



**OFFICE OF THE CITY AUDITOR**  
Long Beach, California

**C-5**

LAURA L. DOUD, CPA  
City Auditor

February 6, 2007

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

RECOMMENDATION:

Recommendation to receive and file the Long Beach Transit Comprehensive Annual Financial Report and the Single Audit Reports and Grant Activity Reports for the fiscal year ending June 30, 2006.

DISCUSSION:

Transmitted herewith are the (1) Comprehensive Annual Financial Report, and (2) Single Audit Reports and Grant Activity Reports for the Long Beach Transit Company, a component unit of the City of Long Beach, for the year ending June 30, 2006.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

A handwritten signature in cursive script that reads "Laura L. Doud".

LAURA L. DOUD  
City Auditor

LLD/JDA/nb  
Attachments

# Long Beach Public Transportation Company

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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# long beach transit comprehensive annual financial report

FOR THE YEAR ENDED JUNE 30, 2006 LONG BEACH, CA  
A COMPONENT UNIT OF THE CITY OF LONG BEACH  
PREPARED BY THE FINANCE DEPARTMENT  
DEBORAH ELLIS, CHIEF FINANCIAL OFFICER

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introduction



INTRODUCTION



LONG BEACH

T R A N S I T

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August 25, 2006

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, 2005 to June 30, 2006.

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 KPMG LLP, 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.

This CAFR is presented in three sections:

1. The **Introductory Section** contains this letter of transmittal, the 2005 Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting, the Company's organizational chart and a listing of the members of the Board of Directors and other principal officials.
2. The **Financial Section** presents the Independent Auditor's Report, the Company's MD&A, and the basic financial statements with accompanying notes.
3. The **Statistical Section** includes selected financial and demographic information generally presented on a multiyear basis for comparative fiscal periods.

Laurence W. Jackson, President and CEO

Robert W. Parkin, Chairman

# Long Beach Public Transportation Company

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## **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 and Pine Ave. Link)
- Circulator Service (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

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## **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 39 routes, requiring 229 buses, including the shuttle and cultural loop services discussed below. During fiscal 2006, Long Beach Transit carried 27.1 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 39 fixed routes operated by the Company, 33 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 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 regular 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 and Pine Ave. Link)**

There are two shuttles, the Passport and Pine Ave. Link, providing circulator service as often as every eight minutes throughout the growing downtown Long Beach area via four routes. Service is provided by 28 low-floor minibuses. These vehicles are stored and maintained at the main administrative facility on Anaheim Street.

The red 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). During 2006, the Passport carried 2.7 million passengers.



# Long Beach Public Transportation Company

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The City of Long Beach recently completed a major redevelopment project - a new downtown waterfront entertainment complex adjacent to the Aquarium of the Pacific and the Convention Center. The site offers a wide variety of family-oriented attractions, retail stores and restaurants. To complement the new development, Long Beach Transit provides the Pine Ave. Link service to shuttle people directly from these waterfront attractions up to the Pine Ave. district which also contains numerous restaurants, shops and theaters.

## **Circulator Service (Tour D'Art)**

The Tour D'Art service takes visitors and residents to downtown cultural sites while also providing a local circulator for downtown riders. The service is provided by two shuttle buses displaying graphics reproduced from works of art at the Museum of Latin American Art. On this fare-free shuttle, customers can hop on and off the bus and see as many sites as desired. Besides the Museum of Latin American Art, the Tour D'Art serves the Long Beach Performing Arts Center and many antique shops and art galleries.

## **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 65,800 boardings on Dial-A-Lift in 2006.

## **Water Taxi Service (AquaBus and AquaLink)**

The Aquarium of the Pacific, Convention Center and the new Pike development 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 Public Transportation Company

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Long Beach Transit provides express bus service to major museum and garden attractions in Los Angeles and Orange Counties. Due to its popularity, service was expanded in 2006 to include 28 different cultural destinations. 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.

## **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. During fiscal years 2005 and 2006, Long Beach Transit received 47 new hybrid-electric coaches to replace vehicles that had reached their useful life. Another 15 hybrid-electric coaches have been ordered with delivery expected in the summer of 2007. After extensive research and analysis, Long Beach Transit determined this type of alternative fuel vehicle offered 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 18 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.

### Technological Innovation

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 was recently expanded to the downtown transit mall. New information displays, using flat panel LCD monitors, show actual arrival times to assist customers with their trip planning.

In addition to the information kiosks located at the downtown transit mall, the Company is also deploying variable message signs to 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. Variable message signs are currently installed at 15 locations with another 15 stops under construction.

Besides providing up-to-date schedule information at our bus stops, Long Beach Transit became one of the first systems in the nation to enable customers to access real-time information from any home or office computer. Transmart's Webwatch, located on the Company's website, allows customers to view actual bus arrival times and provides trip planning assistance.

# Long Beach Public Transportation Company

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## 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 receipt of 47 gasoline hybrid-electric coaches require 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 will be wired and fluid levels will be monitored by a new fuel and mileage system. The project is expected to cost \$1.8 million and is estimated for completion in December 2006.

## Other Achievements

To improve the level and quality of information available to the public about transit services in Long Beach and the southeast region of Los Angeles, Long Beach Transit, through a grant awarded by the Los Angeles County Metropolitan Transportation Authority, developed a new regional transit guide. This transit guide is a one-stop source of information about the 19 transit providers in the region and was direct-mailed to over 170,000 households in the area. The guide layout is very user-friendly and encourages greater travel on southeast Los Angeles County transit systems.

During 2006, Long Beach Transit began a program to improve the mobility and access to our transit system by senior citizens. This senior outreach program involved partnering with several senior organizations and housing complexes to assist the Company in marketing orientation field trips to its members. The purpose of the trips is to introduce older adults to the Company's transit system and show participants first hand that public transit can be a convenient and accessible way to travel. With the number of Americans over 65 doubling in the next 20 years, these types of programs are necessary to assist seniors in meeting their daily travel needs.

For the past two years, Long Beach Transit has worked diligently to develop the Southern California Regional Transit Training Consortium (SCR TTC) to address transit training needs in the region. The Consortium is a partnership of community colleges and transit agencies for the purpose of developing affordable and accessible mechanical training courses to enhance the transit industry's challenge of maintaining new technologies and recruitment of potential future personnel. The SCR TTC was recently awarded over \$1 million dollars by the Federal government allowing the Consortium to actively begin preparing curriculum and coordinating agency participation.

On July 1, 2005, the Company implemented its first fare change in ten years. The base cash fare was left unchanged and a day pass was introduced to replace the local transfer. Customers have been very receptive to the day pass which offers one day of unlimited riding on all Long Beach Transit routes. It provides customers with the convenience of being able to board the bus numerous times throughout the day without worrying about paying a fare each time.

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.

# Long Beach Public Transportation Company

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## **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 2006 are on page 40. The cost per vehicle service hour increased 10% to \$83.12. This is due to three main factors. First, the labor agreement between the Amalgamated Transit Union Local 1589 and the Company, which expired in September 2004, was renewed. The settlement agreement provided a lump sum payment and an immediate 5% increase in wages to cover the first two years of the contract, including a wage increase retroactive to 2004. As a result, union wages increased almost \$1 million over the prior year. Second, fuel prices continued their steep climb, increasing 34% in one year adding an additional \$1.4 million in expenses. Lastly, both the workers compensation and casual and liability insurance programs experienced higher payouts and reserve increases totaling over \$700,000.

With the arrival of the new hybrid-electric buses and the retirement of older coaches, the miles between roadcalls jumped 25% in 2006. The average, 9,014 miles, is the highest ever for the Company and indicative of improved service reliability for our customers. While the number of preventative accidents rose 19% in fiscal year 2006, contributing to increases in casualty and liability expenses as noted above, new safety and training programs have recently been implemented to address this increase.

Despite these challenges, a recent analysis conducted by the Los Angeles County Metropolitan Transportation Authority indicated that on a cost-per-vehicle service hour basis, Long Beach Transit continues to be among the lowest cost major public transit operators in Los Angeles County.

### 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 2006 and prior years are shown on page 41.

Overall, 90% 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

Sky-rocketing increases in fuel prices continue to affect the way Long Beach Transit does business. Diesel and gasoline costs were at all-time highs. Per gallon diesel prices for June 2006 were 32% higher than in June 2005 and over a two-year period, diesel prices have risen 87%. The price per gallon of gasoline rose 42% in the last eight months of fiscal year 2006. Although fuel prices have recently begun to drop from record highs, it does not appear they will return to the levels seen in 2005.

# Long Beach Public Transportation Company

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When assessing the City of Long Beach's economic future, the Los Angeles Economic Development Corporation is forecasting a moderate growth in jobs and sales tax revenue for next year. The Long Beach area is expected to hit a new employment high for the year, with growth coming from health care, hospitality, and international trade. Hotel occupancy rates and air travel passenger loads continue to rise due to continued increases in Long Beach's tourism market. However, the potential shut down of Boeing's C-17 program in 2009 could affect as many as 10,000 workers and leave the City without any aerospace manufacturing. Even considering this, job growth is expected to rise 1.3% over the next year.

The majority of Long Beach Transit's subsidy revenue is sales tax based, so changes in retail sales affect subsidy levels. There has been a significant amount of new residential development in Downtown Long Beach. The attraction of new residents is expected to increase taxable sales. When combining this with favorable projected tourism numbers for next year, a 6% growth in tax revenues is projected for the immediate area. The Company will closely monitor the economy and rising 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 Company currently has no long-term debt and no immediate plans to issue debt to fund future capital acquisitions.

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. In July 2005, the Company increased fares for the first time in ten years. As a result, fare revenue increased 13% during fiscal year 2006. The amount of sales tax subsidies received each year are based on a regional formula comprised of fares, revenue miles and passengers.

## **Accounting System**

### Internal Control Structure

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

# Long Beach Public Transportation Company

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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.

## 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 2006. 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, 2006, 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 82% for the Contract Plan and Salaried Plan, respectively. The remaining unfunded future liability is being systematically funded over five years as part of the annual required contribution calculated by the actuary.

# Long Beach Public Transportation Company

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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 26 in note (10) of the notes to the accompanying basic financial statements.

## **INNOVATION AND RECOGNITION**

For the 15th 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, 2005.

A Certificate of Achievement is valid for a period of one year only. In order to receive the award, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report in compliance with the GFOA policies, procedures and program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

Long Beach Transit also received an award for Outstanding Financial Reporting from the California Society of Municipal Finance Officers (CSMFO) for the fiscal year ended June 30, 2005. The Company submitted the CAFR to CSMFO for recognition beginning in 2001 and has now received the award for the fifth straight year.

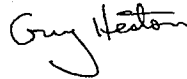
The Federal Transit Administration (FTA) has selected Long Beach Transit for special recognition. The Company's Title VI report, which analyzes routes, schedules, vehicle assignments and demographic trends to ensure service is provided without regard to race, color, or national origin, has been selected as a "best practice" for transit agencies and will be featured on FTA's regional website.

## **ACKNOWLEDGMENTS**

We wish to acknowledge the participation and professional contribution of KPMG LLP 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, 2005

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.



*Carla E. Perry*

President

*Jeffrey R. Ennis*

Executive Director



*California Society of  
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting 2004-05*

