreciation expense was up 7% due to the receipt of 47 new buses during 2005 and early 2006. Depreciation receives no direct capital or operating funding.

Long Beach Public Transportation Company

Management's Discussion and Analysis, continued

CAPITAL ASSETS

Long Beach Transit's investment in capital assets as of June 30, 2007, amounted to \$74.8 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 11%. Long Beach Transit had \$7.9 million in new capital contributions during the year, a decrease of \$4.1 million when compared to 2006. The Company did not take delivery of any new coaches in 2007. Delivery of 15 new coaches is expected in September 2007. Asset acquisitions during the fiscal year were mainly from on-going programs and upgrades and replacements of existing assets. 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, 2007, the Company had \$51.2 million in grant funds designated for capital procurements. This is a \$15.1 million increase from the available balance at the end of fiscal year 2006.

Significant capital asset acquisitions during 2007 included the following:

- The procurement of new bus engines at a cost of \$1.5 million.
- Installation of a new fuel tank farm to provide adequate space to accommodate our hybrid electric/gasoline coach requirements. Costs during 2007 were \$1.3 million.
- Routine replacement of engines, transmissions, tires, and shop and office equipment at a cost of \$2.6 million.
- Upgrades to the Company's main administrative and maintenance software and also adding real-time scheduling information on Long Beach Transit's website. These projects totaled \$365,000.
- Procurement of six new Dial-A-Lift vehicles totaling \$252,000.

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

	Year - Ended		
	2007	2006	2005
Land	\$ 5,525,000	\$ 5,525,000	\$ 5,525,000
Buildings and improvements	15,162,954	14,413,089	15,400,577
Fleet	43,278,055	50,460,451	57,020,001
Communications systems	818,635	2,460,954	3,647,786
Fare collection system	3,869,506	4,205,666	372,611
Office, shop and garage equipment	1,742,507	1,985,529	1,892,012
Passenger facilities	1,999,601	3,095,423	3,063,029
Construction in progress	2,365,550	1,442,253	1,013,254
Total assets, net of depreciation	<u>\$ 74,761,808</u>	<u>\$ 83,588,365</u>	<u>\$ 87,934,270</u>

Long Beach Public Transportation Company

Management's Discussion and Analysis, continued

Long Beach Transit's investment in capital assets as of June 30, 2006, amounted to \$83.6 million (net of accumulated depreciation). Long Beach Transit had \$12 million in new capital contributions during the year, a decrease of \$19 million when compared to 2005. During 2005, the Company took receipt of 43 new coaches at a cost of \$25 million. In 2006, only four new coaches were received. As of June 30, 2006, the Company had \$36.1 million in grant funds designated for capital procurements. This is a \$1.2 million decrease from the available balance at the end of fiscal year 2005.

Significant capital asset acquisitions during 2006 included the following:

- The procurement of four full-size hybrid-electric coaches to replace fully depreciated diesel vehicles at a cost of \$2.1 million.
- Installation of a new farebox system on all coaches costing \$3.8 million.
- Routine replacement of engines, transmissions, tires, and shop and office equipment at a cost of \$2.4 million.
- Placement of real-time information message signs at major bus stops allowing customers to see next bus arrival times. The Company spent \$258,000 during 2006 and has plans to spend another \$250,000 in fiscal 2007.
- Procurement of six new Dial-A-Lift vehicles totaling \$251,000.

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 24 of this report.

ECONOMIC FACTORS and NEXT YEAR'S FINANCIAL PLAN

The economic environment in which Long Beach Transit operates continues to present management with major challenges in sustaining the level and quality of transit services. The existing state and federal funding environment is not expected to result in significant additional operating funds for transit in the foreseeable future. Subsidy revenues which account for more than 70% of operating funds are forecasted to increase by a minimal percentage in 2008.

There was a slight drop in ridership during 2007 as the Company slowly began restoring service hours eliminated during 2006 due to insufficient manpower levels. In preparing Long Beach Transit's financial plan for 2008, management forecast a 5% rise in expenses over the prior year. The plan includes a continued expansion in the number of bus operators to allow us to add service hours on the busiest parts of our system. In 2008, an additional three percent increase in service hours is planned which will require another 24 bus operators.

Fuel prices continue to be of primary concern. Long Beach Transit has experienced a 69% increase in fuel costs over the last three years. The effect of rising fuel prices is causing significant financial concerns for transit systems all across the nation, and in particular California where prices are even higher because of stringent air quality regulations. During 2007, the Company received \$1.2 million from the Los Angeles County Metropolitan Transportation Authority (LACMTA) to help offset increased fuel costs. However, this subsidy was only for 2007 and further assistance is not expected during fiscal year 2008. Given the continuing price instability of the oil market, we will need to monitor this carefully throughout the year.

Long Beach Public Transportation Company

Management's Discussion and Analysis, continued

Long Beach Transit has consistently made a concerted effort to operate with a comparatively small support staff so that we may concentrate as much of our resources as possible on daily operations that serve our customers. Unfortunately, in light of the increasingly complex regulatory environment in which California transit systems must operate (environmental and labor/employment regulations in particular), the Company will be adding staff positions to effectively conduct the daily business. These positions in finance, service planning, human resources, and maintenance are included in the 2008 financial plan.

The final financial plan approved in May 2007 for fiscal year 2008 totals \$65.7 million. In addition to the items discussed above, there is a 3% wage increase for all employees and minor increases for health care premiums.

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 Chief Financial Officer, Long Beach Transit, P.O. Box 731, Long Beach, California, 90801.

Long Beach Public Transportation Company

Statements of Net Assets June 30, 2007 and 2006

Assets			
		2007	2006
Current assets:			
Cash and investments (note 2)	\$	15,385,254	\$ 14,477,606
Accounts receivable (note 4)		1,862,477	1,466,954
Materials and supplies inventory		722,133	941,539
Prepaid expenses		262,855	179,786
Restricted and designated assets:			
Cash and investments (notes 2 and 5)		459,391	1,690,982
Accounts receivable (note 5)		7,665,337	5,033,885
Cash and investments designated for insurance claims (notes 2, 5 and 6)		3,666,296	3,291,107
Total current assets		30,023,743	27,081,859
Noncurrent assets:			
Cash and investments - contingency reserve (notes 2 and 5)		2,000,000	2,000,000
Restricted assets:			
Cash and investments (notes 2 and 5)		16,248,769	12,054,152
Capital assets (note 8):			
Land		5,525,000	5,525,000
Buildings and improvements		34,286,581	31,870,886
Fleet		95,180,251	95,180,179
Communications systems		6,582,545	6,578,076
Fare collection system		5,304,535	5,054,251
Office, shop and garage equipment		13,906,166	15,383,525
Passenger facilities		6,011,286	6,268,397
Construction-in-progress		2,365,550	1,442,253
Less accumulated depreciation		(94,400,106)	(83,714,202)
Total net capital assets		74,761,808	83,588,365
Total noncurrent assets		93,010,577	97,642,517
Total assets	\$	123,034,320	\$ 124,724,376

Long Beach Public Transportation Company

Statements of Net Assets, Continued June 30, 2007 and 2006

Liabilities and Net Assets

	2007	2006
Current liabilities:		
Accounts payable	\$ 1,302,862	\$ 1,652,160
Accrued payroll expenses	479,157	488,549
Compensated absences payable (note 11)	2,044,881	1,864,041
Retiree health care benefits (note 11)	94,837	62,413
Subsidy deferral (note 9)	12,038,045	12,067,134
Current liabilities payable from restricted or designated assets:		
Deferred revenue (note 5)	6,326,726	5,461,246
Estimated liability for insurance claims (note 6)	3,666,296	3,291,107
Total current liabilities	25,952,804	24,886,650
Noncurrent liabilities:		
Liabilities payable from restricted or designated assets:		
Deferred revenue (note 5)	17,946,148	11,899,001
Retiree health care benefits (note 11)	768,781	745,580
Total noncurrent liabilities	18,714,929	12,644,581
Total liabilities	44,667,733	37,531,231
Net Assets:		
Invested in capital assets	74,761,808	83,588,365
Restricted	84,674	113,048
Unrestricted	3,520,105	3,491,732
Total net assets	\$ 78,366,587	\$ 87,193,145

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 Assets Years Ended June 30, 2007 and 2006

	2007	2006
Operating revenues:		
Passenger fares	\$ 14,239,543	\$ 14,542,379
Special events	52,275	38,346
Advertising	847,296	724,158
Other revenue	30,182	28,316
Total operating revenues	<u>15,169,296</u>	<u>15,333,199</u>
Operating expenses:		
Transportation	30,454,056	29,156,285
Maintenance	17,251,960	16,800,999
Administration	13,645,802	12,561,921
Depreciation (note 8)	<u>16,712,820</u>	<u>16,316,882</u>
Total operating expenses	<u>78,064,638</u>	<u>74,836,087</u>
Operating loss	<u>(62,895,342)</u>	<u>(59,502,888)</u>
Nonoperating income:		
Subsidies (note 3)	44,495,763	42,078,890
Interest income	<u>1,686,759</u>	<u>1,107,116</u>
Total nonoperating income	<u>46,182,522</u>	<u>43,186,006</u>
Change in net assets before capital grants	\$ (16,712,820)	\$ (16,316,882)
Capital grants	<u>7,886,262</u>	<u>11,970,977</u>
Change in net assets	(8,826,558)	(4,345,905)
Total net assets, July 1	<u>87,193,145</u>	<u>91,539,050</u>
Total net assets, June 30	<u>\$ 78,366,587</u>	<u>\$ 87,193,145</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, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Cash received from customers	\$ 14,998,624	\$ 15,197,532
Cash paid to employees for services	(30,861,169)	(28,330,635)
Cash paid to other suppliers of goods or services	(30,018,280)	(29,908,287)
Net cash used in operating activities	(45,880,825)	(43,041,390)
Cash flows provided by noncapital financing activities:		
Operating subsidies received	42,984,847	44,066,769
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	58,140	381,503
Purchase of capital assets	(7,886,262)	(11,970,978)
Capital grant contributions received	13,396,166	16,307,539
Net cash provided by capital and related financing activities	5,568,044	4,718,064
Cash flows provided by investing activities - interest received on cash and investments	1,573,797	920,060
Net increase in cash and cash equivalents	4,245,863	6,663,503
Cash and cash equivalents, July 1	33,513,847	26,850,344
Cash and cash equivalents, June 30 (note 2)	\$ 37,759,710	\$ 33,513,847