Presented to the

*Long Beach Transit*

*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

*February 24, 2006*



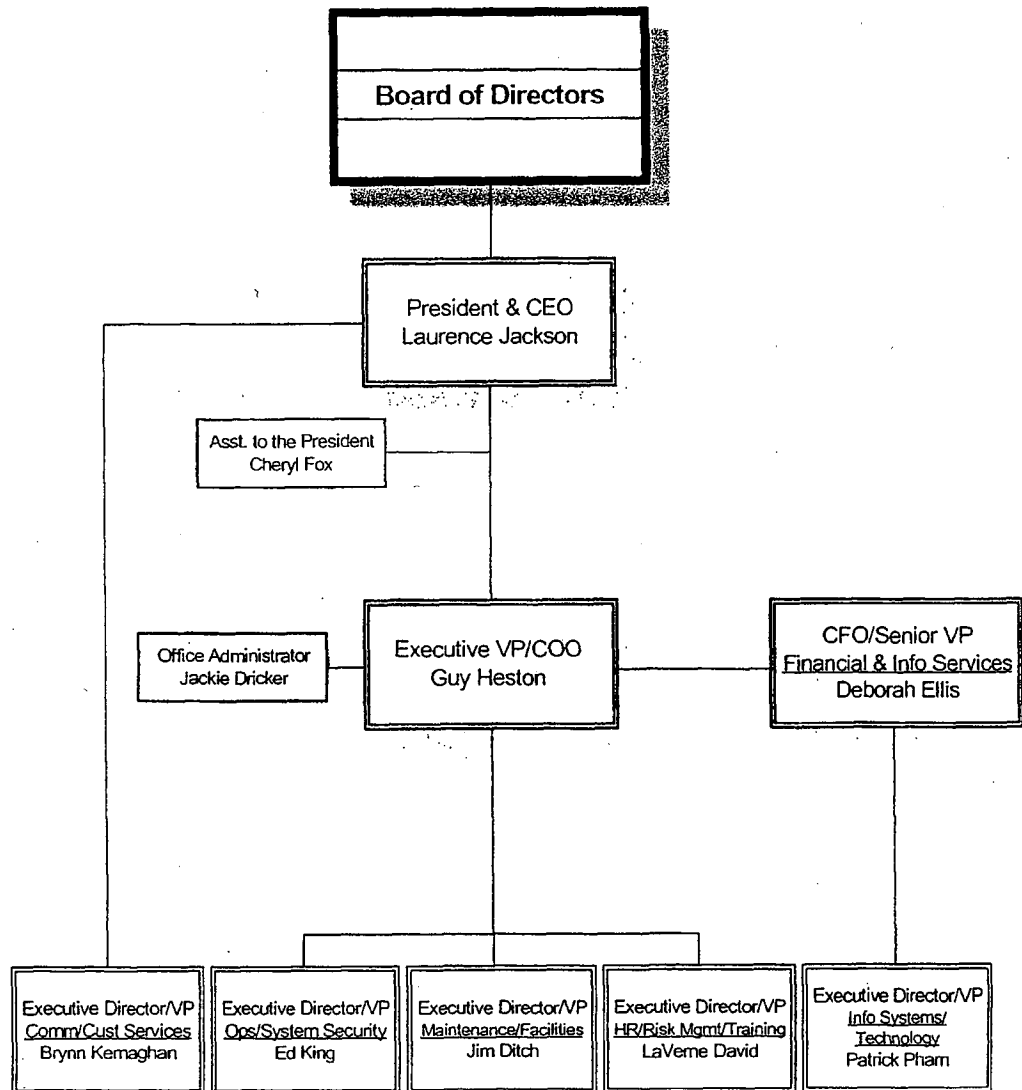
*William J. Stumpf*

Bill Thomas, Chair  
Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*

# Long Beach Public Transportation Company

## ORGANIZATION CHART



# Long Beach Public Transportation Company

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## Board of Directors

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Robert W. Parkin	Chairman of the Board
Terry Fiskin	Vice Chairman
Renee B. Simon	Secretary – Treasurer
Mark Curtis	Vice Secretary – Treasurer
Yolanda F. Benavidez	Director
Brigida A. Knauer	Director
Dr. James P. Norman, Jr.	Director
Christine F. Shippey	Ex Officio Member, City of Long Beach
Christine F. Andersen	Ex Officio Member, City of Long Beach

## Management

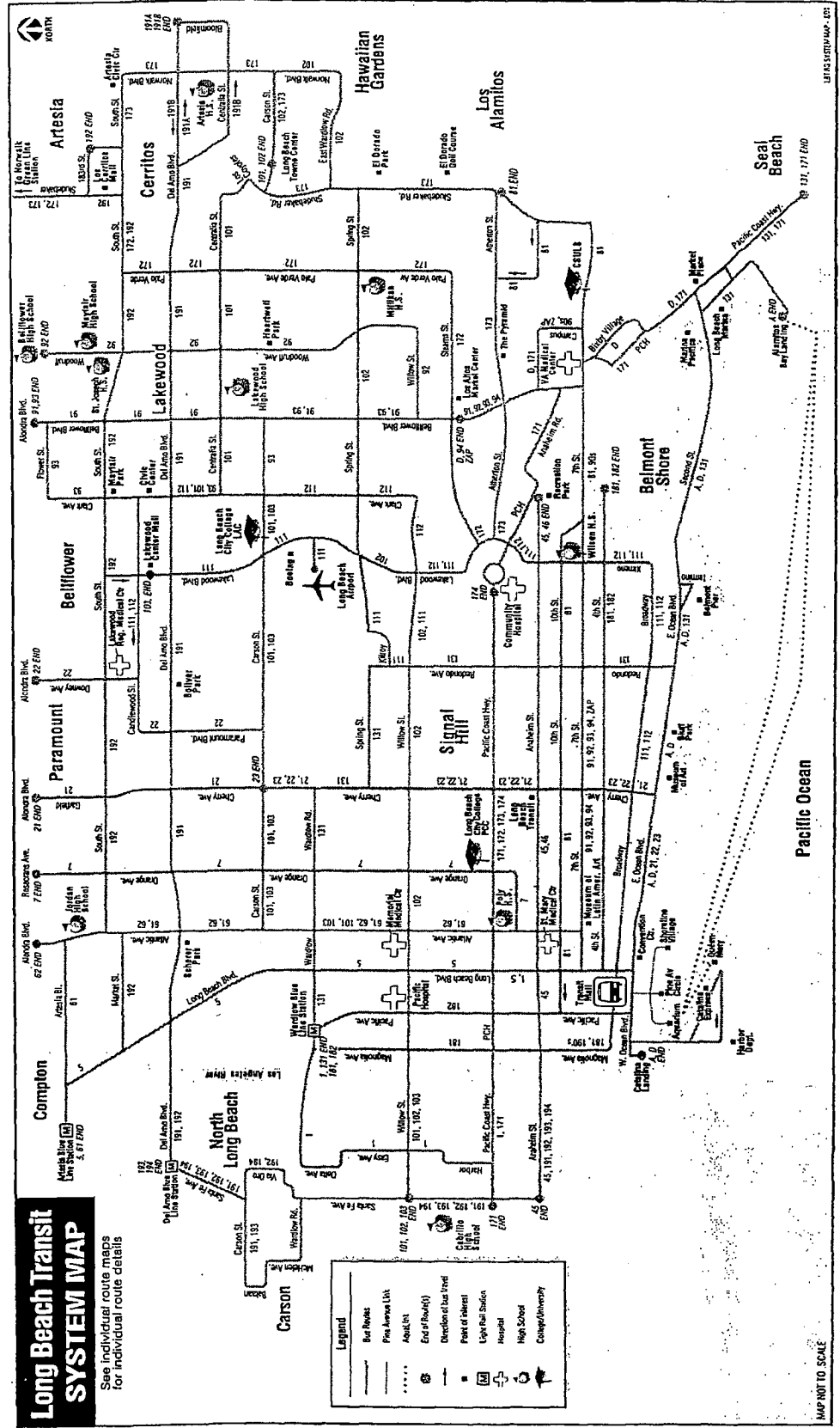
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Laurence W. Jackson	President & Chief Executive Officer
Guy Heston	Executive Vice President & Chief Operating Officer
Deborah Ellis	Senior Vice President & Chief Financial Officer Financial & Information Systems
Ed King	Executive Director, VP Operations & 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

# Long Beach Public Transportation Company

## Long Beach Transit SYSTEM MAP

See individual route maps for individual route details



# Long Beach Public Transportation Company

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financíal



FINANCIAL



KPMG LLP  
Suite 2000  
355 South Grand Avenue  
Los Angeles, CA 90071-1568

## Independent Auditors' Report

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 years ended June 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in note 1, the financial statements referred to above include only the financial activities of the 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 U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2006 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 on pages 3 to 9 and the pension supplementary information on pages 28 and 29 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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 opinions on the basic financial statements taken as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

September 8, 2006



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# Long Beach Public Transportation Company

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## 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, 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, 2006 by \$87.2 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 implemented a fare increase at the beginning of the fiscal year resulting in passenger fares rising 13% over FY 2005.
- Operating expenses before depreciation rose 7% over the prior year as fuel costs increased \$1.5 million or 35%. In addition, the Company incurred wage expenses related to the settlement of a new five year labor agreement.
- Net assets decreased \$4.3 million or 5% as annual depreciation expenses were greater than the amount of capital asset acquisitions 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 15-31 of this report.

### FINANCIAL STATEMENT ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the Company's financial position. In the case of Long Beach Transit, assets exceeded liabilities by \$87.2 million at the close of fiscal year 2006.

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 27,081,859	\$ 25,647,604	\$ 24,407,271
Other noncurrent assets	14,054,152	11,884,506	12,607,881
Capital assets, net	<u>83,588,365</u>	<u>87,934,270</u>	<u>72,060,726</u>
Total assets	<u>124,724,376</u>	<u>125,466,380</u>	<u>109,075,878</u>
Current liabilities	24,886,650	23,346,976	22,117,725
Noncurrent liabilities	<u>12,644,581</u>	<u>10,580,354</u>	<u>11,292,647</u>
Total liabilities	<u>37,531,231</u>	<u>33,927,330</u>	<u>33,410,372</u>
Net assets:			
Invested in capital assets	83,588,365	87,934,270	72,060,726
Restricted	113,048	166,914	166,914
Unrestricted	<u>3,491,732</u>	<u>3,437,866</u>	<u>3,437,866</u>
Total net assets	<u>\$ 87,193,145</u>	<u>\$ 91,539,050</u>	<u>\$ 75,665,506</u>

Almost all of Long Beach Transit's net assets (96% for fiscal years 2006 and 2005 and 95% for 2004) 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 2006 and \$3.4 million in 2004 and 2005) may be used to meet the Company's ongoing obligations arising from providing transportation service to the community.

In fiscal year 2006, Long Beach Transit's net assets decreased by \$4.3 million. This is 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.

For fiscal year 2005, the Company's net assets increased by almost \$16 million due to capital purchases exceeding annual depreciation expense by \$15.9 million. Long Beach Transit spent \$31.1 million for capital assets which included procurement of 43 new buses, installation of bus security cameras and other facility security enhancements, new passenger information kiosks in the transit mall and final payment on an advanced communication system.

# Long Beach Public Transportation Company

## Management's Discussion and Analysis, continued

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

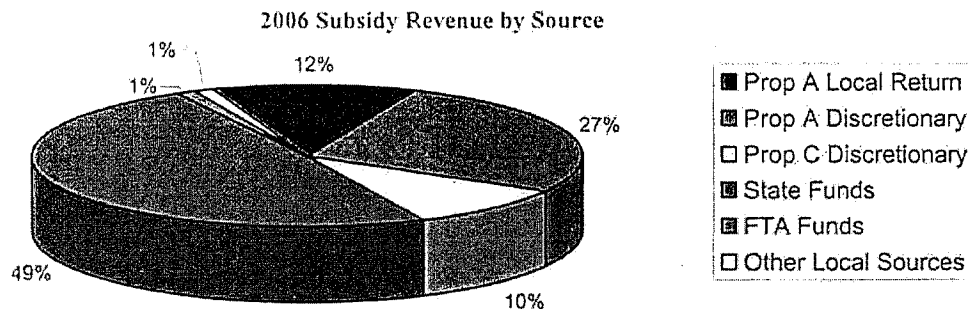
	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Operating revenues:</b>			
Passenger fares and special events	\$ 14,580,725	\$ 12,900,077	\$ 12,768,183
Advertising	724,158	743,750	906,250
Other	<u>28,316</u>	<u>17,558</u>	<u>30,861</u>
Total operating revenues	<u>15,333,199</u>	<u>13,661,385</u>	<u>13,705,294</u>
<b>Non-operating revenues:</b>			
Subsidies	42,078,890	40,444,529	40,615,870
Interest	<u>1,107,116</u>	<u>595,400</u>	<u>363,813</u>
Total non-operating revenues	<u>43,186,006</u>	<u>41,039,929</u>	<u>40,979,683</u>
Total revenues	<u>58,519,205</u>	<u>54,701,314</u>	<u>54,684,977</u>
<b>Expenses:</b>			
Transportation	29,156,285	27,366,019	27,723,568
Maintenance	16,800,999	15,781,778	14,154,855
Administration	12,561,921	11,553,517	12,806,554
Depreciation	<u>16,316,882</u>	<u>15,209,043</u>	<u>13,673,096</u>
Total expenses	<u>74,836,087</u>	<u>69,910,357</u>	<u>68,358,073</u>
Change before capital grants	(16,316,882)	(15,209,043)	(13,673,096)
Capital grants	<u>11,970,977</u>	<u>31,082,587</u>	<u>7,765,223</u>
Change in net assets	<u>\$ (4,345,905)</u>	<u>\$ 15,873,544</u>	<u>\$ (5,907,873)</u>

**Operating revenues.** Effective July 1, 2005, the Company implemented a fare increase which resulted in a 13% rise in passenger fares for fixed route services. Since fare revenue comprises 95% of operating revenues, total operating revenues also increased by 12%. Due to a soft advertising market, the Company's advertising revenue dropped in 2005 by 18% and held steady in fiscal year 2006. However, recent ad sales are on the rise and the Company will receive more advertising revenue in fiscal year 2007.

**Non-operating revenues.** Subsidies, which comprise 72% of total revenues both operating and non-operating, increased, \$1.6 million, or 4%, in 2006. This increase is a direct result of the higher expenses during the year from rising fuel prices and labor contract settlement costs. Even though the Company received more fare revenue in 2006, additional Proposition A Discretionary funds and State Transit Assistance funds were required to meet the Company's operational requirements. In 2005, subsidy revenue remained relatively flat. However, there was an increase in Federal preventative maintenance funds to account for the \$1.1 million loss in Proposition A and C funds no longer distributed by the Los Angeles County Metropolitan Transportation Authority (LACMTA). In 2005, investment returns increased after a two year decline. This trend continued in 2006, with investment income growing 86%, just over \$500,000.

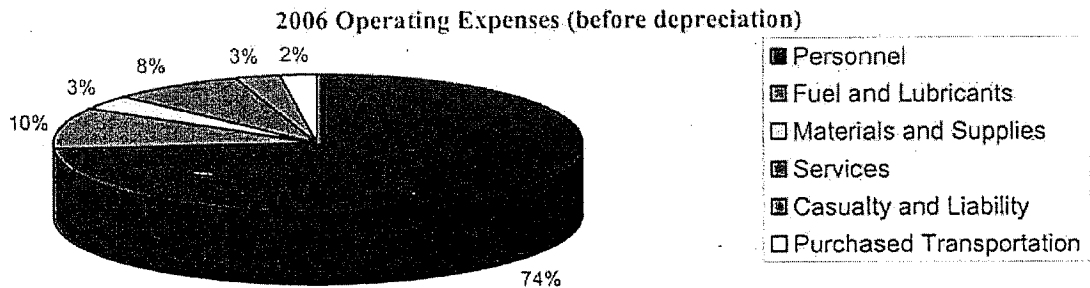
# Long Beach Public Transportation Company

## Management's Discussion and Analysis, continued



**Expenses.** Operating expenses, before depreciation, increased 7% in 2006. The Company experienced a 35%, \$1.5 million, increase in the cost of fuel. Over the last three years, fuel has risen 135%, and now comprises 10% of the Company's projected operating expenses. In addition, a new labor agreement was reached during the year resulting in a 5% wage increase in 2006 and a lump sum settlement payment. Workers compensation costs also rose 30% after declining in fiscal year 2005, primarily due to the high cost of older claims before the enactment of workers compensation state legislation intended to assist employers in reducing these costs.

While operating expenses remained flat in 2005, there were double-digit increases to health-care and fuel, but these increases were offset by savings in both the workers compensation and casualty and liability insurance programs, with reserves dropping 31%. In addition, while labor negotiations continued, there were no annual raises for contract employees except for step increases dictated by seniority.



Depreciation expense increased 7% for 2006. Although capital asset acquisitions declined almost \$20 million during the year, the receipt of 47 new buses during 2005 and early 2006 substantially increased annual depreciation costs. Depreciation receives no direct capital or operating funding. In 2005, depreciation expense increased 11% which was also attributed to the receipt of the new buses.

# 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, 2006, amounted to \$83.6 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 4.9%. Long Beach Transit had \$12 million in new capital contributions during the year, a decrease of \$19.1 million when compared to 2005. The Company took delivery of 4 new coaches in 2006, totaling \$2.8 million as well as a new farebox system costing \$3.8 million. 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, 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 4 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.

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land	\$ 5,525,000	\$ 5,525,000	\$ 5,525,000
Buildings and improvements	14,413,089	15,400,577	16,463,984
Fleet	50,460,451	57,020,001	38,557,681
Communications systems	2,460,954	3,647,786	4,454,446
Fare collection system	4,205,666	372,611	434,146
Office, shop and garage equipment	1,985,529	1,892,012	2,257,364
Passenger facilities	3,095,423	3,063,029	1,657,942
Construction in progress	<u>1,442,253</u>	<u>1,013,254</u>	<u>2,710,163</u>
Total assets, net of depreciation	<u>\$ 83,588,365</u>	<u>\$ 87,934,270</u>	<u>\$ 72,060,726</u>

# Long Beach Public Transportation Company

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## Management's Discussion and Analysis, continued

Long Beach Transit's investment in capital assets as of June 30, 2005, amounted to \$87.9 million (net of accumulated depreciation). Long Beach Transit had \$31.1 million in new capital contributions during the year, an increase of \$23.3 million when compared to 2004. As of June 30, 2005, the Company had \$37.3 million in grant funds designated for capital procurements. This is a \$3.1 million increase from the available balance at the end of fiscal year 2004.

Significant capital asset acquisitions during 2005 included the following:

- The procurement of 43 full-size hybrid-electric coaches to replace fully depreciated diesel vehicles at a cost of \$25 million.
- Routine replacement of engines, transmissions, tires, and shop and office equipment at a cost of \$2.3 million.
- Mid-life cosmetic upgrade for 16 coaches. Each coach received new windows, upholstery replacement where needed, re-painting and other improvements to make them look new. The rest of the fleet was detailed and received new window sealant and seats. Expenditures for both programs totaled \$750,000.
- The installation of a new bus security camera system on just over 50% of the fleet at a cost of \$670,000.

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 only 2% in 2007.

Even with a fare increase that took effect on July 1, 2005, the Company's ridership remained virtually unchanged during 2006, increasing less than 1%. The increase in fares produced \$1.7 million in additional revenue. The Company expects ridership to remain stable in 2007 resulting in limited increases in passenger revenues for the next year.

In preparing Long Beach Transit's financial plan for 2007, management forecast a 6.8% rise in expenses over the prior year. There are two major reasons for the proposed increase. The Company continues the process of restoring manpower and service levels that were reduced last year due to financial uncertainties caused by state-imposed regulations regarding operator meal and rest periods. This issue was resolved during the settlement of the recent labor agreement, and the Company is preparing to add 5,000 additional service hours on the heaviest-used routes during the next year.

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. Long Beach Transit has experienced a 135% increase in fuel costs over the last three years. The Company's 2007 financial plan includes another 6% rise above last year's numbers. Long Beach Transit has historically managed resources and lived within its means allowing the Company to weather the fuel increases over the next year. However, the Company cannot indefinitely absorb the higher fuel prices.

# Long Beach Public Transportation Company

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## Management's Discussion and Analysis, continued

Discussions are currently underway with the Los Angeles County Metropolitan Transportation Authority on the necessity of providing subsidy assistance to ensure existing service levels can be sustained in the years ahead.

The final financial plan approved in May 2006 for fiscal year 2007 totals \$62.6 million. In addition to the items discussed above, there is a 2.5% 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

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financial statements



# Long Beach Public Transportation Company

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## Statements of Net Assets June 30, 2006 and 2005

	Assets	
	2006	2005
Current assets:		
Cash and investments (note 2)	\$ 14,477,606	\$ 10,322,516
Accounts receivable (note 4)	1,466,954	2,361,891
Materials and supplies inventory	941,539	898,128
Prepaid expenses	179,786	143,333
Restricted and designated assets:		
Cash and investments (notes 2 and 5)	1,690,982	1,635,846
Accounts receivable (note 5)	5,033,885	7,278,414
Cash and investments designated for insurance claims (notes 2, 5 and 6)	3,291,107	3,007,476
Total current assets	27,081,859	25,647,604
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)	12,054,152	9,884,506
Capital Assets (note 8):		
Land	5,525,000	5,525,000
Buildings and improvements	31,870,886	31,232,051
Fleet	95,180,179	103,685,785
Communications systems	6,578,076	6,186,329
Fare collection system	5,054,251	1,914,465
Office, shop and garage equipment	15,383,525	14,547,026
Passenger facilities	6,268,397	5,070,017
Construction-in-progress	1,442,253	1,013,254
Less accumulated depreciation	(83,714,202)	(81,239,657)
Total net capital assets	83,588,365	87,934,270
Total noncurrent assets	97,642,517	99,818,776
Total assets	\$ 124,724,376	\$ 125,466,380

# Long Beach Public Transportation Company

## Statements of Net Assets, Continued June 30, 2006 and 2005

Liabilities and Net Assets		
	2006	2005
Current liabilities:		
Accounts payable	\$ 1,652,160	\$ 1,034,023
Payroll accrued expenses	488,549	1,201,014
Compensated absence payable (note 12)	1,864,041	1,798,872
Retiree health care benefits (note 12)	62,413	42,922
Subsidy deferral (note 9)	12,067,134	11,268,941
Current liabilities payable from restricted or designated assets:		
Deferred revenue (note 5)	5,461,246	4,993,729
Estimated liability for insurance claims (note 6)	3,291,107	3,007,475
<b>Total current liabilities</b>	<b>24,886,650</b>	<b>23,346,976</b>
Noncurrent liabilities:		
Liabilities payable from restricted or designated assets:		
Deferred revenue (note 5)	11,899,001	9,884,504
Retiree health care benefits (note 12)	745,580	695,850
<b>Total noncurrent liabilities</b>	<b>12,644,581</b>	<b>10,580,354</b>
<b>Total liabilities</b>	<b>37,531,231</b>	<b>33,927,330</b>
Net Assets:		
Invested in capital assets	83,588,365	87,934,270
Restricted	113,048	166,914
Unrestricted	3,491,732	3,437,866
<b>Total net assets</b>	<b>\$ 87,193,145</b>	<b>\$ 91,539,050</b>

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

# Long Beach Public Transportation Company

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## Statements of Revenues, Expenses and Changes in Net Assets Years Ended June 30, 2006 and 2005

	2006	2005
Operating revenues:		
Passenger fares	\$ 14,542,379	\$ 12,814,406
Special events	38,346	85,671
Advertising	724,158	743,750
Other revenue	28,316	17,558
Total operating revenues	15,333,199	13,661,385
Operating expenses:		
Transportation	29,156,285	27,366,019
Maintenance	16,800,999	15,781,778
Administration	12,561,921	11,553,517
Depreciation (note 8)	16,316,882	15,209,043
Total operating expenses	74,836,087	69,910,357
Operating loss	(59,502,888)	(56,248,972)
Nonoperating income:		
Subsidies (note 3)	42,078,890	40,444,529
Interest income	1,107,116	595,400
Total nonoperating income	43,186,006	41,039,929
Change in net assets before capital grants	\$ (16,316,882)	\$ (15,209,043)
Capital grants	11,970,977	31,082,587
Change in net assets	(4,345,905)	15,873,544
Total net assets, July 1	91,539,050	75,665,506
Total net assets, June 30	\$ 87,193,145	\$ 91,539,050

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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Cash received from customers	\$ 15,197,532	\$ 13,943,329
Cash paid to employees for services	(28,330,635)	(28,918,397)
Cash paid to other suppliers of goods or services	<u>(29,908,287)</u>	<u>(27,229,668)</u>
Net cash used in operating activities	<u>(43,041,390)</u>	<u>(42,204,736)</u>
Cash flows provided by noncapital financing activities:		
Operating subsidies received	<u>44,066,769</u>	<u>43,495,869</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	381,503	100,322
Purchase of capital assets	(11,970,978)	(31,082,587)
Capital grant contributions received	<u>16,307,539</u>	<u>26,924,290</u>
Net cash provided by (used in) capital and related financing activities	<u>4,718,064</u>	<u>(4,057,975)</u>
Cash flows provided by investing activities - interest received on cash and investments	<u>920,060</u>	<u>511,820</u>
Net increase (decrease) in cash and cash equivalents	6,663,503	(2,255,022)
Cash and cash equivalents, July 1	<u>26,850,344</u>	<u>29,105,366</u>
Cash and cash equivalents, June 30 (note 2)	<u>\$ 33,513,847</u>	<u>\$ 26,850,344</u>

# Long Beach Public Transportation Company

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## Statements of Cash Flows, Continued Years Ended June 30, 2006 and 2005

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	<u>2006</u>	<u>2005</u>
Operating loss	\$ (59,502,888)	\$ (56,248,972)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	16,316,882	15,209,043
Decrease (increase) in accounts receivable from operations	(82,936)	223,425
Increase in materials and supplies inventories	(43,411)	(97,277)
Decrease (increase) in prepaid expenses	(36,453)	46,267
Increase in accounts payable	618,137	24,755
Increase (decrease) in accrued payroll expenses and compensated absences payable	(578,075)	6,707
Increase (decrease) in estimated liability for insurance claims	283,632	(1,380,936)
Increase (decrease) in other deferred revenue	(16,278)	12,252
Total adjustments	<u>16,461,498</u>	<u>14,044,236</u>
Net cash used in operating activities	<u>\$ (43,041,390)</u>	<u>\$ (42,204,736)</u>

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

# Long Beach Public Transportation Company

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## Notes to Financial Statements June 30, 2006 and 2005

### (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

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## Notes to Financial Statements, Continued

The Company adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, effective July 1, 2004.

### 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 2006 and 2005.

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

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## 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 grant 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 2006 and 2005.

### Reclassifications

Certain reclassifications have been made to amounts reported in 2005 in order to conform with the current year's presentation. Such reclassifications had no effect on previously reported change in net assets.

### (2) Cash and Investments

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

	<u>2006</u>	<u>2005</u>
Current unrestricted cash and investments	\$ 14,477,606	\$ 10,322,516
Current restricted and designated cash and investments	1,690,982	1,635,846
Current cash and investments designated for insurance claims	3,291,107	3,007,476
Noncurrent restricted cash and investments	<u>14,054,152</u>	<u>11,884,506</u>
Total cash and investments	<u>\$ 33,513,847</u>	<u>\$ 26,850,344</u>

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

	<u>2006</u>	<u>2005</u>
Cash on hand	\$ 75,641	\$ 90,872
Deposits with financial institutions	479,553	1,545,876
Investments	<u>32,958,653</u>	<u>25,213,596</u>
Total cash and cash deposits	<u>\$ 33,513,847</u>	<u>\$ 26,850,344</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, 2006, 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

### Diclosures 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 133 days.

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 20, 2006 and 2005, respectively.

	<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>	

# Long Beach Public Transportation Company

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## Notes to Financial Statements, Continued

	<u>2005</u>	<u>Maturity Date</u>
State Investment Pool (LAIF) Repurchase Agreement (Overnight Sweep Account)	\$ 24,713,596 <u>500,000</u>	180 days average maturity July 1, 2005
Total	\$ <u>25,213,596</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.