Long Beach Public Transportation Company

Statements of Cash Flows, Continued Years Ended June 30, 2007 and 2006

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	2007	2006
Operating loss	\$ (62,895,342)	\$ (59,502,888)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	16,712,820	16,316,882
Increase in accounts receivable from operations	(101,886)	(82,936)
Decrease (increase) in materials and supplies inventory	219,405	(43,411)
Increase in prepaid expenses	(83,069)	(36,453)
Increase (decrease) in accounts payable	(349,298)	618,137
Increase (decrease) in accrued payroll expenses and compensated absences payable	227,073	(578,075)
Increase in estimated liability for insurance claims	375,189	283,632
Increase (decrease) in other deferred revenue	14,283	(16,278)
Total adjustments	17,014,517	16,461,498
Net cash used in operating activities	\$ (45,880,825)	\$ (43,041,390)

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

Long Beach Public Transportation Company

Notes to Financial Statements June 30, 2007 and 2006

(1) Summary of Significant Accounting Policies

Reporting Entity

The Long Beach Public Transportation Company (Long Beach Transit or Company) is a nonprofit corporation organized to provide public transportation services to the citizens of Long Beach, California. The Company is governed by a seven-member Board of Directors appointed by the Mayor with the approval of the Long Beach City Council to serve four-year terms. 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.

In accordance with Government Accounting Standards Board (GASB) Statement No. 20, the Company applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements; Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures.

The Company distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods 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 nonoperating revenues and expenses.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

Material and Supplies Inventories

Inventories are 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 2007 and 2006.

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

Buildings and improvements	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 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 nonoperating revenues in the year in which a related reimbursable expenditure is incurred or in deferred revenue for use in the subsequent fiscal year.

The Company's policy is to report revenues from capital grants separately after nonoperating 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.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

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 (LACMTA) (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 nonoperating subsidies income and those funds used for capital expenditures are included in net assets.

Statements of Cash Flows

For purposes of the statements of cash flows, the Company considers all of its cash deposits and investments, including restricted and designated cash and investments, to be cash and cash equivalents. Monies invested with the State Treasurer's Local Agency Investment Fund may have maturities longer than 90 days; however, the Fund functions as a demand deposit account. Therefore, the Company considers such investments to be cash equivalents. There were no significant non-cash capital and related financing activities in 2007 and 2006.

(2) Cash and Investments

Cash and investments are classified in the accompanying financial statements as follows as of June 30:

	<u>2007</u>	<u>2006</u>
Current unrestricted cash and investments	\$ 15,385,254	\$ 14,477,606
Current restricted and designated cash and investments	459,391	1,690,982
Current cash and investments designated for insurance claims	3,666,296	3,291,107
Noncurrent restricted cash and investments	<u>18,248,769</u>	<u>14,054,152</u>
Total cash and investments	<u>\$ 37,759,710</u>	<u>\$ 33,513,847</u>

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

	<u>2007</u>	<u>2006</u>
Cash on hand	\$ 71,514	\$ 75,641
Deposits with financial institutions	580,743	479,553
Investments	<u>37,107,453</u>	<u>32,958,653</u>
Total cash and cash deposits	<u>\$ 37,759,710</u>	<u>\$ 33,513,847</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. Although the Company is authorized to participate in the investments listed below, at June 30, 2007, the Company elected to have all but \$500,000 of its investments with the Local Agency Investment Fund (LAIF). The remaining \$500,000 was in an overnight repurchase agreement.

	<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 State Investment Pool (LAIF) manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and timing cash flows from maturities so a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needs of its participants. As of year end, the weighted average maturity of investments contained in the LAIF investment pool is approximately 176 days.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

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, 2007 and 2006, respectively.

	<u>2007</u>	<u>Maturity Date</u>
State Investment Pool (LAIF)	\$ 36,607,453	176 days average maturity
Repurchase Agreement		
(OVERNIGHT SWEEP ACCOUNT)	<u>500,000</u>	July 2, 2007
Total	<u>\$ 37,107,453</u>	
	<u>2006</u>	<u>Maturity Date</u>
State Investment Pool (LAIF)	\$ 32,458,653	133 days average maturity
Repurchase Agreement		
(OVERNIGHT SWEEP ACCOUNT)	<u>500,000</u>	July 3, 2006
Total	<u>\$ 32,958,653</u>	

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.

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. There are no investments in any one issuer that represents 5% or more of total Company investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

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

(3) Operating Subsidies

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

	2007	2006
Proposition A, County of Los Angeles	\$ 11,840,403	\$ 11,333,677
TDA and STA, State of California	21,864,340	20,655,260
Proposition C, County of Los Angeles	5,507,340	4,145,171
Proposition A Allocation, City of Long Beach	4,656,775	5,014,805
Preventative Maintenance, Federal/State	---	302,184
Other local sources	626,905	627,793
Total	\$ 44,495,763	\$ 42,078,890

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

The State of California's Transportation Development (TDA) Act 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 LACMTA. State Transportation Assistance Funds (STA) are generated from a portion of the statewide sales tax and are disbursed to transit agencies based on a formula allocation by LACMTA.

In accordance with the Federal Transit Administration (FTA) regulations, the Company is allowed to use 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.

Other local monies are derived from the City's AB2766 Program sponsored by the South Coast Air Quality Management District (SCAQMD), Job Access Reverse Commute funds (JARC) awarded through LACMTA and reimbursement for service hours supplied to seven surrounding cities.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

(4) Accounts Receivable

Unrestricted accounts receivable were comprised of the following at June 30:

	2007	2006
Subsidies	\$ 926,256	\$ 745,581
Interest	483,318	370,356
Trade	452,903	351,017
Total	<u>\$ 1,862,477</u>	<u>\$ 1,466,954</u>

Accounts are written off when determined to be uncollectible. In the opinion of management, all significant accounts receivable at June 30, 2007 and 2006 are fully collectible.

(5) Restricted and Designated Assets and Deferred Revenue

At June 30, 2007 and 2006, the balance of restricted and designated assets and deferred revenue accounts were as follows:

Restricted and Designated Assets

	2007	2006
Current cash and investments:		
Proposition A funds, City of Long Beach	\$ 459,391	\$ 1,685,270
Other	---	5,712
Cash and investments designated for Insurance claims	3,666,296	3,291,107
Total current cash and investments	<u>4,125,687</u>	<u>4,982,089</u>
Noncurrent cash and investments:		
Board mandated contingency reserve	2,000,000	2,000,000
Capital grant funds	16,248,769	12,054,152
Total noncurrent cash and investments	<u>18,248,769</u>	<u>14,054,152</u>
Total restricted and designated cash and investments:	<u>\$ 22,374,456</u>	<u>\$ 19,036,241</u>
Accounts receivable:		
Proposition A funds due from City	\$ 5,922,613	\$ 3,770,264
Capital grants receivable	1,742,724	1,263,621
Total restricted and designated accounts receivable	<u>\$ 7,665,337</u>	<u>\$ 5,033,885</u>

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

	<u>Deferred Revenue</u>	
	<u>2007</u>	<u>2006</u>
Current deferred revenue:		
Proposition A funds, City of Long Beach	\$ 6,306,731	5,455,534
Other	19,995	5,712
Total current deferred revenue	<u>6,326,726</u>	<u>5,461,246</u>
Noncurrent deferred revenue:		
Capital grant funds	17,202,430	11,215,814
Revenue financing	743,718	683,187
Total non current deferred revenue	<u>17,946,148</u>	<u>11,899,001</u>
Total deferred revenue	<u>\$ 24,272,874</u>	<u>17,360,247</u>

The Company maintains a \$2 million contingency reserve mandated by the Board of Directors to meet unexpected cash shortfalls.

Proposition A funds from the City are local share Proposition A funds received by the City from LACMTA and are allocated to the Company in accordance with the agreements described in note 3 in the notes to the accompanying financial statements. Such monies are for the Company's use as operating assistance and/or to finance capital expenditures. The unused portion of Proposition A funds received from and due from the City is included in deferred revenue.

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 deferred 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 assets.

Revenue financing funds are proceeds from the sale of assets originally purchased with capital grant contributions which will be used for future asset acquisitions. Other deferred revenue shown in 2006 was received from a maintenance consortium group of which Long Beach Transit is coordinating. This group is developing a regional training program for maintenance employees, and the money collected in 2006 from its members was used to pay administrative development costs. Other deferred revenue for 2007 represents July 2007 pass revenue to be recognized in 2008.