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.

# Long Beach Public Transportation Company

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## Notes to Financial Statements, Continued

### (3) Operating Subsidies

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

	<u>2006</u>	<u>2005</u>
Proposition A, County of Los Angeles	\$ 11,333,677	\$ 7,956,295
TDA and STA, State of California	20,655,260	18,236,348
Proposition C, County of Los Angeles	4,145,171	5,296,405
Proposition A Allocation, City of Long Beach	5,014,805	5,740,953
Preventative Maintenance, Federal/State	302,184	2,533,066
Other local sources	627,793	681,462
Total	<u>\$ 42,078,890</u>	<u>\$ 40,444,529</u>

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

	<u>2006</u>	<u>2005</u>
Subsidies	\$ 745,581	\$ 1,910,509
Interest	370,356	183,301
Trade	351,017	268,081
Total	<u>\$ 1,466,954</u>	<u>\$ 2,361,891</u>

Accounts are written off when determined to be uncollectible. In the opinion of management, all significant accounts receivable at June 30, 2006 and 2005 are fully collectible.

### (5) Restricted and Designated Assets and Deferred Revenues

At June 30, 2006 and 2005, the balance of restricted and designated assets and deferred revenue accounts were as follows:

#### Restricted and Designated Assets

	<u>2006</u>	<u>2005</u>
Current cash and investments:		
Proposition A funds, City of Long Beach	\$ 1,685,270	\$ 1,613,856
Other	5,712	21,990
Cash and investments designated for Insurance claims	3,291,107	3,007,476
Total current cash and investments	<u>4,982,089</u>	<u>4,643,322</u>
Noncurrent cash and investments:		
Board mandated contingency reserve	2,000,000	2,000,000
Capital grant funds	12,054,152	9,884,506
Total noncurrent cash and investments	<u>14,054,152</u>	<u>11,884,506</u>
Total restricted and designated cash and investments:	<u>\$ 19,036,241</u>	<u>\$ 16,527,828</u>
Accounts receivable:		
Proposition A funds due from City	\$ 3,770,264	\$ 3,311,226
Capital grants receivable	1,263,621	3,967,188
Total restricted and designated accounts receivable	<u>\$ 5,033,885</u>	<u>\$ 7,278,414</u>

# Long Beach Public Transportation Company

## Notes to Financial Statements, Continued

	<u>Deferred Revenues</u>	
	<u>2006</u>	<u>2005</u>
Current deferred revenue:		
Proposition A funds, City of Long Beach	\$ 5,455,534	4,971,739
Other	5,712	21,990
Total current deferred revenue	<u>5,461,246</u>	<u>4,993,729</u>
Noncurrent deferred revenue:		
Capital grant funds	11,215,814	9,408,442
Revenue financing	683,187	476,062
Total non current deferred revenue	<u>11,889,001</u>	<u>9,884,504</u>
Total deferred revenue	<u>\$ 17,350,247</u>	<u>14,878,233</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 grant revenue.

Capital grants receivable are grant funds earned and shown as capital grant 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 grant 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 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 from its members will be used to pay administrative development costs.

### (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 2006, 2005, and 2004.

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 2006. However, in fiscal year 2005, the Company's risk retention level for worker's compensation increased from \$2 million to \$3 million due to rising premiums in the market.

# 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, 2003	\$ 1,402,784	\$ 2,248,311	\$ 3,651,095
Reserves:			
New claims	626,785	269,517	896,302
Adjustments to existing claims	819,248	3,011,983	3,831,231
Payouts	<u>(1,160,076)</u>	<u>(2,830,141)</u>	<u>(3,990,217)</u>
Estimated liabilities at June 30, 2004	1,688,741	2,699,670	4,388,411
Reserves:			
New claims	586,259	463,924	1,050,183
Adjustments to existing claims	165,669	1,547,357	1,713,026
Payouts	<u>(1,647,088)</u>	<u>(2,497,057)</u>	<u>(4,144,145)</u>
Estimated liabilities at June 30, 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	<u>(2,542,672)</u>	<u>(715,823)</u>	<u>(3,258,495)</u>
Estimated liabilities at June 30, 2006	<u>\$ 995,056</u>	<u>\$ 2,296,051</u>	<u>\$ 3,291,107</u>

### (7) Deferred Compensation

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

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



# Long Beach Public Transportation Company

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## Notes to Financial Statements, Continued

### (8) Capital Assets

Capital asset activity for the years-ended June 30, 2006 and 2005 was as follows:

	Balance at June 30, 2005	Transfers	Increases	Decreases	Balance at June 30, 2006
<b>Capital assets not being depreciated:</b>					
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>
<b>Capital assets being depreciated:</b>					
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>
<b>Less accumulated depreciation:</b>					
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)	---	(1,578,879)	---	(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>
<b>Total capital assets, being depreciated, net</b>	<u>81,396,016</u>	<u>537,045</u>	<u>(5,311,949)</u>	<u>---</u>	<u>76,621,112</u>
<b>Total capital assets, net</b>	<u>\$87,934,270</u>	<u>\$ ---</u>	<u>\$(4,345,905)</u>	<u>\$ ---</u>	<u>\$83,588,365</u>

# Long Beach Public Transportation Company

## Notes to Financial Statements, Continued

	Balance at June 30, 2004	Transfers	Increases	Decreases	Balance at June 30, 2005
<b>Capital assets not being depreciated:</b>					
Land	\$ 5,525,000	\$ ---	\$ ---	\$ ---	\$ 5,525,000
Construction in progress	2,710,163	(2,369,370)	672,461	---	1,013,254
Total capital assets not being depreciated	<u>8,235,163</u>	<u>(2,369,370)</u>	<u>672,461</u>	<u>---</u>	<u>6,538,254</u>
<b>Capital assets being depreciated:</b>					
Buildings & improvements	30,678,068	140,572	413,411	---	31,232,051
Fleet	76,330,368	307,583	27,504,125	(456,291)	103,685,785
Communications systems	5,535,286	11,433	639,610	---	6,186,329
Fare collection system	1,900,404	(183,669)	197,730	---	1,914,465
Office, shop & garage equipment	13,648,110	38,687	1,198,551	(338,322)	14,547,026
Passenger facilities	2,558,554	2,054,764	456,699	---	5,070,017
Total capital assets being depreciated	<u>130,650,790</u>	<u>2,369,370</u>	<u>30,410,126</u>	<u>(794,613)</u>	<u>162,635,673</u>
<b>Less accumulated depreciation:</b>					
Buildings & improvements	(14,214,084)	---	(1,617,390)	---	(15,831,474)
Fleet	(37,772,687)	---	(9,349,388)	456,291	(46,665,784)
Communications systems	(1,080,840)	---	(1,457,703)	---	(2,538,543)
Fare collection system	(1,466,258)	---	(75,596)	---	(1,541,854)
Office, shop & garage equipment	(11,390,746)	---	(1,602,590)	338,322	(12,655,014)
Passenger facilities	(900,612)	---	(1,106,376)	---	(2,006,988)
Total accumulated depreciation	<u>(66,825,227)</u>	<u>---</u>	<u>(15,209,043)</u>	<u>794,613</u>	<u>(81,239,657)</u>
<b>Total capital assets, being depreciated, net</b>	<u>63,825,563</u>	<u>2,369,370</u>	<u>15,201,083</u>	<u>---</u>	<u>81,396,016</u>
<b>Total capital assets, net</b>	<u>\$ 72,060,726</u>	<u>\$ ---</u>	<u>\$ 15,873,544</u>	<u>\$ ---</u>	<u>\$ 87,934,270</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

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## 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 \$12,067,134 and \$11,268,941, for 2006 and 2005, respectively, have been included in the accompanying financial statements.

### (10) Pension Benefits

#### Plan Description

The Company sponsors two single employer defined benefit pension plans: one for contract employees, the Long Beach Public Transportation Retirement Plan - Contract Employees (Contract Plan), and one for salaried employees, the Long Beach Public Transportation Retirement Plan - Salaried Employees (Salaried Plan).

The Company's payroll for employees covered by each plan for the years ended June 30, 2006 and 2005 was \$21,628,593 and \$20,859,915 for the Contract Plan, respectively, and \$7,954,923 and \$7,849,876 for the Salaried Plan, respectively. Total Company payroll for 2006 and 2005 was \$29,908,287 and \$28,918,397, 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.

#### 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).

# Long Beach Public Transportation Company

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## Notes to Financial Statements, Continued

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.

### Termination

The Plan may be amended, altered or modified, or a successor plan may be adopted at any time with the consent of the employer 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 Plan.

### Contributions

Plan members are not required or allowed to make contributions to the Plan. The Company is required to make contributions at an actuarially determined rate. Administrative costs of the Plan are financed through investment earnings. 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

## Notes to Financial Statements, Continued

### Funding Progress

The information presented in the following tables was computed as part of an actuarial valuation performed as of July 1, 2006. Significant actuarial information used in the valuation include:

- |                                 |  |
|---------------------------------|--|
| • Actuarial cost method         | Entry age normal cost frozen initial liability |
| • Amortization method           | Level percent closed                           |
| • Remaining amortization period | 5 years  |
| • Asset valuation method        | Market value                                   |
| • Investment rate of return     | 8%   |
| • Projected salary increases*   | 4.0%   |
| *includes inflation at 1.5%     |  |
| • Cost-of-living adjustments    | None   |

The following tables (which are unaudited) summarize employer contributions required (based on the actuarial valuations) and contributions made for the years ended June 30:

### Contract Plan

Year ended June 30	Annual required contribution	Annual required contribution as a percentage of covered payroll	Percentage contributed
2006	\$ 2,055,584	10.0828%	100%
2005	1,910,696	9.1104	100
2004	2,099,246	10.4870	100
2003	1,908,129	9.9447	100
2002	1,456,659	7.8788	100
2001	1,299,915	5.7966	100
2000	1,735,515	10.0202	100
1999	1,045,522	6.2519	100
1998	1,356,348	7.9979	100
1997	1,536,052	9.2183	100

### Salaried Plan

Year ended June 30	Annual required contribution	Annual required contribution as a percentage of covered payroll	Percentage contributed
2006	\$ 1,060,300	12.8813%	100%
2005	1,052,894	13.3531	100
2004	1,194,982	15.4162	100
2003	1,241,173	16.5378	100
2002	938,473	13.5389	100
2001	697,882	11.4635	100
2000	694,540	10.8378	100
1999	396,320	6.2380	100
1998	392,620	7.3664	100
1997	395,815	8.2257	100

# Long Beach Public Transportation Company

## Notes to Financial Statements, Continued

The following tables (which are unaudited) summarize the status of funding progress based on the actuarial valuations performed as of the dates indicated. The actuarial accrued liability (AAL) is calculated using the entry age method in accordance with GASB. The unfunded AAL (UAAL) is calculated using another method in accordance with the plan document (dollar amounts in thousands):

### Contract Plan

Actuarial valuation date (July 1)	(a) Actuarial value of assets	(b) Actuarial liability (AAL) – entry age	(b-a) Unfunded (Funding Excess) (AAL)	((a/b) Funded ratio	(c) Covered payroll	((b-a)/c) UAAL as a percentage of covered payroll
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
2003	20,209	26,155	5,916	77.27	19,213	30.79
2002	18,859	24,486	5,627	77.02	18,492	30.43
2001	21,393	29,320	7,927	72.96	18,641	42.52
2000	23,820	23,470	(350)	101.49	17,179	(2.03)
1999	23,445	26,195	2,750	89.50	16,986	16.19
1998	22,987	22,009	(978)	104.44	16,197	(6.04)
1997	20,036	21,698	1,662	92.34	16,028	10.37

### Salary Plan

Actuarial valuation date (July 1)	(a) Actuarial value of assets	(b) Actuarial 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
2003	8,793	13,248	4,455	66.37	7,517	59.27
2002	6,879	11,453	4,574	60.06	6,999	65.35
2001	6,914	11,047	4,133	62.59	6,413	64.45
2000	7,263	9,522	2,259	76.28	6,435	35.10
1999	6,401	8,465	2,064	75.62	5,801	35.58
1998	7,055	6,979	(76)	101.09	5,177	(1.47)
1997	5,972	6,211	239	96.15	4,853	4.92

# Long Beach Public Transportation Company

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## Notes to Financial Statements, Continued

### (11) 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, 2006:

<u>Vendor</u>	<u>Project</u>	<u>Amount</u>	<u>Expected Completion</u>
New Flyer of America	Bus Replacement	\$ 8,199,399	June 2007
Charles E. Thomas Company	Fuel Tank Upgrade	1,408,979	January 2007
Cinedyne Services	Bus Rehab	620,246	June 2007
Turnpoint Solutions	Software Upgrade	300,000	November 2006
Goodyear Tires	Tires	249,887	July 2007
Creative Bus Sales	Dial-A-Lift Vans	246,876	February 2007
Sardo Bus & Coach	Bus Detailing	227,331	February 2007
Cubic Transportation Systems	Farebox Replacement	108,894	June 2008
Miralles Associates	A&E Services	123,945	October 2006

#### Lease Obligations

FTA regulations allow the Company's tire leases to be capitalized and depreciated over a twelve (12) month period. Under the terms of the leases, the vendors supply the tires and invoice the Company based on monthly mileage. There are no minimum guarantee payments required in the contracts. Total lease costs were \$500,742 and \$457,457 for the years ended June 30, 2006 and 2005, respectively.