(6) Estimated Liability for Insurance Claims

Under its insurance programs, the Company retains the risk for each occurrence of worker's compensation and public liability and property damage claimed up to \$3 million and \$1 million, respectively. Claims in excess of \$3 million for worker's compensation and \$1 million for public liability and property damage are covered under policies in force with an independent insurer up to \$25 million for worker's 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 reach insurance coverage minimums in fiscal years 2007 and 2006.

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. Risk retention levels for both worker's compensation and public liability and property damage did not change during fiscal year 2007.

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 and to maintain designated cash and investments to fund the estimated liabilities. Liability 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	Worker's Compensation	Total
Estimated liabilities at July 1, 2005	\$ 793,581	\$ 2,213,894	\$ 3,007,475
Reserves:			
New claims	848,697	746,064	1,594,761
Adjustments to existing claims	1,895,450	51,916	1,947,366
Payouts	(2,542,672)	(715,823)	(3,258,495)
Estimated liabilities at June 30, 2006	995,056	2,296,051	3,291,107
Reserves:			
New claims	561,072	444,605	1,005,677
Adjustments to existing claims	420,733	2,141,283	2,562,016
Payouts	(850,999)	(2,341,505)	(3,192,504)
Estimated liabilities at June 30, 2007	\$ 1,125,862	\$ 2,540,434	\$ 3,666,296

(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 Assets.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

(8) Capital Assets

Capital asset activity for the years-ended June 30, 2007 and 2006 was as follows:

	Balance at June 30, 2006	Adjustments/ Transfers	Increases	Decreases	Balance at June 30, 2007
Capital assets not being depreciated:					
Land	\$ 5,525,000	\$ ---	\$ ---	\$ ---	\$ 5,525,000
Construction in progress	<u>1,442,253</u>	<u>(1,210,514)</u>	<u>2,133,811</u>	<u>---</u>	<u>2,365,550</u>
Total capital assets not being depreciated	<u>6,967,253</u>	<u>(1,210,514)</u>	<u>2,133,811</u>	<u>---</u>	<u>7,890,550</u>
Capital assets being depreciated:					
Buildings & improvements	31,870,886	484,923	1,934,366	(3,594)	34,286,581
Fleet	95,180,179	105,008	3,192,325	(3,297,261)	95,180,251
Communications systems	6,578,076	---	4,469	---	6,582,545
Fare collection system	5,054,251	7,390	254,418	(11,524)	5,304,535
Office, shop & garage equipment	15,383,525	590,158	177,747	(2,245,264)	13,906,166
Passenger facilities	<u>6,268,397</u>	<u>12,565</u>	<u>189,126</u>	<u>(458,802)</u>	<u>6,011,286</u>
Total capital assets being depreciated	<u>160,335,314</u>	<u>1,200,044</u>	<u>5,752,451</u>	<u>(6,016,445)</u>	<u>161,271,364</u>
Less accumulated depreciation:					
Buildings & improvements	(17,457,797)	3,040	(1,672,464)	3,594	(19,123,627)
Fleet	(44,719,728)	284	(10,480,013)	3,297,261	(51,902,196)
Communications systems	(4,117,122)	---	(1,646,788)	---	(5,763,910)
Fare collection system	(848,585)	(1,000)	(596,968)	11,524	(1,435,029)
Office, shop & garage equipment	(13,397,996)	8,147	(1,019,074)	2,245,264	(12,163,659)
Passenger facilities	<u>(3,172,974)</u>	<u>---</u>	<u>(1,297,513)</u>	<u>458,802</u>	<u>(4,011,685)</u>
Total accumulated depreciation	<u>(83,714,202)</u>	<u>10,471</u>	<u>(16,712,820)</u>	<u>6,016,445</u>	<u>(94,400,106)</u>
Total capital assets, being depreciated, net	<u>76,621,112</u>	<u>1,210,515</u>	<u>(10,960,369)</u>	<u>---</u>	<u>66,871,258</u>
Total capital assets, net	<u>\$ 83,588,365</u>	<u>\$ 1</u>	<u>\$ (8,826,558)</u>	<u>\$ ---</u>	<u>\$ 74,761,808</u>

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

	Balance at June 30, 2005	Adjustments/ Transfers	Increases	Decreases	Balance at June 30, 2006
Capital assets not being depreciated:					
Land	\$ 5,525,000	\$ ---	\$ ---	\$ ---	\$ 5,525,000
Construction in progress	<u>1,013,254</u>	<u>(537,045)</u>	<u>966,044</u>	<u>---</u>	<u>1,442,253</u>
Total capital assets not being depreciated	<u>6,538,254</u>	<u>(537,045)</u>	<u>966,044</u>	<u>---</u>	<u>6,967,253</u>
Capital assets being depreciated:					
Buildings & improvements	31,232,051	---	638,835	---	31,870,886
Fleet	103,685,785	8,216	4,211,817	(12,725,639)	95,180,179
Communications systems	6,186,329	---	391,747	---	6,578,076
Fare collection system	1,914,465	183,780	3,820,098	(864,092)	5,054,251
Office, shop & garage equipment	14,547,026	---	954,019	(117,520)	15,383,525
Passenger facilities	<u>5,070,017</u>	<u>345,049</u>	<u>988,417</u>	<u>(135,086)</u>	<u>6,268,397</u>
Total capital assets being depreciated	<u>162,635,673</u>	<u>537,045</u>	<u>11,004,933</u>	<u>(13,842,337)</u>	<u>160,335,314</u>
Less accumulated depreciation:					
Buildings & improvements	(15,831,474)	---	(1,626,323)	---	(17,457,797)
Fleet	(46,665,784)	---	(10,779,583)	12,725,639	(44,719,728)
Communications systems	(2,538,543)	---	(1,578,579)	---	(4,117,122)
Fare collection system	(1,541,854)	---	(170,823)	864,092	(848,585)
Office, shop & garage equipment	(12,655,014)	---	(860,502)	117,520	(13,397,996)
Passenger facilities	<u>(2,006,988)</u>	<u>---</u>	<u>(1,301,072)</u>	<u>135,086</u>	<u>(3,172,974)</u>
Total accumulated depreciation	<u>(81,239,657)</u>	<u>---</u>	<u>(16,316,882)</u>	<u>13,842,337</u>	<u>(83,714,202)</u>
Total capital assets, being depreciated, net	<u>81,396,016</u>	<u>537,045</u>	<u>(5,311,949)</u>	<u>---</u>	<u>76,621,112</u>
Total capital assets, net	<u>\$ 87,934,270</u>	<u>\$ ---</u>	<u>\$ (4,345,905)</u>	<u>\$ ---</u>	<u>\$ 83,588,365</u>

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 LACMTA. 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 \$12,038,045 and \$12,067,134, for 2007 and 2006, 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, 2007. 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.

<u>Vendor</u>	<u>Project</u>	<u>Amount</u>	<u>Expected Completion</u>
New Flyer of America	Bus Replacement	\$ 6,164,455	September 2007
Complete Coach Works	Bus Rehab	1,487,933	June 2008
Catalina Express	Water Taxi Contracted Svcs	1,200,000	June 2008
Siemens VDO Automotive	Variable Message Signs	355,189	October 2007
Goodyear Tires	Tires	247,706	January 2008
Charles E. Thomas Company	Fuel Tank Upgrade	139,443	November 2007

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 \$492,346 and \$500,742 for the years ended June 30, 2007 and 2006, respectively.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

(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 carry-over 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, 2007 and 2006 accrued unpaid vacation for all Company employees amounted to \$2,044,881 and \$1,864,041, respectively.

<u>Balance 6/30/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/07</u>	<u>Due Within One Year</u>
\$ 1,864,041	\$ 2,044,881	(\$ 1,864,041)	\$ 2,044,881	\$ 2,044,881

<u>Balance 6/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/06</u>	<u>Due Within One Year</u>
\$ 1,798,872	\$ 1,864,041	(\$ 1,798,872)	\$ 1,864,041	\$ 1,864,041

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 \$145,478 and \$130,979 under this program during 2007 and 2006, respectively.

Post-Retirement Health Care Benefits

Full-time Company employees are entitled to receive up to 96 hours of sick leave per year. Contract employees can accrue a maximum of 1,200 unused sick hours. 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 65 and 62 participants in the Company's REHIP at June 30, 2007 and 2006, respectively, and the cash value equivalent of the remaining unused sick leave for the current retirees totaled \$345,483 and \$398,311, respectively. Total premiums paid by the Company under the REHIP during the fiscal year ended June 30, 2007 and 2006, were \$118,740 and \$79,808, 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 is \$863,618 and \$807,993 at June 30, 2007 and 2006, respectively.

<u>Balance 6/30/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/07</u>	<u>Due Within One Year</u>
\$ 807,993	\$ 174,365	(\$ 118,740)	\$ 863,618	\$ 94,837

<u>Balance 6/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/06</u>	<u>Due Within One Year</u>
\$ 738,722	\$ 149,079	(\$ 79,808)	\$ 807,993	\$ 62,413

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

(12) Subsequent Events

Liability Claim

The Company has received a government tort claim in connection with an accident involving a Long Beach Transit bus on July 2, 2007. This claim is currently under review by the Company's third-party claims administrator and legal counsel. Pending this review, claim reserves for this case have been set within the self-insured retention limit.

Union Petition

The current labor agreement between the Company and Amalgamated Transit Union, Local 1589 (ATU) defines when coach operators will be paid travel time. The labor agreement expires on September 30, 2009. The ATU has elected to file a petition for writ of mandate in the Superior Court of Los Angeles to request the Company pay travel time in a manner different than what was negotiated in the labor agreement. This issue will be heard in court on November 16, 2007. If the union prevails in its request, the Company may be ordered by the Court to pay current and former coach operators additional pay dating back three years, including penalties and legal fees. It is the Company's position that the claim is without merit and that state regulations do not entitle LBT coach operators to travel time pay beyond that specified in the collective bargaining agreement.

(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 salaried employees, the Long Beach Public Transportation Company Retirement Plan - Salaried Employees (Salaried Plan).

The Company's payroll for employees covered by each plan for the years ended June 30, 2007 and 2006 was \$21,866,049 and \$21,628,593 for the Contract Plan, respectively, and \$8,486,732 and \$7,954,923 for the Salaried Plan, respectively. Total Company payroll for 2007 and 2006 was \$30,861,169 and \$29,908,287, respectively.

The Contract and the Salaried Plans are noncontributory 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 participate in the Salaried Plan as of their date of employment. Participants in both the Contract and Salaried Plans 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.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

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).

As provided in the Company's collective bargaining agreement, the benefit payments for Contract Plan employees retiring after September 30, 2002 but before December 19, 2005, were increased by 8%. For Contract employees retiring on or after December 19, 2005, benefit payments were increased by 15%.

Adjusted final monthly earnings 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.

Retirees for both Plans, if married, are eligible to receive a joint annuity with a 50% annuity to the surviving spouse and, if unmarried, a straight-life annuity. The Salaried Plan also offers a joint annuity with a 50% annuity to surviving domestic partners. 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 benefits 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.

Long Beach Public Transportation Company

Notes to Financial Statements, Continued

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 not required or allowed to make contributions to the Plans. The Company is required to contribute to the Plans at an actuarially determined rate. The contribution rate for 2007 was 12.3% for both Plans. For 2007, the Company's annual pension costs were \$2,777,353 and \$1,006,587 for the Contract and Salaried Plans, respectively. The required contributions were determined as part of the July 1, 2006 actuarial valuation using the entry age normal cost frozen initial liability cost method. The actuarial assumptions included:

- Remaining amortization period 5 years
- Asset valuation method Market value
- Mortality Table 1983 50/50 Blended
- Investment rate of return 8.0%
- Projected salary increases* 4.0%
- *includes inflation at 1.5%
- Cost-of-living adjustments None

For fiscal year 2008, the actuarial assumptions have been changed to ensure the long-term stability of the Plans. The actuarial assumptions used for the actuarial valuation of July 1, 2007 include updating the mortality table to the RP2000 Combined Table, lowering the projected investment return rate to 7.5% and amortizing all changes over 30 years.

Three Year Trend Information

Contract Plan

<u>Year ended June 30</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>	<u>Net Pension Obligation</u>
2007	\$2,777,353	100%	\$ 0
2006	2,055,584	100	0
2005	1,910,696	100	0

Salaried Plan

<u>Year ended June 30</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>	<u>Net Pension Obligation</u>
2007	\$1,006,587	100%	\$ 0
2006	1,060,300	100	0
2005	1,052,894	100	0

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: CFO, P.O. Box 731, Long Beach, CA. 90801.

Long Beach Public Transportation Company

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

Actuarial valuation date (July 1)	(a) Actuarial value of assets	(b) Actuarial Accrued 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
2006	\$ 24,874	\$ 32,099	\$ 7,225	77.49%	\$ 21,629	33.40%
2005	23,701	29,794	6,093	79.55	20,860	29.21
2004	22,278	26,693	4,415	83.46	20,188	21.87

Salary Plan

Actuarial valuation date (July 1)	(a) Actuarial value of assets	(b) Actuarial Accrued liability (AAL) – entry age	Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b/c) UAAL as a Percentage of covered payroll
2006	\$ 11,553	\$ 14,118	\$ 2,565	81.83%	\$ 7,955	32.24%
2005	11,118	14,183	3,065	78.39	7,850	39.04
2004	10,367	13,721	3,354	75.56	7,783	43.09

Long Beach Public Transportation Company

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>	33
Revenue Capacity <i>These schedules contain information on the Company's revenue sources and their fluctuations over time.</i>	36
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>	38
Operating Information <i>These schedules contain information about services the Company provides and the activities it performs.</i>	40
Pension Information <i>The Company's pension plan 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>	47
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>	49

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

Long Beach Public Transportation Company

Financial Trends Net Assets by Component 1998 - 2007

Exhibit 1

	Invested in Capital Assets (2)	Restricted	Unrestricted	Total
1998	\$ 57,746,257	\$ ---	\$ 5,695,722	\$ 63,441,979
1999	59,840,227	38,935	5,656,787	65,535,949
2000	55,593,183	31,951	5,663,771	61,288,905
2001	63,709,904	249,821	3,534,257 (1)	67,493,982
2002	65,847,844	31,951	3,574,975	69,454,770
2003	77,966,453	---	3,606,926	81,573,379
2004	72,060,726	166,914	3,437,866	75,665,506
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

(1) The Company adopted GASB Statement No. 34 which required reclassification of certain balances, including the presentation of net assets formerly labeled retained earnings and contributed capital.

(2) 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 1998 - 2007

Exhibit 2

	Personnel Wages & Benefits	Fuel & Lubricants	Supplies & Materials	Services	Casualty & Liability	Purchased Transportation	Depreciation	Total
1998	\$ 28,958,455	\$ 1,421,787	\$ 1,964,487	\$ 3,355,280	\$ 886,043	\$ 1,532,586	\$ 6,187,170	\$44,305,808
1999	31,223,850	1,347,280	1,923,345	3,390,118	783,770	1,017,816	7,103,500	46,789,679
2000	32,588,090	2,076,369	2,057,487	3,547,541	1,052,707	998,216	8,629,876	50,950,286
2001	35,647,176	2,584,996	2,306,176	3,863,431	1,297,859	1,101,174	9,835,476	56,636,288
2002	36,871,022	2,086,874	2,341,896	3,767,081	1,438,326	1,372,084	11,564,783	59,442,066
2003	38,769,171	2,448,437	2,103,616	4,238,861	1,740,925	1,272,669	13,608,074	64,181,753
2004	41,828,220	3,165,438	2,146,233	4,205,815	1,973,444	1,365,827	13,673,096	68,358,073
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

Long Beach Public Transportation Company

Exhibit 3

Financial Trends Changes in Net Assets 1998 - 2007

Expenses	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Transportation	\$ 22,632,640	\$ 22,568,339	\$ 24,168,785	\$ 22,952,978	\$ 23,511,227	\$ 25,385,931	\$ 27,723,568	\$ 27,366,019	\$ 29,156,285	\$ 30,454,056
Maintenance	7,499,664	8,110,895	8,964,777	12,555,495	12,736,587	13,400,059	14,154,855	15,781,778	16,800,999	17,251,960
Risk Management	2,717,462	3,292,778	3,286,958	5,414,268	5,681,131	5,026,416	6,076,869	4,223,185	5,068,951	5,191,201
Marketing &										
Customer Service	1,433,197	1,376,805	1,412,759	1,362,181	1,144,752	1,567,140	1,263,387	1,296,256	1,286,531	1,397,475
General										
Administration	3,835,675	4,337,362	4,487,131	4,515,890	4,803,586	5,194,133	5,466,298	6,034,076	6,206,439	7,057,126
Depreciation	6,187,170	7,103,500	8,629,876	9,835,476	11,564,783	13,608,074	13,673,096	15,209,043	16,316,882	16,712,820
Total Expenses	\$ 44,305,808	\$ 46,789,679	\$ 50,950,286	\$ 56,636,288	\$ 59,442,066	\$ 64,181,753	\$ 68,358,073	\$ 69,910,357	\$ 74,836,087	\$ 78,064,638
Revenues										
Passenger Fares	\$ 11,911,197	\$ 12,569,177	\$ 12,665,927	\$ 12,601,278	\$ 12,571,238	\$ 12,382,726	\$ 12,676,716	\$ 12,814,406	\$ 14,542,379	\$ 14,239,543
Special Events	73,338	64,598	64,738	120,365	26,150	85,589	91,467	85,671	38,346	52,275
Advertising	483,883	514,248	640,000	962,666	937,932	787,856	906,250	743,750	724,158	847,296
Subsidies	24,570,440	25,197,099	27,596,166	31,983,169	33,627,182	36,932,476	40,615,870	40,444,529	42,078,890	44,495,763
Interest & Other	1,079,780	1,341,057	1,353,579	1,133,334	536,630	385,032	394,674	612,958	1,135,432	1,716,941
Total Revenues	\$ 38,118,638	\$ 39,686,179	\$ 42,320,410	\$ 46,800,812	\$ 47,699,132	\$ 50,573,679	\$ 54,684,977	\$ 54,701,314	\$ 58,519,205	\$ 61,351,818
Net Expense	\$ (6,187,170)	\$ (7,103,500)	\$ (8,629,876)	\$ (9,835,476)	\$ (11,742,934)	\$ (13,608,074)	\$ (13,673,096)	\$ (15,209,043)	\$ (16,316,882)	\$ (16,712,820)
Capital Grants	15,894,491	11,053,302	8,888,298	11,576,408	13,703,722	25,726,683	7,765,223	31,082,587	11,970,977	7,886,262
Change in Net Assets	\$ 9,707,321	\$ 3,949,802	\$ 258,422	\$ 1,740,932	\$ 1,960,788	\$ 12,118,609	\$ (5,907,873)	\$ 15,873,544	\$ (4,345,905)	\$ (8,826,558)