# Long Beach Public Transportation Company

## Notes to Financial Statements, Continued

### (12) 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, 2006 and 2005 accrued unpaid vacation for all Company employees amounted to \$1,864,041 and \$1,798,872, respectively.

<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

<u>Balance 6/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/05</u>	<u>Due Within One Year</u>
\$ 1,831,057	\$ 1,798,872	(\$ 1,831,057)	\$ 1,798,872	\$ 1,798,872

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 \$130,979 and \$145,957 under this program during 2006 and 2005, 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 62 and 50 participants in the Company's REHIP at June 30, 2006 and 2005, respectively, and the cash value equivalent of the remaining unused sick leave for the current retirees totaled \$398,311 and \$262,829, respectively. Total premiums paid by the Company under the REHIP during the fiscal year ended June 30, 2006 and 2005, were \$79,808 and \$57,632, 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 \$807,993 and \$738,772 at June 30, 2006 and 2005, respectively.

<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

<u>Balance 6/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/05</u>	<u>Due Within One Year</u>
\$ 723,156	\$ 73,248	(\$ 57,632)	\$ 738,772	\$ 42,922



statistics



STATISTICS

# Long Beach Public Transportation Company

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## 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 1997 - 2006

Exhibit 1

	Invested in Capital Assets (2)	Restricted	Unrestricted	Total
1997	\$ 47,018,572	\$ ---	\$ 5,695,722	\$ 52,714,294
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

- (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 1997 - 2006

Exhibit 2

	Personnel Wages & Benefits	Fuel & Lubricants	Supplies & Materials	Services	Casualty & Liability	Purchased Transportation	Depreciation	Total
1997	\$ 27,854,653	\$ 1,824,861	\$ 1,846,759	\$ 2,422,087	\$ 985,766	\$ 1,621,720	\$ 5,259,187	\$41,815,033
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

# Long Beach Public Transportation Company

## Financial Trends Changes in Net Assets 1997 - 2006

Exhibit 3

Expenses	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Transportation	\$22,824,781	\$ 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
Maintenance	7,016,537	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
Risk Management	2,237,670	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
Marketing &										
Customer Service	962,688	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
General										
Administration	3,514,170	3,835,675	4,337,362	4,487,131	4,515,890	4,803,586	5,194,133	5,466,298	6,034,166	6,206,439
Depreciation	5,259,187	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
Total Expenses	\$41,815,033	\$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
Revenues										
Passenger Fares	\$11,213,565	\$ 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
Special Events	197,154	73,338	64,598	64,738	120,365	26,150	85,589	91,467	85,671	38,346
Advertising	404,650	483,883	514,248	640,000	962,666	937,932	787,856	906,250	743,750	724,158
Subsidies	23,891,493	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
Interest & Other	848,984	1,079,780	1,341,057	1,353,579	1,133,334	536,630	385,032	394,674	612,958	1,135,432
Total Revenues	\$36,555,846	\$ 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
Net Expense	\$ (5,259,187)	\$ (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)
Capital Grants	16,449,872	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
Change in Net Assets	\$11,190,685	\$ 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)

# Long Beach Public Transportation Company

Exhibit 4

## Financial Trends Capital Expenditures By Type 1997 - 2006

Fiscal Year	Facilities	Fleet	Passenger Facilities	AVL, Farebox & Radio Equipment	Furniture & EDP Equipment	Shop & Garage Equipment	Total
1997	\$ 2,016,527	\$ 14,149,571	\$ 55,702	\$ 171,931	\$ 1,042,747	\$ 111,032	\$ 17,547,510
1998	9,656,543	6,750,622	105,695	37,887	326,300	37,808	16,914,855
1999	2,832,711	4,058,174	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	6,940,198	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

# Long Beach Public Transportation Company

## Revenue Capacity Operating Subsidy Sources 1997 - 2006

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
1997	\$ 1,570,636	\$ 5,695,500	\$ 3,682,296	\$12,540,789	\$ ---	\$ 402,272	\$ 23,891,493
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

## Revenue Capacity Farebox Recovery Percentage 1997 - 2006

Exhibit 6

<u>Year</u>	<u>Percentage</u>
1997	32.5%
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

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

# Long Beach Public Transportation Company

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## Revenue Capacity Fare History 1997 - 2007

Exhibit 7

	<u>1997-1998</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

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## Demographic and Economic Information City of Long Beach Demographic Statistics 1996-2005\*

Exhibit 8

Fiscal Year Ended June 30	Estimated Population (A)	Median Age (B)	Public School Enrollment (C)	Unemployment Rate (D)
1996	425,807	29.8	88,530	8.2%
1997	441,718	29.0	91,932	6.6
1998	446,227	28.9	89,408	6.2
1999	452,905	29.0	91,465	5.6
2000	457,608	29.0	94,527	5.5
2001	461,522	30.8	95,193	5.7
2002	473,131	31.0	97,369	6.3
2003	480,973	N/A	97,370	6.4
2004	487,100	N/A	97,560	5.9
2005	491,564	N/A	96,319	6.5

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Sources:

- (A) California Department of Finance. In 1996, the City of Long Beach Planning and Building Department calculated the city population based on the redistricting to be 425,807. The estimated population per the California Department of Finance for fiscal year 1996 was 437,708.
- (B) The City of Long Beach, Department of Planning and Building Advance Planning Division's estimates are used for fiscal years 1996 through 2002. As of fiscal year 2003, Advanced Planning no longer compiles this estimate.
- (C) California Department of Education. Annual school census from Long Beach Unified School District for preschool, grades Kindergarten through 12.
- (D) Average annual rate for Los Angeles County reported by California Employment Development Department (EDD).

N/A - not available.

\* Data not available for 2006.



# Long Beach Public Transportation Company

## Demographic and Economic Information City of Long Beach Summary of Major Employers September 30, 2005\*

Exhibit 9

Employer	2005 Number of Employees	Rank	1996 Number of Employees	Rank
Boeing, N.A. (Previously - McDonnell Douglas)	9,175	1	19,000	1
Long Beach Unified School District	9,050	2	6,536	2
City of Long Beach	6,153	3	4,203	3
Pacific Maritime Association	5,120	4	---	---
Long Beach Memorial Medical Center	4,675	5	3,706	5
California State University, Long Beach	4,050	6	4,032	4
Veterans Affairs Medical Center	2,345	7	2,747	6
Long Beach City College	1,810	8	1,221	13
St. Mary Medical Center	1,765	9	1,515	10
U.S. Postal Service	980	10	1,946	7
Ralphs	885	11	---	---
Pacific Hospital of Long Beach	800	12	---	---
CSULB Foundation	710	13	---	---
Long Beach Transit	695	14	---	---
Target Stores	670	15	---	---
Sam's Club	670	15	---	---
Bank of America	---	---	1,923	8
GTE California	---	---	1,700	9
The Braggs Companies	---	---	1,500	11
Edison International	---	---	1,365	12
State of California	---	---	1,350	13
Long Beach Community Hospital	---	---	1,100	15

Source: City of Long Beach, Department of Community Development, Long Beach Major Employer Directory.

\* This is the latest information available.

# Long Beach Public Transportation Company

## Operating Information Key Performance Indicators 1997 - 2006

Exhibit 10

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Fixed Route</b>										
Operating Cost Per Vehicle Service Hour	\$55.70	\$58.22	\$60.19	\$63.63	\$70.16	\$70.74	\$73.74	\$76.52	\$75.64	\$83.12
Operating Cost Per Passenger	\$ 1.44	\$ 1.41	\$ 1.40	\$ 1.55	\$ 1.74	\$ 1.79	\$ 1.89	\$ 1.96	\$ 1.95	\$ 2.08
Roadcalls	n/a	n/a	1,446	1,349	1,158	942	1,034	978	1,133	871
Miles Between Roadcalls	6,046	5,906	5,214	6,704	6,511	7,207	7,338	8,257	7,211	9,014
Total Accidents	794	804	829	745	902	837	819	854	754	883
Preventable Accidents	n/a	n/a	n/a	138	157	143	105	139	138	164
Preventable Accidents Per 100,000 Miles	n/a	n/a	n/a	1.96	2.23	2.01	1.34	1.72	1.69	2.09
Passengers per Vehicle Service Hour	41	42	43	44	45	45	43	41	41	40
Service Delivery Rate	n/a	n/a	n/a	n/a	99.95%	99.99%	99.75%	99.72%	99.73%	99.35%
Number of Vehicles	n/a	n/a	n/a	202	219	224	221	221	228	229
Number of Employees	n/a	551	604	612	616	672	711	715	691	680
<b>Special Services</b>										
Dial-A-Lift Cost Per Passenger	\$20.38	\$21.51	\$13.68	\$11.87	\$12.45	\$12.71	\$13.42	\$14.71	\$15.97	\$18.57
Dial-A-Lift Passengers Per Vehicle Service Hour	2.3	2.2	2.2	3.3	4.2	5.1	5.6	6.1	5.9	5.3
Number of Dial-A-Lift Vehicles	n/a	n/a	n/a	22	23	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
Water Taxi Passengers Per Vehicle Service Hour *	---	---	31.9	13.1	10.6	12.9	18.1	15.6	18.56	14.03
Number of Water Taxi Vessels *	---	---	2	2	2	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 1995-2006\*

Exhibit 11

<u>Service Element</u>	<u>% of Customers Rating Favorably</u>									
	<u>1995</u>	<u>1996</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2006</u>
LBT Overall	94	87	92	91	96	94	92	94	92	90
LBT Compared to Others	93	90	86	94	92	86	87	88	91	87
Driver Appearance	94	97	97	96	98	100	96	96	96	97
Fares	80	91	94	91	91	89	90	94	92	88
Transfers	88	88	89	89	93	91	93	92	85	--
Driver Courtesy	93	85	92	89	92	89	86	89	86	90
Driver Safety	95	93	95	97	95	92	91	93	92	93
On Board Safety	---	82	95	94	92	93	90	91	88	91
Route Convenience	91	88	91	91	93	90	93	96	85	92
Information Available	87	86	89	92	92	90	91	89	89	88
Telephone Information	92	83	92	88	88	88	86	86	86	81
Bus Stop Safety	86	80	91	90	90	92	87	84	83	86
Bus Stop Convenience	---	94	93	93	94	95	96	94	---	94
Schedule Reliability	80	64	66	82	80	82	75	84	69	74
Bus Cleanliness	83	84	91	92	88	88	88	90	79	84
Bus Stop Cleanliness	63	63	76	88	85	84	82	74	80	81
Customer Satisfaction Index**	87	85	90	91	91	90	89	90	86	88

Source: Annual community survey.

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

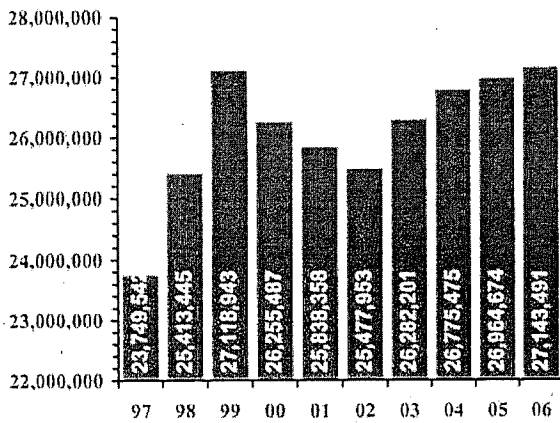
\*\* The customer satisfaction index is an average of the above ratings.

# Long Beach Public Transportation Company

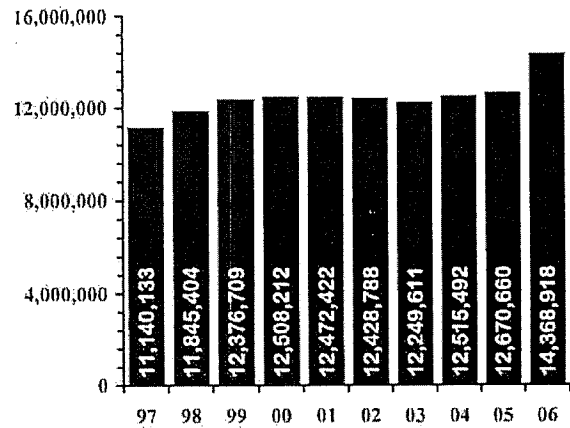
## Operating Information Fixed Route Statistics 1997 - 2006

Exhibit 12

Annual Ridership

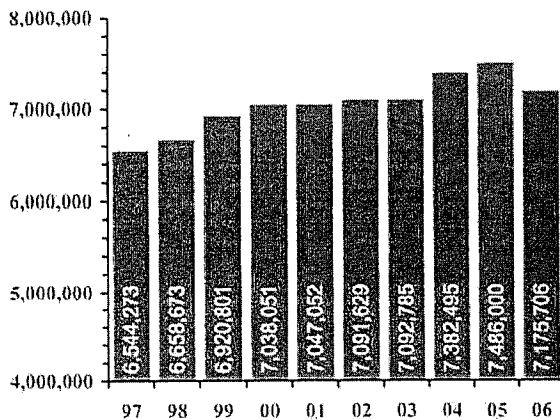


Annual Passenger Fare Revenues

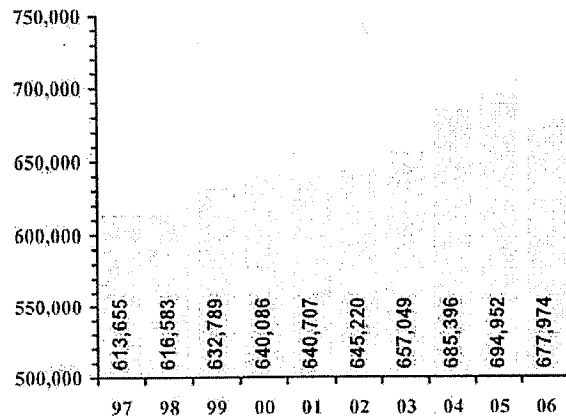


Effective July 1, 2005, Long Beach Transit implemented a fare increase resulting in an additional 13% in fare revenues for the fiscal year. Service levels were reduced during 2006 due to financial uncertainties caused by state-imposed regulations regarding operator meal and rest periods. This issue was successfully resolved during labor negotiations and the Company is in the process of restoring service levels to 2005 levels.

Annual Revenue Miles



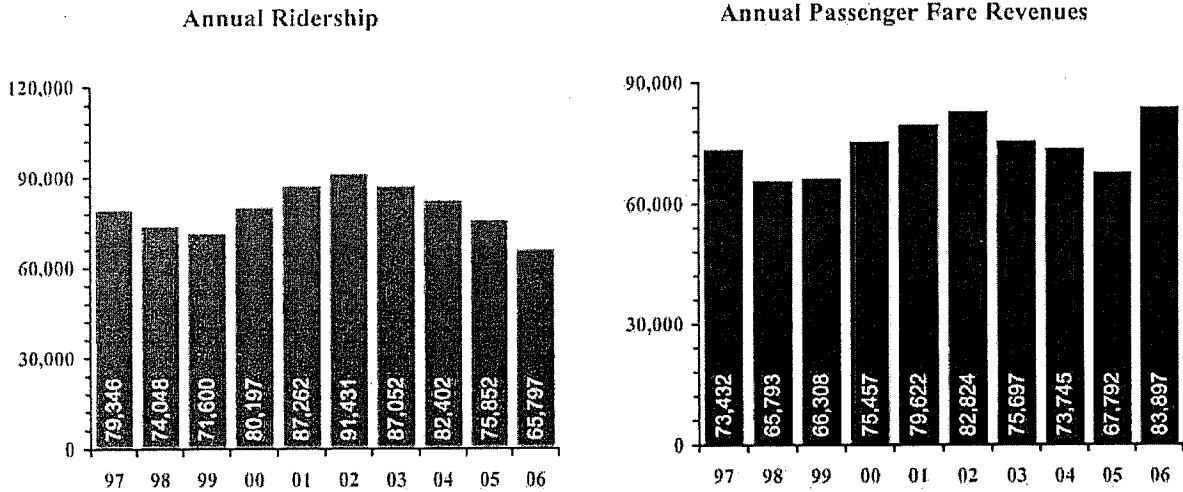
Annual Revenue Hours



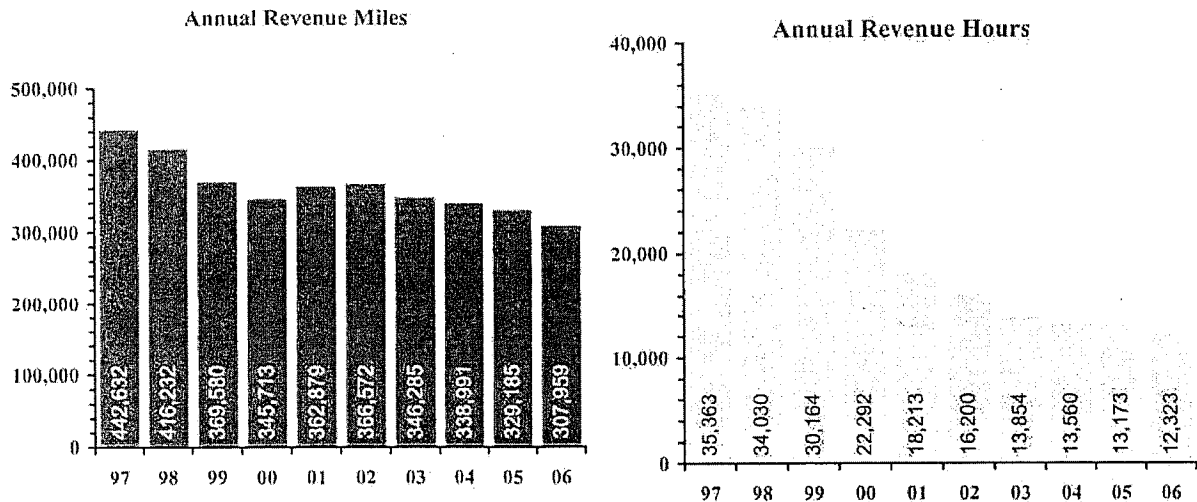
Source: Long Beach Transit's Annual National Transit Database Report

## Operating Information Dial-A-Lift Statistics 1997 - 2006

Exhibit 13



In fiscal year 1999, the Company selected a new vendor to operate the Dial-A-Lift program. The service, previously supplied with dedicated vehicles only, would now be supplemented by using local taxi service. Beginning in fiscal year 2003, the Company then determined it would be more efficient to eliminate the remaining five dedicated vans, using only taxi service. The changes in service have resulted in dramatic cost savings and higher productivity. Lower revenue hours were not due to less service, but from a change in how taxi operators record trip information. In the last two fiscal years, previous Dial-A-Lift customers have begun using the fixed route system which is 100% wheelchair accessible.



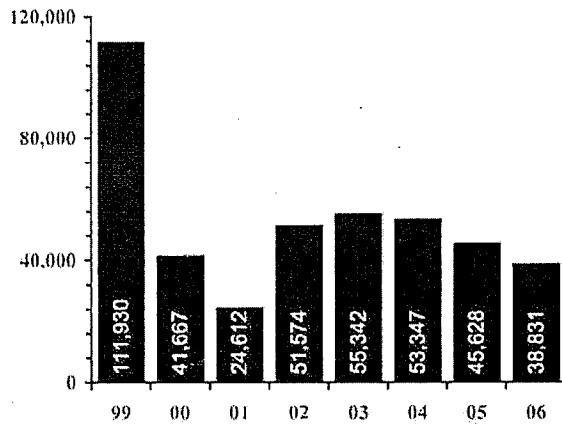
Source: Long Beach Transit's Annual National Transit Database Report

# Long Beach Public Transportation Company

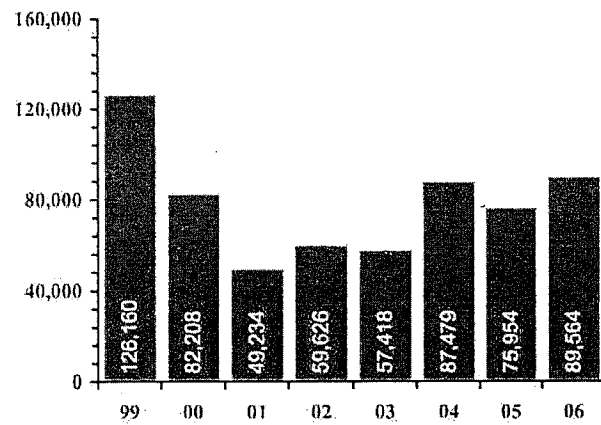
## Operating Information Water Taxi Statistics 1999-2006\*

Exhibit 14

Annual Ridership

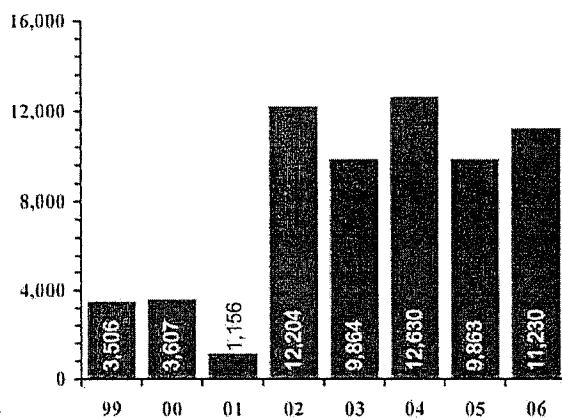


Annual Passenger Fare Revenues

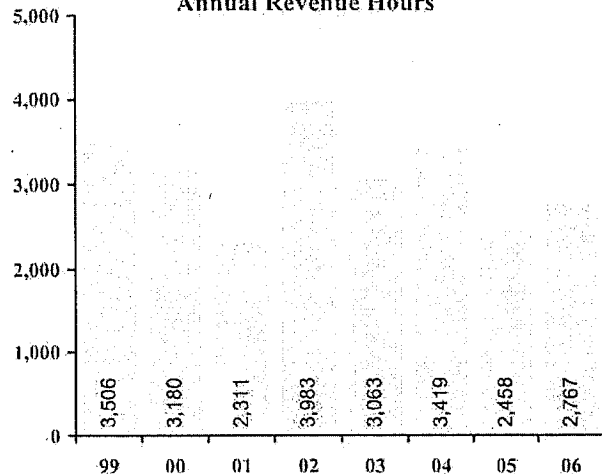


There are two routes for the water taxi service. The Aquabus is assigned two smaller vessels and the Aqualink service is provided by a larger catamaran. From November 2004 to February 2005, the catamaran was removed from service for repairs. One of the smaller vessels was reassigned to provide reduced service on the Aqualink line. As such, all operating statistics for water taxi service declined in fiscal year 2005. 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, 2006

Exhibit 15

Program	Expiration Term	Company	Amount/Limit
<b><u>LIABILITY</u></b>			
A. Excess General and Auto Liability			
	7/1/07 1 yr	Everest National Insurance Company	\$10,000,000 excess of \$1,000,000
B. Underground Storage Tank- Third Party Liability			
	3/4/07 1 yr	Illinois Union Insurance Co.	\$1,000,000 - each incident \$2,000,000 - aggregate excess of \$10,000
<b><u>PROPERTY &amp; SPECIAL MULTI-FLEX</u></b>			
	3/14/07 1 yr	Hartford Fire Insurance Company	\$ 17,000,000 Real Property \$ 25,350,000 Business Personal Property \$ 15,000,000 Buses in the open \$ 460,000 Extra Expense \$ 2,500 per occurrence; except \$25,000 buses
<b><u>EXCESS WORKERS COMPENSATION</u></b>			
	9/1/06 1 yr	Midwest Employers Casualty Company	\$25,000,000 excess of \$3,000,000 \$500,000 corridor deductible
<b><u>CRIME SHIELD POLICY</u></b>			
	8/8/07 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

Exhibit 16

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

ROUTES	FREQUENCY OF SERVICE				DAILY HOURS OF OPERATION			
	Peak/Base (5am-6pm)		Evening/Night (after 6pm)		Weekday	Saturday	Sunday	Sunday
	Weekday	Saturday	Weekday	Saturday				
1	20/30	40	40	30/60	40	40	538A - 1258X	520A - 1000P
7	20/30	40	40	30	40	40	517A - 810P	520A - 950P
20	15	20	20	15/30/60	20/30/60	20/30/60	445A - 1255X	513A - 1253X
40	6/10	12	15	12/30/60	15/30/60	15/30	436A - 1254X	525A - 1254X
50	15	20	25	20/30	20/30	25/30	457A - 1225X	500A - 1225X
60	10/12	15	15	30	30	30	440A - 110X	535A - 105X
66 ZAP	12	--	--	--	--	--	600A - 945A	----
80	30/40	--	--	--	--	--	115P - 605P	----
90	12	20	20	15/30/60	20/30/60	20/35	521A - 554P	----
96 ZAP	10	--	--	--	--	--	517A - 1256X	525A - 1255X
100	15	30/60	--	15/40	--	--	600A-925A	----
110	15/20	30/35	30/35	15/30	30/60	30/60	230P-555P	----
130	30	60	60	30	60	60	445A - 1016P	550A - 638P
170	15	20	20	15/30/60	25/30/60	25/30/60	501A - 115X	540A - 1257X
171	30	--	--	30	--	--	455A - 805P	600A - 710P
180	20	20	20/60	20/60	20/40	20/40	502A - 1250P	517A - 1252X
190	15	20	20	15/30	20/30	20/30	458A - 836P	----
Passport A/D	15	15	15	15/20	15/20	15/20	436A - 1251X	521A - 1251X
Passport B	10	8	8	8/20	8/20	8/20	443A - 107X	557A - 107X
Passport C	12	12	12	12/30	12/30	12/30	505A - 100X	520A - 1240X
Tour D'Art	40	40	40	40	40	40	530A - 1258X	530A - 1258X
							530A - 1232X	530A - 1232X
							1000A - 740P	1000A - 740P

Source: Long Beach Transit's Service Development Department



# Long Beach Public Transportation Company

Exhibit 17

## Pension Information Employer Pension Contributions 1997 - 2006

Fiscal Year Ended June 30	Employer Contribution	Payroll	Contribution as a Percentage of Payroll
<b><u>Contract Plan</u></b>			
1997	\$ 1,536,052	16,032,330	9.22%
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
<b><u>Salaried Plan</u></b>			
1997	\$ 395,815	4,853,247	8.23%
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

Source: Contract and Salaried pension plan financial statements for the year-ended June 30, 2006. 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 1997 - 2006

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>								
1997	\$ 1,536,052	\$ ---	\$ 3,059,283	\$ 4,595,335	\$ 176,433	\$ 1,710,276	\$ ---	\$ 1,886,709
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	3,082,077	---	3,308,576
<u>Salaried</u>								
<u>Plan</u>								
1997	\$ 395,815	\$ ---	\$ 868,699	\$ 1,264,514	\$ 66,743	\$ 131,758	\$ ---	\$ 198,501
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	---	1,014,406	2,074,706	130,980	1,669,281	---	1,800,261

Source: Contract and Salaried pension plan financial statements for the year-ended June 30, 2006. These financial statements are prepared under separate cover and contain additional trend information.