Financial Trends Capital Expenditures By Type 1998 - 2007

Exhibit 4

Fiscal Year	Facilities	Fleet	Passenger Facilities	AVL, Farebox & Radio Equipment	Furniture & EDP Equipment	Shop & Garage Equipment	Total
1998	\$ 9,656,543	\$ 6,750,622	\$ 105,695	\$ 37,887	\$ 326,300	\$ 37,808	\$ 16,914,855
1999	2,832,711	4,058,636	536,174	364,081	1,167,934	237,934	9,197,470
2000	632,924	2,559,119	266,307	174,392	475,347	274,743	4,382,832
2001	350,339	14,117,206	327,718	78,434	961,265	208,457	16,043,419
2002	953,180	6,940,199	801,494	1,424,775	3,388,494	195,580	13,703,722
2003	563,536	20,082,479	702,691	3,301,673	785,846	290,458	25,726,683
2004	469,413	3,503,160	2,302,210	818,230	358,811	313,399	7,765,223
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

Long Beach Public Transportation Company

Revenue Capacity Operating Subsidy Sources 1998 - 2007

Exhibit 5

	Prop A Funds City of Long Beach	Prop A Funds L.A. County	Prop C Funds L.A. County	State Assistance	Federal Preventative Maintenance Program	Other Sources	Total
1998	\$ 1,548,538	\$ 9,480,638	\$ 1,941,408	\$10,289,703	\$ 960,000	\$ 350,153	\$ 24,570,440
1999	489,011	9,676,231	3,871,281	9,925,488	600,000	635,088	25,197,099
2000	1,132,964	10,180,128	5,594,138	9,684,000	600,000	404,936	27,596,166
2001	2,730,907	13,391,456	3,797,283	10,972,272	660,000	431,251	31,983,169
2002	3,924,805	11,464,183	4,376,041	12,518,354	924,976	418,823	33,627,182
2003	5,421,163	8,714,058	5,328,950	14,231,214	2,928,720	308,371	36,932,476
2004	6,561,550	9,448,398	5,557,841	17,755,993	836,800	455,288	40,615,870
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

Revenue Capacity Farebox Recovery Percentage 1998 - 2007

Exhibit 6

<u>Year</u>	<u>Percentage</u>
1998	33.0%
1999	32.5
2000	30.7
2001	27.7
2002	27.3
2003	25.2
2004	23.8
2005	24.1
2006	25.8
2007	23.8

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

Long Beach Public Transportation Company

Revenue Capacity Fare History 1998 – 2007

Exhibit 7

	<u>1998</u>	<u>1999-2002</u>	<u>2003-2005</u>	<u>2006-2007</u>
Fixed Route Service:				
<u>Cash Fares:</u>				
Regular	\$.90	\$.90	\$.90	\$.90
Student	.75	.75	.75	.90
Senior & Disabled	.45	.45	.45	.45
Local transfer	.10	.10	.10	---
Interagency transfer	.35	.35	.35	.50
<u>Day Pass:</u>				
Regular				\$ 2.50
Discounted				1.50
<u>Monthly Pass:</u>				
Regular	\$ 40.00	\$ 40.00	\$ 40.00	\$ 50.00
Student	23.00	23.00	23.00	31.00
Senior & Disabled	11.00	11.00	11.00	19.00
Dial-A-Lift Service:				
Cash Fares	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.50
Water Taxi:				
Cash Fares - AquaBus		\$ 1.00	\$ 1.00	\$ 1.00
Cash Fares - AquaLink			2.00	2.00

Long Beach Public Transportation Company

Demographic and Economic Information City of Long Beach Demographic Statistics 1997-2006*

Exhibit 8

Fiscal Year Ended June 30	Estimated Population (A)	Personal Income (in millions) (B)	Per Capital Personal Income (B)	Public School Enrollment (C)	Unemployment Rate (D)
1997	441,718	\$ 7,633	\$ 17,281	91,932	6.6%
1998	446,227	8,278	18,552	89,408	6.2
1999	452,905	8,651	19,160	91,465	5.6
2000	457,608	9,302	20,227	94,527	5.5
2001	461,522	9,782	20,934	95,193	5.7
2002	473,131	10,013	21,164	97,369	6.3
2003	480,973	10,437	21,726	97,370	6.4
2004	487,100	11,146	22,883	97,560	5.9
2005	491,564	11,370	23,266	96,319	6.5
2006	492,912	N/A	N/A	93,589	5.3

Sources:

- (A) California Department of Finance.
- (B) Bureau of Economic Analysis. Personal income and per capita personal income for 1997, 1998, and 2000-2004 are based on percent change of per capita personal income for Los Angeles-Long Beach-Santa Ana, CA (Metropolitan Statistical Area). Personal income and per capita personal income are not available for 2006.
- (C) California Department of Education. 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).

N/A - not available.

* Data not available for 2007.

Long Beach Public Transportation Company

Demographic and Economic Information City of Long Beach Summary of Top Ten Major Employers September 30, 2006*

Exhibit 9

Employer	2006 Number of Employees	Percentage of Total City Employment	2007 Number of Employees	Percentage of Total City Employment
Long Beach Unified School District	9,064	3.90%	6,536	5.67%
Boeing, N.A. (Previously - McDonnell Douglas)	6,525	2.81	19,000	9.46
California State University, Long Beach	6,007	2.59	4,032	1.32
City of Long Beach	5,854	2.52	4,203	2.68
Long Beach Memorial Medical Center	3,500	1.51	3,706	1.85
Verizon	2,000	.86	N/A	N/A
Long Beach City College	2,000	.86	1,221	.72
U.S. Postal Service	1,900	.82	1,946	.43
Veterans Affairs Medical Center	1,700	.73	2,747	1.09
St. Mary Medical Center	1,634	.70	1,515	.85

Source: City of Long Beach, Department of Community Development, Long Beach Major Employer Directory and the US Census Bureau Labor Force as of 2005.

* This is the latest information available.

N/A – data not available.

Long Beach Public Transportation Company

Operating Information Key Performance Indicators 1998 - 2007

Exhibit 10

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<u>Fixed Route</u>										
Operating Cost Per Vehicle Service Hour	\$58.22	\$60.19	\$63.63	\$70.16	\$70.74	\$73.74	\$76.52	\$75.64	\$83.12	\$87.48
Operating Cost Per Passenger	\$ 1.41	\$ 1.40	\$ 1.55	\$ 1.74	\$ 1.79	\$ 1.89	\$ 1.96	\$ 1.95	\$ 2.08	\$ 2.22
Roadcalls	n/a	1,446	1,349	1,158	942	1,034	978	1,133	871	1,142
Miles Between Roadcalls	5,906	5,214	6,704	6,511	7,207	7,338	8,257	7,211	9,014	6,771
Total Accidents	804	829	745	902	837	819	854	754	883	937
Preventable Accidents	n/a	n/a	138	157	143	105	139	138	164	154
Preventable Accidents Per 100,000 Miles	n/a	n/a	1.96	2.23	2.01	1.34	1.72	1.69	2.09	1.99
Passengers per Vehicle Service Hour	42	43	44	45	45	43	41	41	40	42
Service Delivery Rate	n/a	n/a	n/a	99.95%	99.99%	99.75%	99.72%	99.73%	99.35%	99.45%
Number of Vehicles	n/a	n/a	202	219	224	221	221	228	229	229
Number of Employees	551	604	612	616	672	711	715	691	680	737
<u>Special Services</u>										
Dial-A-Lift Cost Per Passenger	\$21.51	\$13.68	\$11.87	\$12.45	\$12.71	\$13.42	\$14.71	\$15.97	\$18.57	\$19.96
Dial-A-Lift Passengers Per Vehicle Service Hour	2.2	2.2	3.3	4.2	5.1	5.6	6.1	5.9	5.3	5.4
Number of Dial-A-Lift Vehicles	n/a	n/a	22	23	18	18	18	18	18	18
Water Taxi Cost Per Passenger *	---	\$ 1.13	\$ 3.18	\$ 4.16	\$ 5.69	\$ 4.69	\$ 5.91	\$ 6.29	\$ 7.10	\$ 8.24
Water Taxi Passengers Per Vehicle Service Hour *	---	31.9	13.1	10.6	12.9	18.1	15.6	18.56	14.03	13.50
Number of Water Taxi Vessels *	---	2	2	2	3	3	3	3	3	3

* Water taxi service began in fiscal year 1999.
n/a – information not readily available.

Long Beach Public Transportation Company

Operating Information Customer Satisfaction Trends 1996-2007*

Exhibit 11

<u>Service Element</u>	% of Customers Rating Favorably									
	1996	1998	1999	2000	2001	2002	2003	2004	2006	2007
LBT Overall	87	92	91	96	94	92	94	92	90	95
LBT Compared to Others	90	86	94	92	86	87	88	91	87	94
Driver Appearance	97	97	96	98	100	96	96	96	97	97
Fares	91	94	91	91	89	90	94	92	88	90
Driver Courtesy	85	92	89	92	89	86	89	86	90	91
Driver Safety	93	95	97	95	92	91	93	92	93	93
On Board Safety	82	95	94	92	93	90	91	88	91	90
Route Convenience	88	91	91	93	90	93	96	85	92	93
Information Available	86	89	92	92	90	91	89	89	88	88
Telephone Information	83	92	88	88	88	86	86	86	81	90
Bus Stop Safety	80	91	90	90	92	87	84	83	86	82
Bus Stop Convenience	94	93	93	94	95	96	94	---	94	95
Schedule Reliability	64	66	82	80	82	75	84	69	74	72
Bus Cleanliness	84	91	92	88	88	88	90	79	84	76
Bus Stop Cleanliness	63	76	88	85	84	82	74	80	81	75
Customer Satisfaction Index**	85	90	91	91	90	89	90	86	88	88

Source: Annual community survey.

* Formal customer surveys were not performed for fiscal years 1997 and 2005.

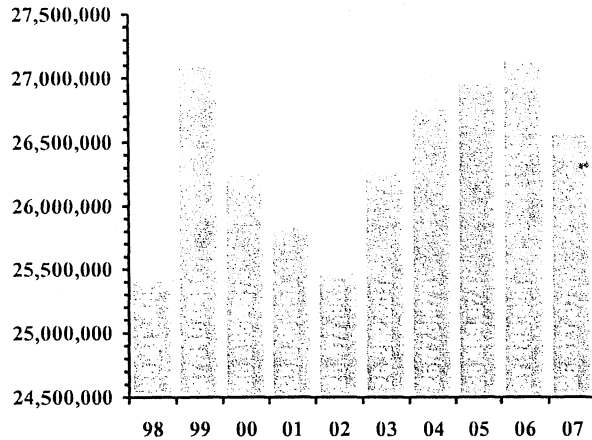
** The customer satisfaction index is an average of the above ratings.

Long Beach Public Transportation Company

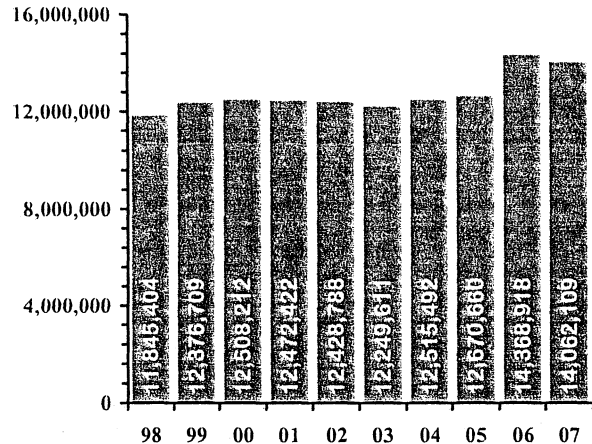
Operating Information Fixed Route Statistics 1998 - 2007

Exhibit 12

Annual Ridership

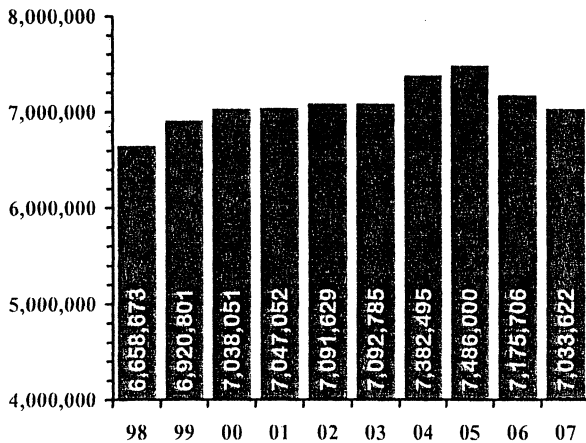


Annual Passenger Fare Revenues

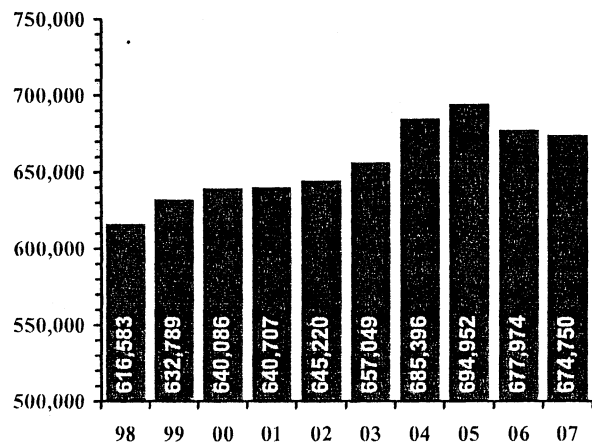


Long Beach Transit implemented a fare increase during 2006 resulting in additional fare revenues. Service levels were reduced during 2006 due to financial uncertainties caused by state-imposed regulations regarding operator meal and rest periods. This issue was successfully resolved during labor negotiations and during 2007 the Company began the process of restoring these service hours. However, running less service during 2007 did result in a 2% drop in fare revenue and corresponding ridership.

Annual Revenue Miles



Annual Revenue Hours

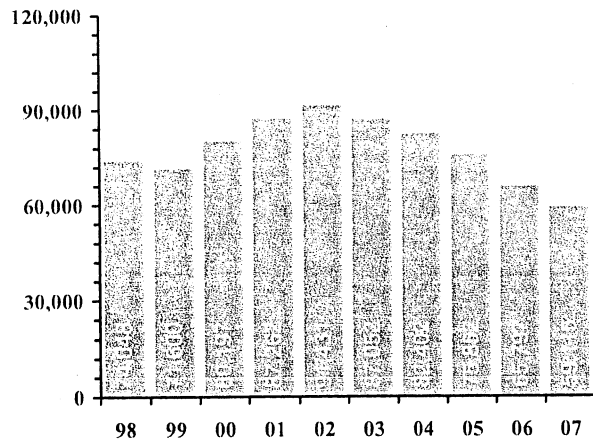


Source: Long Beach Transit's Annual National Transit Database Report

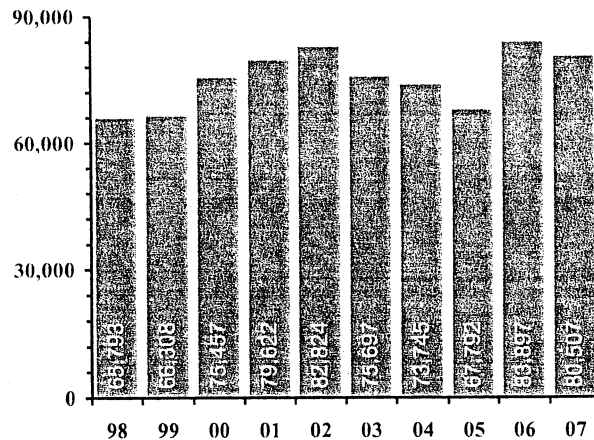
Operating Information Dial-A-Lift Statistics 1998 - 2007

Exhibit 13

Annual Ridership

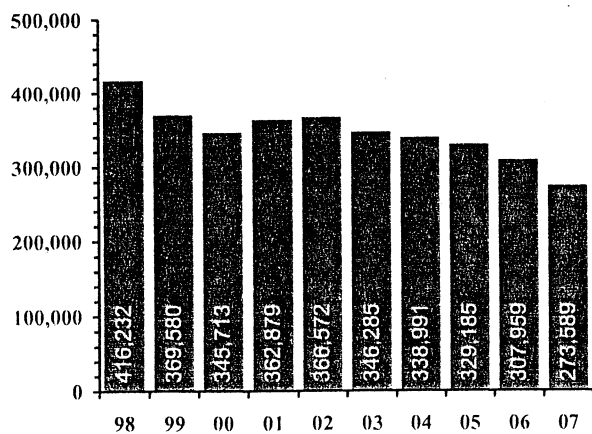


Annual Passenger Fare Revenues

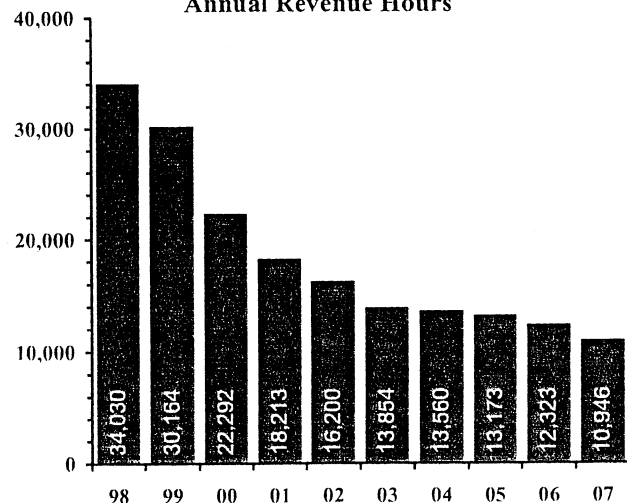


Fares were increased in 2006 resulting in additional fare revenues. However, Dial-A-Lift customers continue to move to the fixed route bus system which is 100% wheelchair accessible. The Dial-A-Lift service is supplied by a local taxi company which supplements Dial-A-Lift rides with ordinary taxi service on an as-needed basis eliminating the need for dedicated vans. Service hours are adjusted to meet customer demand.