# Long Beach Public Transportation Company

Exhibit 19

## Grant Information Capital Grant History Federal Grants 1997 - 2006

FTA Grants	Authorized Amount	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
CA-03-0368	\$13,875,000	\$1,519,639	\$6,649,348	\$501,936	\$3,311						
CA-90-X540	4,680,000	282,977									
CA-90-X593	4,685,800	2,277,017	443,755								
CA-90-X671	7,362,000	6,914,435	48,946	177,703	66,771	\$19,972					
CA-90-X717	3,397,000	972,919	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			69,861	10,437	2,483,944	1,126,987	80,438	1,288,310	1,212,151	(21,161)
CA-90-Y057	10,381,045					447,781	5,197,417	2,201,222	899,083	1,225,417	273,569
CA-90-Y082	11,356,000						170,751	5,195,237	407,214	1,177,836	3,478,611
CA-90-Y117	7,751,180						1,577,124	4,024,566	591,854	529,645	104,451
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
CA-90-Y226	10,958,295							83,659	1,875,129	6,216,499	2,077,500
CA-90-Y271	9,982,170								35,834	5,154,206	1,574,121
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
		\$11,966,987	\$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

# Long Beach Public Transportation Company

## Grant Information Capital Grant History State Grants 1997 - 2006

Exhibit 20

State Grants	Authorized Amount	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
CA-03-0368	\$ 4,625,000	\$ 506,547	\$2,216,450	\$ 167,213	\$ 47,164	\$ 669	\$ 699				
CA-90-X540	1,170,000	70,825									
CA-90-X593	1,164,700	569,173	147,114								
CA-90-X671	1,841,000	1,728,608	12,237	44,426	16,693	5,493					
CA-90-X717	849,250	243,230	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
CA-90-Y082	1,471,292						22,122	671,328	52,759	152,352	450,691
CA-90-Y117	1,937,795						392,840	1,035,009	147,967	132,350	26,111
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
CA-90-Y226	2,739,574							18,730	468,790	1,331,200	440,036
CA-03-0642	405,554									438,604	(33,049)
Subtotal		\$3,118,383	\$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

Continued

# Long Beach Public Transportation Company

Exhibit 20

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

State Grants	Authorized Amount	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Subtotal		\$3,118,383	\$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
TDA 96	4,072,000	157,017	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
STA 03	838,329							440	631,646	153,430	19,189
AQMD 03	684,837							684,837			
MSRC 05	335,453									330,453	
MTA8320											65,624
		\$3,275,400	\$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

# Long Beach Public Transportation Company

## Grant Information Capital Grant History Local Grants 1997 - 2006

Exhibit 21

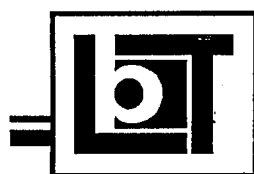
Local Grants	Authorized Amount	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Prop A FY 93	\$ 277,245	\$ 15,864	\$ 37,012								
Prop A FY 95	35,000		2,273								
Prop A FY 96	1,300,000	1,172,567	74,253	\$ 34,976	\$ 4,432						
Prop A FY 97	1,185,000	980,627	346,019	433,536	1,183						
Prop A FY 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		\$ 11,051		
Prop C Security FY 03	349,154							49,204	193,599	24,817	\$ 60,772
Prop C Security FY 04	923,452								5,674	825,606	36,957
Prop C - CA-90-Y271	2,375,547								8,960	1,199,967	388,360
Prop C FY 02	1,041,853								331,967	395,502	242,904
Prop C FY 03	1,123,797								130,606	592,344	61,441
Prop C-CA-03-0664	352,584								341,786	10,798	
Prop C FY 04	923,452								203,569	164,860	
Prop C Security FY 05	324,000								194,669	11,742	
Prop C FY 05	1,324,200										382,558
Prop C-CA-90-Y391	2,934,372										101,084
		\$2,169,058	\$ 883,216	\$2,176,364	\$ 652,617	\$2,782,741	\$951,872	\$1,599,871	\$ 681,857	\$3,795,887	\$1,461,476

# Long Beach Public Transportation Company

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***SINGLE AUDIT REPORTS  
AND GRANT ACTIVITY REPORTS***  
**LONG BEACH PUBLIC TRANSPORTATION COMPANY**  
*For the Year Ended June 30, 2006*



**LONG BEACH TRANSIT**

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**LONG BEACH PUBLIC TRANSPORTATION COMPANY  
SINGLE AUDIT AND GRANT ACTIVITY REPORTS  
YEAR ENDED JUNE 30, 2006**

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**LONG BEACH PUBLIC TRANSPORTATION COMPANY**  
Principal Officials

**Board of Directors**

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Robert W. Parkin	Chairman of the Board
Terry Fiskin	Vice Chairman
Renee B. Simon	Secretary - Treasurer
Mark Curtis	Vice Secretary - Treasurer
Yolanda F. Benavidez	Director
Brigida A. Knauer	Director
Dr. James P. Norman, Jr.	Director
Christine F. Shippey	Ex Officio Member, City of Long Beach
Christine F. Anderson	Ex Officio Member, City of Long Beach

**Management**

---

Laurence W. Jackson	President & CEO
Guy Heston	Executive Vice President & COO
Deborah Ellis	Senior Vice President & CFO Financial & Information Services
Ed King	Executive Director, VP Operations & System Security
Jim Ditch	Executive Director, VP Maintenance & Facilities
LaVerne David	Executive Director, VP Risk Management & Human Relations
Patrick Pham	Executive Director, VP Information Systems & Technology
Brynn Kernaghan	Executive Director, VP Community & Customer Services



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**Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Honorable Board of Directors  
Long Beach Public Transportation Company:

We have audited the financial statements of the Long Beach Public Transportation Company as of and for the year ended June 30, 2006 and have issued our report thereon, dated September 8, 2006. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Long Beach Public Transportation Company's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

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

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

KPMG LLP

September 8, 2006



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**Independent Auditors' Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with U.S. Office of Management and Budget Circular A-133**

The Honorable Board of Directors  
Long Beach Public Transportation Company:

**Compliance**

We have audited the compliance of the Long Beach Public Transportation Company with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. The Long Beach Public Transportation Company's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Long Beach Public Transportation Company's management. Our responsibility is to express an opinion on the Long Beach Public Transportation Company's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Long Beach Public Transportation Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Long Beach Public Transportation Company's compliance with those requirements.

In our opinion, the Long Beach Public Transportation Company complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

**Internal Control over Compliance**

The management of the Long Beach Public Transportation Company is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Long Beach Public Transportation Company's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### **Schedule of Expenditures of Federal and Nonfederal Awards**

We have audited the basic financial statements of the Long Beach Public Transportation Company as of and for the year ended June 30, 2006 and have issued our report thereon, dated September 8, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and nonfederal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Additionally, the accompanying schedule of state of California expenditures of awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

**KPMG LLP**

September 8, 2006

Schedule 1  
**LONG BEACH PUBLIC TRANSPORTATION COMPANY**  
 Schedule of Expenditures of Federal and Non-Federal Awards  
 Year ended June 30, 2006

	<b>Program of Federal Domestic Assistance Catalogue No. 20.507 Department of Transportation Federal Transit Administration</b>			
	<u>CA-90-X915</u>	<u>CA-90-X950</u>	<u>CA-90-Y057</u>	<u>CA-90-Y082</u>
<b>Grant Period:</b>				
From	09/30/99	12/31/00	02/28/01	02/28/02
To	Completion	Completion	Completion	Completion
<b>Total grant award(s):</b>				
Federal	\$ 8,769,677	\$ 6,249,570	\$ 10,381,045	\$ 11,356,000
Non-Federal	2,192,419	1,660,481	2,540,955	1,471,292
Total	<u>\$ 10,962,096</u>	<u>\$ 7,910,051</u>	<u>\$ 12,922,000</u>	<u>\$ 12,827,292</u>
<b>Revenues:</b>				
Federal:				
Cash received	\$ 40	\$ (21,000)	\$ 273,569	\$ 3,586,346
(Accrued) deferred, July 1, 2005	---	(161)	---	(107,735)
Accrued (deferred), June 30, 2006	---	---	93	5,692
Grant revenue recognized	40	(21,161)	273,662	3,484,303
Non-Federal	330	11,374	79,405	451,427
Total revenues	<u>\$ 370</u>	<u>\$ (9,787)</u>	<u>\$ 353,067</u>	<u>\$ 3,935,730</u>
<b>Expenditures:</b>				
Federal	\$ 40	\$ (21,161)	\$ 273,662	\$ 3,484,303
Non-Federal	330	11,374	79,405	451,427
Total expenditures	<u>\$ 370</u>	<u>\$ (9,787)</u>	<u>\$ 353,067</u>	<u>\$ 3,935,730</u>

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards and accompanying Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with Office of Management and Budget Circular A-133.

Schedule 1-2  
**LONG BEACH PUBLIC TRANSPORTATION COMPANY**  
 Schedule of Expenditures of Federal and Non-Federal Awards  
 Year ended June 30, 2006

	<b>Program of Federal Domestic Assistance Catalogue No. 20.507 Department of Transportation Federal Transit Administration</b>			
	<u>CA-90-Y117</u>	<u>CA-90-Y136</u>	<u>CA-90-Y226</u>	<u>CA-90-Y271</u>
<b>Grant Period:</b>				
From	03/21/02	07/25/02	08/26/03	08/26/03
To	Completion	Completion	Completion	Completion
<b>Total grant award(s):</b>				
Federal	\$ 7,751,180	\$ 7,788,668	\$ 10,958,295	\$ 9,982,170
Non-Federal	<u>1,937,795</u>	<u>1,404,025</u>	<u>2,739,574</u>	<u>2,375,547</u>
Total	<u>\$ 9,688,975</u>	<u>\$ 9,192,693</u>	<u>\$ 13,697,869</u>	<u>\$ 12,357,717</u>
<b>Revenues:</b>				
Federal:				
Cash received	\$ 107,538	\$ 318,512	\$ 2,133,628	\$ 2,749,966
(Accrued) deferred, July 1, 2005	(3,087)	(20,699)	(56,128)	(1,175,883)
Accrued (deferred), June 30, 2006	<u>2,765</u>	<u>9,384</u>	<u>9,924</u>	<u>208,297</u>
Grant revenue recognized	107,216	307,197	2,087,424	1,782,380
Non-Federal	<u>26,802</u>	<u>52,466</u>	<u>442,123</u>	<u>440,437</u>
Total revenues	<u>\$ 134,018</u>	<u>\$ 359,663</u>	<u>\$ 2,529,547</u>	<u>\$ 2,222,817</u>
<b>Expenditures:</b>				
Federal	\$ 107,216	\$ 307,197	\$ 2,087,424	\$ 1,782,380
Non-Federal	<u>26,802</u>	<u>52,466</u>	<u>442,123</u>	<u>440,437</u>
Total expenditures	<u>\$ 134,018</u>	<u>\$ 359,663</u>	<u>\$ 2,529,547</u>	<u>\$ 2,222,817</u>

(Continued)

See accompanying notes to the Schedule of Expenditures of Federal Awards and accompanying Independent Auditor's accompanying Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with Office of Management and Budget Circular A-133.



Schedule 1-3  
**LONG BEACH PUBLIC TRANSPORTATION COMPANY**  
 Schedule of Expenditures of Federal and Non-Federal Awards  
 Year ended June 30, 2006

<b>Program of Federal Domestic Assistance Catalogue No. 20.507 Department of Transportation Federal Transit Administration</b>				
	<u>CA-90-Y391</u>	<u>CA-90-Y440</u>	<u>CA-03-0642</u>	<u>CA-03-0596</u>
<b>Grant Period:</b>				
From	12/15/05	07/24/06	09/17/03	02/18/03
To	Completion	Completion	Completion	Completion
<b>Total grant award(s):</b>				
Federal	\$ 13,354,479	\$ 6,326,401	\$ 1,980,058	\$ 1,980,630
Non-Federal	2,934,372	1,617,992	405,554	495,158
Total	<u>\$ 16,288,851</u>	<u>\$ 7,944,393</u>	<u>\$ 2,385,612</u>	<u>\$ 2,475,788</u>
<b>Revenues:</b>				
Federal:				
Cash received	\$ 437,651	\$ ---	\$ 58,809	\$ 45,581
(Accrued) deferred, July 1, 2005	---	---	---	(21,879)
Accrued (deferred), June 30, 2006	241,393	98,865	---	---
Grant revenue recognized	679,044	98,865	58,809	23,702
Non-Federal	157,324	24,727	(33,049)	3,701
Total revenues	<u>\$ 836,368</u>	<u>\$ 123,592</u>	<u>\$ 25,760</u>	<u>\$ 27,403</u>
<b>Expenditures:</b>				
Federal	\$ 679,044	\$ 98,865	\$ 58,809	\$ 23,702
Non-Federal	157,324	24,727	(33,049)	3,701
Total expenditures	<u>\$ 836,368</u>	<u>\$ 123,592</u>	<u>\$ 25,760</u>	<u>\$ 27,403</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards and Independent Auditor's accompanying Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with Office of Management and Budget Circular A-133.