Annual Revenue Miles



Annual Revenue Hours



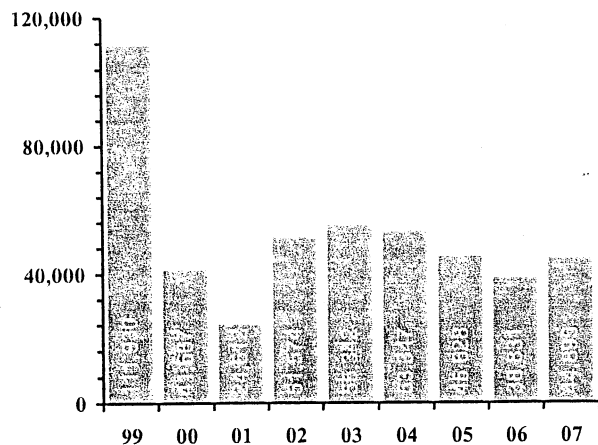
Source: Long Beach Transit's Annual National Transit Database Report

Long Beach Public Transportation Company

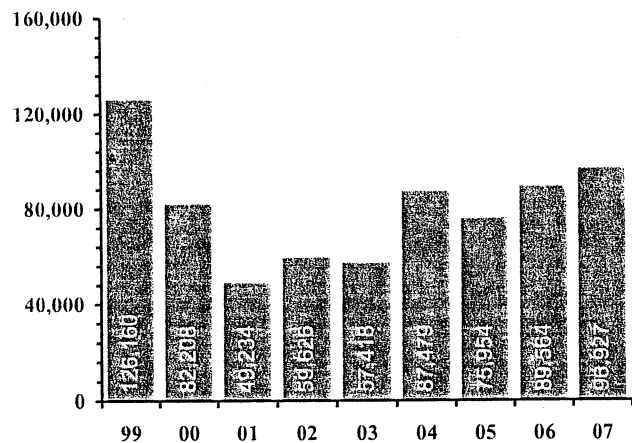
Operating Information Water Taxi Statistics 1999-2007*

Exhibit 14

Annual Ridership

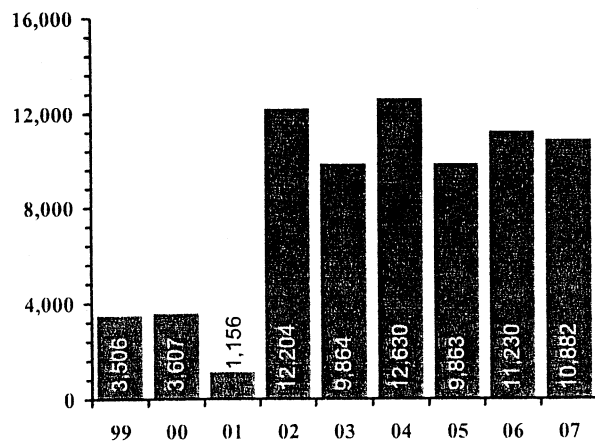


Annual Passenger Fare Revenues

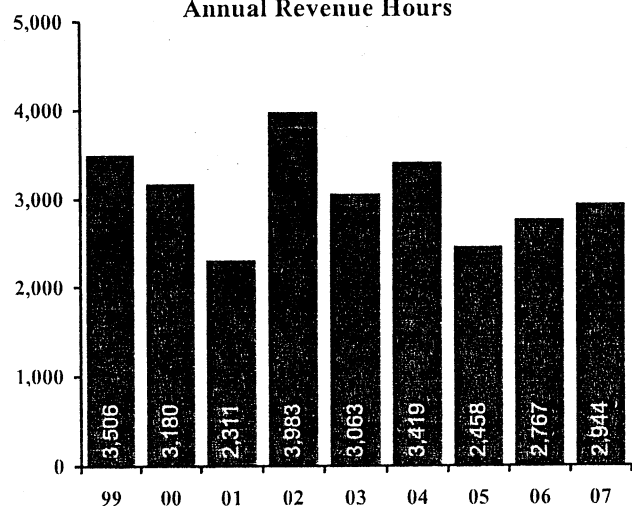


There are two routes for the water taxi service. The Aquabus is assigned two smaller vessels and the Aqualink service is provided by a larger catamaran. Fare revenues in 2006 were higher due to a fare increase that was implemented on July 1, 2005.

Annual Revenue Miles



Annual Revenue Hours



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

* Water taxi service began operation June 20, 1998.

Long Beach Public Transportation Company

Operating Information Schedule of Insurance in Force June 30, 2007

Exhibit 15

Program	Expiration Term	Company	Amount/Limit
<u>LIABILITY</u>			
A. Excess General and Auto Liability			
	7/1/08 1 yr	Everest National Insurance Company	\$10,000,000 excess of \$1,000,000
B. Underground Storage Tank- Third Party Liability			
	3/4/08 1 yr	Illinois Union Insurance Co.	\$1,000,000 - each incident \$2,000,000 - aggregate excess of \$10,000
<u>PROPERTY & SPECIAL MULTI-FLEX</u>			
	3/14/08 1 yr	Hartford Fire Insurance Company	\$ 17,000,000 Real Property \$ 25,945,500 Business Personal Property \$ 15,000,000 Buses in the open \$ 482,750 Extra Expense \$ 2,500 per occurrence; except \$25,000 for buses in the yard
<u>EXCESS WORKERS COMPENSATION</u>			
	7/1/08 1 yr	Midwest Employers Casualty Company	\$25,000,000 excess of \$3,000,000 \$500,000 corridor deductible
<u>CRIME SHIELD POLICY</u>			
	8/8/08 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

Source: Long Beach Transit's Risk Management Department.

Long Beach Public Transportation Company

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

Exhibit 16

FREQUENCY OF SERVICE

DAILY HOURS OF OPERATION

Peak/Base
(5am-6pm)

Evening/Night
(after 6pm)

ROUTES	Weekday	Saturday	Sunday	Weekday	Saturday	Sunday	Weekday	Saturday	Sunday
1	20/30	40	40	30/60	40	40	538A - 905P	515A - 1002P	515A - 1002P
7	20/30	40	40	30	40	40	517A - 830P	530A - 945P	530A - 945P
20	15	20	20	15/30/60	20/30/60	20/30/60	445A - 103X	513A - 1253X	513A - 1253X
40	6/10	12	15	12/30	15/30	15/30	436A - 1254X	504A - 1254X	504A - 1254X
50	12/15	15	20	20/30	20/30	25/30	445A - 1225X	520A - 1209X	500A - 1225X
60	12	15	15	30	30	30	440A - 110X	535A - 105X	535A - 105X
66 ZAP	12	--	--	--	--	--	630A - 1010A	----	----
80	30/60	--	--	--	--	--	119P - 517P	----	----
90	12	20	20	15/30	20/30	20/30	548A - 554P	----	----
96 ZAP	10	--	--	--	--	--	500A - 1256X	525A - 1255X	525A - 1255X
100	15/30	30/60	--	15/40	--	--	633A - 909A	----	----
110	15/20	30/35	30/35	15/30/60	30/60	30/60	100P - 514P	550A - 635P	----
130	30	60	60	30	60	60	445A - 1016P	536A - 1257X	536A - 1257X
170	15	20	20	15/30	20/30	20/30	501A - 113X	600A - 646P	600A - 646P
171	30	--	--	30	--	--	455A - 805P	517A - 1252X	517A - 1252X
180	20	20	20	20/60	20/40	20/40	459A - 1250X	----	----
190	15	15	15	15/20	15/20	15/20	456A - 1006P	511A - 1248X	511A - 1248X
Passport A/D	10	8	8	8/20	8/20	8/20	436A - 1251X	557A - 107X	557A - 107X
Passport B	12	12	12	12/30	12/30	12/30	449A - 107X	520A - 1240X	520A - 1240X
Passport C	40	40	40	40	40	40	505A - 106X	530A - 1258X	530A - 1258X
Tour D'Art							530A - 1227X	530A - 1227X	530A - 1227X
							940A - 720P	940A - 720P	940A - 720P

Source: Long Beach Transit's Service Development Department

Pension Information Employer Pension Contributions 1998 - 2007

Exhibit 17

Fiscal Year Ended June 30	Employer Contribution*	Payroll	Contribution as a Percentage of Payroll
<u>Contract Plan</u>			
1998	\$ 1,356,348	\$ 16,197,093	8.00%
1999	1,045,522	16,985,634	6.25
2000	1,737,843	17,178,884	10.02
2001	1,299,915	18,640,591	7.00
2002	1,456,659	18,702,293	7.88
2003	1,908,129	19,213,438	9.94
2004	2,099,246	20,188,278	10.49
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
<u>Salaried Plan</u>			
1998	\$ 392,620	\$ 5,177,062	7.37%
1999	396,320	5,801,829	6.66
2000	694,540	6,434,724	10.84
2001	697,882	6,413,045	11.46
2002	938,473	6,999,408	13.54
2003	1,241,173	7,516,706	16.54
2004	1,194,982	7,783,115	15.42
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

* 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, 2007. 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 1998 - 2007

Fiscal Year Ended June 30	Revenues by Source				Expenses by Type			
	Employer Contribution	Benefit transfer receivable	Investment Return	Total	Administrative Expenses	Benefit Payments	Benefit transfer payable	Total
<u>Contract</u>								
<u>Plan</u>								
1998	\$ 1,356,348	\$ ---	\$ 2,823,371	\$ 4,179,719	\$ 165,869	\$ 1,063,521	\$ ---	\$ 1,229,390
1999	1,045,522	---	975,219	2,020,798	179,130	1,383,183	---	1,562,313
2000	1,735,515	---	844,726	2,580,241	197,609	2,008,148	---	2,205,757
2001	1,299,915	---	(1,242,132)	57,783	190,122	2,294,629	---	2,484,751
2002	1,456,659	---	(978,566)	478,093	168,646	2,842,807	---	3,011,453
2003	1,908,129	---	927,966	2,836,095	159,046	1,327,836	720,171	2,207,053
2004	2,099,246	---	2,752,163	4,851,409	203,377	1,835,296	22,853	2,061,526
2005	1,910,696	---	2,29,549	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
<u>Salaried</u>								
<u>Plan</u>								
1998	\$ 392,620	\$ ---	\$ 928,558	\$ 1,321,178	\$ 83,931	\$ 153,808	\$ ---	\$ 237,739
1999	396,320	---	462,215	858,535	88,488	1,424,295	---	1,512,783
2000	694,540	---	427,294	1,121,834	94,575	165,700	---	260,275
2001	697,882	---	(222,349)	475,533	80,988	743,032	---	824,020
2002	938,473	---	(239,242)	699,231	81,827	652,957	---	734,784
2003	1,241,173	720,171	423,704	2,385,048	89,856	380,953	---	470,809
2004	1,194,982	22,853	1,253,069	2,470,904	108,519	788,282	---	896,801
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

Source: Contract and Salaried pension plan financial statements for the year-ended June 30, 2007. These financial statements are prepared under separate cover and contain additional trend information.

Grant Information Capital Grant History Federal Grants 1998 - 2007

FTA Grants	Authorized Amount	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
CA-03-0368	\$13,875,000	\$6,649,348	\$501,936	\$3,311							
CA-90-X593	4,685,800	443,755									
CA-90-X671	7,362,000	48,946	177,703	66,771	\$19,972						
CA-90-X717	3,397,000	2,120,859	47,608	244,493	11,122						
CA-03-0468	1,488,850	658,592					\$829,949				
CA-03-0443	1,000,000	1,000,000									
CA-03-0474	992,500	401,218	316,977	11,857	72,358	\$189,578	508				
CA-90-X778	3,267,220	821,208	841,697	487,313	576,287	540,713					
CA-90-X841	3,793,248		1,280,780	1,326,193	924,112	254,938	11,406				
CA-03-0496	1,465,794			7,742	1,104,549	94,610	92,632	\$66,258			
FBD	1,200,000			61,451	1,138,548						
CA-90-X915	8,769,677			530,284	951,221	846,627	5,875,660	176,109	\$320,232	\$ (1,267)	
CA-90-X950	6,249,570				2,483,944	1,126,987	80,438	1,288,310	1,212,151	(21,161)	
CA-90-Y057	10,381,045		69,861	10,437	447,781	5,197,417	2,201,222	899,083	1,225,417	273,569	\$127,546
CA-90-Y082	11,356,000					170,751	5,195,237	407,214	1,177,836	3,478,611	227,586
CA-90-Y117	7,751,180					1,577,124	4,024,566	591,854	529,645	104,451	104,124
CA-03-0596	1,980,630						60		1,966,039	23,702	
CA-90-X011	35,000						13,096	21,905			
CA-90-Y136	7,788,668						2,916,966	1,381	4,526,858	297,813	36,203
CA-90-Y226	10,958,295						83,659	1,875,129	6,216,499	2,077,500	166,025
CA-90-Y271	9,982,170							35,834	5,154,206	1,574,121	1,168,787
CAL0301	204,000							131,611		(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	13,354,479									454,548	1,974,135
CA-90-Y440	1,295,708										1,295,708
		\$12,143,926	\$3,236,562	\$2,749,852	\$7,729,894	\$9,998,745	\$21,325,399	\$5,594,688	\$25,918,518	\$8,242,137	\$5,100,114

Long Beach Public Transportation Company

Exhibit 20

Grant Information Capital Grant History State Grants 1998 – 2007

State Grants	Authorized Amount	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
CA-03-0368	\$ 4,625,000	\$2,216,450	\$ 167,213	\$ 47,164	\$ 669	\$ 699					
CA-90-X593	1,164,700	147,114									
CA-90-X671	1,841,000	12,237	44,426	16,693	5,493						
CA-90-X717	849,250	530,215	11,902	61,121	3,078						
CA-03-0468	372,212	164,648					\$ 207,873				
CA-03-0443	333,334	333,334									
CA-03-0474	250,000	100,304	79,244	2,964	18,090	47,394	127				
CA-90-X778	816,805	12,342	215,187	121,858	144,072	130,385					
CA-90-X841	947,812		320,195	332,822	231,028	63,738	10,362				
CA-90-X915	2,142,753		17,465	120,974	237,806	211,656	1,453,638	\$ 44,035	\$ 77,936	\$ 329	
CA-03-0496	366,448			1,935	276,138	23,652	20,809	41,566			
CA-90-X950	1,660,481			3,473	620,458	281,791	123,719	399,844	204,778	11,388	
CA-90-Y057	2,429,263				111,692	1,245,281	557,130	224,773	302,449	79,382	\$ 33,271
CA-90-Y082	1,471,292					22,122	671,328	52,759	152,352	450,691	29,486
CA-90-Y117	1,937,795					392,840	1,035,009	147,967	132,350	26,111	26,047
MTAP6059	100,000					18,334	13,433	5,088			
CA-03-0596	495,158					15			491,442	3,701	
CA-90-Y136	1,404,025					378,326		323	968,205	51,248	4,689
CA-90-Y226	2,739,574					18,730		468,790	1,331,200	440,036	39,728
CA-03-0642	405,554								438,604	(33,049)	
Subtotal		\$3,516,644	\$ 855,632	\$ 709,004	\$1,648,524	\$2,437,892	\$4,490,499	\$1,385,145	\$4,099,316	\$1,029,837	\$ 133,221

Continued

Grant Information Capital Grant History (continued) State Grants 1996 - 2005

State Grants	Authorized Amount	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Subtotal		\$3,516,644	\$ 855,632	\$ 709,004	\$1,648,524	\$2,437,892	\$4,490,499	\$1,385,145	\$4,099,316	\$1,029,837	\$ 133,221
TDA 96	4,072,000	890,997	2,392,335	417,032	55,480	27,975	33,548				
TDA 97	100,000	52,647	47,353								
TDA 99	792,000		721,159	70,840							
STA 99	231,234		136,371								
TDA 00	3,250,000			208,169	2,995,587						
TDA 01	468,185				333,185	133,860		1,130			
TDA 02	32,225					7,549		222,698			
TDA 03	655,624						384,298		41,010	(1,161)	
STA 00	1,012,135			82,417	5,500						
STA 01	990,696				638,201	272,786	235,864	41,609	6,257	557	
STA 02	1,341,400					807,476	530,452	57,677	(25,150)	27,391	3,568
STA 03	838,329						440	631,646	153,430	19,189	30,568
AQMD 03	684,837						684,837				
MSRC 05	335,453								330,453		
MTA8320										65,624	65,624
		\$4,460,288	\$4,152,850	\$1,487,462	\$5,676,477	\$3,687,538	\$6,359,938	\$2,339,905	\$4,605,316	\$1,141,437	\$ 232,981

Long Beach Public Transportation Company

Exhibit 21

Grant Information Capital Grant History Local Grants 1997 - 2006

Local Grants	Authorized Amount	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Prop A FY 93	\$ 277,245	\$ 37,012									
Prop A FY 95	35,000	2,273									
Prop A FY 96	1,300,000	74,253	\$ 34,976	\$ 4,432							
Prop A FY 97	1,185,000	346,019	433,536	1,183							
Prop A FY 98	1,207,000		270,776	168,047							
Prop A FY 99	1,933,150	423,659	1,437,076	418,476							
Prop A - FBD	309,000			16,118							
Prop C Security FY00	245,000			9,774	\$ 22,484						
Prop A FY 00	3,243,000			34,587	\$2,746,887	323,983	\$ 15,606				
Prop A FY 01	40,000				35,854						
Prop C FY 01	2,100,000				559,705	1,535,061			\$ 12,882		
Prop C Security FY 01	152,000										
Prop A FY 02	40,000				44,000						
Prop C Security FY 02	65,000				1,700		49,204	\$ 11,051	4,745		
Prop C Security FY 03	349,154						193,599	24,817	\$ 60,772	\$ 40,346	
Prop C Security FY 04	923,452						5,674	825,606	36,957	5,603	
Prop C - CA-90-Y271	2,375,547						8,960	1,199,967	388,360	300,489	
Prop C FY 02	1,041,853						331,967	395,502	242,904	60,541	
Prop C FY 03	1,123,797						130,606	592,344	61,441	223,736	
Prop C-CA-03-0664	352,584							341,786	10,798		
Prop C FY 04	923,452							203,569	164,860	5,018	
Subtotal		\$ 883,216	\$2,176,364	\$ 652,617	\$2,782,741	\$ 951,872	\$1,599,871	\$ 681,857	\$3,601,218	\$ 966,092	\$ 635,733

Continued

Long Beach Public Transportation Company

Exhibit 21

Grant Information Capital Grant History (Continued) Local Grants 1997 - 2006

Local Grants	Authorized Amount	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Subtotal		\$ 883,216	\$2,176,364	\$ 652,617	\$2,782,741	\$ 951,872	\$1,599,871	\$ 681,857	\$3,601,218	\$ 966,092	\$ 635,733
Prop C Security FY 05	324,000								194,669	11,742	
Prop C FY 05	1,324,200									382,558	639,725
Prop C-CA-90-Y391	2,934,372									101,084	455,102
Prop C-CA-90-Y440	1,329,020										242,753
Prop C FY 06	1,398,323										12,717
Prop C FY 07	152,022										291
Prop C Security FY 07	24,000										4,731
Prop C Security-CA-Y440	138,600										81,202
		\$ 883,216	\$2,176,364	\$ 652,617	\$2,782,741	\$ 951,872	\$1,599,871	\$ 681,857	\$3,795,887	\$1,461,476	\$2,072,254