**LONG BEACH PUBLIC TRANSPORTATION COMPANY**

Schedule of Expenditures of Federal and Non-Federal Awards

Year ended June 30, 2006

**Program of Federal Domestic  
Assistance Catalogue No. 20.507  
Department of Transportation  
Federal Transit Administration**

	<u>CA-03-0664</u>	<u>CAL0301</u>	<u>JARC</u>	<u>Totals</u>
<b>Grant Period:</b>				
From	05/21/04	06/30/05	07/22/04	
To	Completion	Completion	Completion	
<b>Total grant award(s):</b>				
Federal	\$ 1,721,438	\$ 204,000	\$ 291,488	\$ 99,095,099
Non-Federal	352,584	75,720	291,488	22,494,956
Total	<u>\$ 2,074,022</u>	<u>\$ 279,720</u>	<u>\$ 582,976</u>	<u>121,590,055</u>
<b>Revenues:</b>				
Federal:				
Cash received	\$ 53,053	\$ ---	\$ 153,207	\$ 9,896,900
(Accrued) deferred, July 1, 2005	---	(131,611)	(81,175)	(1,598,358)
Accrued (deferred), June 30, 2006	---	---	36,840	613,253
Grant revenue recognized	53,053	(131,611)	108,872	8,911,795
Non-Federal	10,798	---	108,872	1,776,737
Total revenues	<u>\$ 63,851</u>	<u>\$ ---</u>	<u>\$ 217,744</u>	<u>\$ 10,688,532</u>
<b>Expenditures:</b>				
Federal	\$ 53,053	\$ (131,611)	\$ 108,872	\$ 8,911,795
Non-Federal	10,798	---	108,872	1,776,737
Total expenditures	<u>\$ 63,851</u>	<u>\$ (131,611)</u>	<u>\$ 217,744</u>	<u>\$ 10,688,532</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards and Independent Auditor's accompanying Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with Office of Management and Budget Circular A-133.

**LONG BEACH PUBLIC TRANSPORTATION COMPANY**  
Notes to Schedule of Expenditures of Federal and Non-Federal Awards  
Year ended June 30, 2006

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**(1) General**

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

**(2) Basis of Accounting**

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

**(3) Definition of Major Federal Financial Assistant Program**

The Single Audit Act Amendments of 1996 define major Federal award programs based upon total Federal expenditures of the grantee during the period reported and inherent risk of the programs audited. Based on guidelines established by the OMB Circular A-133, the Department of Transportation – Federal Transit Administration Capital and Operating Assistance Formula Grants (CFDA No. 20.507) are collectively considered to be a major Federal financial assistance program for the year ended June 30, 2006. (See summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.)

**(4) Relationship to Federal Financial Reports**

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

**LONG BEACH PUBLIC TRANSPORTATION COMPANY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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**(1) Summary of Auditors' Results**

- (a) The type of report issued on the financial statements: **Unqualified Opinion.**
- (b) Reportable conditions in internal controls were disclosed by the audit of the financial statements: **None Reported**; Material weaknesses: **None.**
- (c) Noncompliance which is material to the financial statements: **None.**
- (d) Reportable conditions in internal controls over major programs: **None Reported.**
- (e) The type of report issued on compliance for major programs: **Unqualified Opinion.**
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **No.**
- (g) Major program: **United States Department of Transportation Cluster – Federal Transit Administration Capital and Operating Assistance Formula Grants (CFDA No. 20.507).**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000.**
- (i) Auditee qualified as a low-risk auditee under section.530 of OMB Circular A-133: **Yes.**

**(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards**

**None.**

**(3) Findings Relating to Federal Awards**

**None.**



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

The Honorable Board of Directors  
Long Beach Public Transportation Company:

We have audited the financial statements of the Long Beach Public Transportation Company as of and for the year ended June 30, 2006 and have issued our report thereon, dated September 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

**Schedule of State of California Expenditures of Awards**

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

This report is intended solely for the information and use of the Board of Directors and management of the Long Beach Public Transportation Company, its state oversight agency, and other agencies granting funds to the Long Beach Public Transportation Company and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

September 8, 2006

Schedule 2  
**LONG BEACH PUBLIC TRANSPORTATION COMPANY**  
 Schedule of State of California Expenditures of Awards  
 Year ended June 30, 2006

<b>State of California Southern California Association of Governments SB-325</b>				
	<u>CA-90-X915</u>	<u>CA-90-X950</u>	<u>CA-90-Y057</u>	<u>CA-90-Y082</u>
<b>Grant Period:</b>				
From	09/30/99	12/31/01	02/28/01	02/28/01
To	Completion	Completion	Completion	Completion
<b>Total grant award(s):</b>				
TDA 98/99	\$ 1,580,877	\$ ---	\$ ---	\$ ---
TDA 99/00	---	518,387	---	---
TDA 00/01	---	129,959	2,429,263	203,696
TDA 01/02	---	---	---	1,267,596
STA 98/99	561,876	---	---	---
STA 99/00	---	1,012,135	---	---
Total	<u>\$ 2,142,753</u>	<u>\$ 1,660,481</u>	<u>\$ 2,429,263</u>	<u>\$ 1,471,292</u>
<b>Revenues:</b>				
State:				
Cash received	\$ 7,185	\$ 8,780	\$ 194,583	\$ 530,393
(Accrued) deferred, July 1, 2005	(6,855)	2,594	(176,910)	(123,942)
Accrued (deferred), June 30, 2006	---	---	61,732	44,978
Total revenues	<u>\$ 330</u>	<u>\$ 11,374</u>	<u>\$ 79,405</u>	<u>\$ 451,429</u>
<b>Expenditures:</b>	<u>\$ 330</u>	<u>\$ 11,374</u>	<u>\$ 79,405</u>	<u>\$ 451,429</u>

(Continued)

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

Schedule 2-1  
**LONG BEACH PUBLIC TRANSPORTATION COMPANY**  
 Schedule of State of California Expenditures of Awards  
 Year ended June 30, 2006

State of California Southern California Association of Governments SB-325					
	<u>CA-90-Y117</u>	<u>CA-90-Y136</u>	<u>CA-90-Y226</u>	<u>CA-03-0642</u>	<u>CA-03-0596</u>
<b>Grant Period:</b>					
From	03/21/02	07/25/02	08/26/03	09/17/03	02/18/03
To	Completion	Completion	Completion	Completion	Completion
<b>Total grant award(s):</b>					
TDA 00/01	\$ 46,245	\$ 1,404,025	\$ ---	\$ ---	\$ ---
TDA 01/02	1,319,921	---	---	---	---
TDA 02/03	---	---	2,739,574	405,554	495,158
STA 99/00	1,730	---	---	---	---
STA 00/01	569,899	---	---	---	---
Total	<u>\$ 1,937,795</u>	<u>\$ 1,404,025</u>	<u>\$ 2,739,574</u>	<u>\$ 405,554</u>	<u>\$ 495,158</u>
<b>Revenues:</b>					
State:					
Cash received	\$ 25,951	\$ 1,008,418	\$ 1,445,839	\$ 405,555	\$ 495,143
(Accrued) deferred, July 1, 2005	(4,015)	(967,997)	(1,033,098)	(438,604)	(491,442)
Accrued (deferred), June 30, 2006	4,865	12,045	29,382	---	---
Total revenues	<u>\$ 26,801</u>	<u>\$ 52,466</u>	<u>\$ 442,123</u>	<u>\$ (33,049)</u>	<u>\$ 3,701</u>
<b>Expenditures:</b>	<u>\$ 26,801</u>	<u>\$ 52,466</u>	<u>\$ 442,123</u>	<u>\$ (33,049)</u>	<u>\$ 3,701</u>

(Continued)

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



Schedule 2-2  
**LONG BEACH PUBLIC TRANSPORTATION COMPANY**  
 Schedule of State of California Expenditures of Awards  
 Year ended June 30, 2006

State of California Southern California Association of Governments SB-325				
	TDA 02/03	LTF Art. 4	STA 00/01	STA 01/02
<b>Grant Period:</b>				
From	07/01/02	07/01/05	07/01/01	07/01/01
To	Completion	Completion	Completion	Completion
<b>Total grant award(s):</b>				
TDA 02/03	\$ 380,624	\$ ---	\$ ---	\$ ---
TDA 05/06	---	18,765,621	---	---
STA 00/01	---	---	1,173,815	---
STA 01/02	---	---	---	1,341,400
<b>Total</b>	\$ 380,624	\$ 18,765,621	\$ 1,173,815	\$ 1,341,400
<b>Revenues:</b>				
State:				
Cash received	\$ 14,929	\$ 18,765,621	\$ ---	\$ ---
(Accrued) deferred, July 1, 2005	(16,090)	---	11,266	33,191
Accrued (deferred), June 30, 2006	---	---	(10,709)	(5,800)
<b>Total revenues</b>	\$ (1,161)	\$ 18,765,621	\$ 557	\$ 27,391
<b>Expenditures:</b>	\$ (1,161)	\$ 18,765,621	\$ 557	\$ 27,391

(Continued)

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

Schedule 2-3  
**LONG BEACH PUBLIC TRANSPORTATION COMPANY**  
 Schedule of State of California Expenditures of Awards  
 Year ended June 30, 2006

State of California Southern California Association of Governments SB-325				
	STA 02/03	STA 04/05	STA 05/06	MSRC 05
<b>Grant Period:</b>				
From	07/01/02	07/01/04	07/01/05	08/27/04
To	Completion	Completion	Completion	Completion
<b>Total grant award(s):</b>				
STA 02/03	\$ 838,329	\$ ---	\$ ---	\$ ---
STA 04/05	---	974,096	---	---
STA 05/06	---	---	1,889,636	---
AQMD 02/03	---	---	---	330,453
Total	\$ 838,329	\$ 974,096	\$ 1,889,636	\$ 330,453
<b>Revenues:</b>				
State:				
Cash received	\$ ---	\$ 487,048	\$ 1,417,227	\$ 330,453
(Accrued) deferred, July 1, 2005	53,456	(487,048)	---	(330,453)
Accrued (deferred), June 30, 2006	(34,267)	---	472,409	---
Total revenues	\$ 19,189	\$ ---	\$ 1,889,636	\$ ---
<b>Expenditures:</b>	\$ 19,189	\$ ---	\$ 1,889,636	\$ ---

**LONG BEACH PUBLIC TRANSPORTATION COMPANY**

Notes to Schedule of State of California Expenditures of Awards

Year ended June 30, 2006

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**(1) General**

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

**(2) Basis of Accounting**

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

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

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

Schedule 3  
**LONG BEACH PUBLIC TRANSPORTATION COMPANY**  
Transportation Development Act - 50% Expenditure Limitation Calculation  
Year ended June 30, 2006

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Total operating costs, excluding depreciation	\$ 58,519,205
Add:	
Depreciation	16,316,882
Capital outlay expenditures	<u>11,970,977</u>
	<u>28,287,859</u>
Less:	
Federal grants received	25,137,125
Local Transportation funds - capital intensive received	4,154,430
State Transit Assistance funds - capital intensive received	<u>---</u>
	<u>29,291,555</u>
Total	<u>57,515,509</u>
50% of total	28,757,755
Add total Local Transportation funds - capital intensive received	<u>4,154,430</u>
Total permissible expenditures - (Local Transportation funds)	<u><u>\$ 32,912,185</u></u>

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



KPMG LLP  
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Los Angeles, CA 90071-1568

## Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Board of Directors  
Long Beach Public Transportation Company:

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

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

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

We have performed the procedures enumerated in the attachment to this report on the data contained in Long Beach Transit's Urbanized Area Formula Statistics Form (FFA-10) for the fiscal year ended June 30, 2006, solely to assist the management of Long Beach Transit in evaluating whether Long Beach Transit complied with the standards described in the second paragraph of this report and whether the information included in the NTD report Urbanized Area Formula Statistics Form (FFA-10) is presented in conformity with the requirements of the Urban Mass Transportation Industry Uniform System of Accounts and Records and Reporting Systems, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the 2006 Reporting Manual (2006 Reporting Manual). Long Beach Transit's management is responsible for the Urbanized Area Formula Statistics Form (FFA-10).

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

The procedures described in the attachment to this report were applied separately to the information systems used to develop the reported vehicle revenue miles, passenger miles, and operating expenses of Long Beach Transit for the fiscal year ended June 30, 2006 for each of the following modes:

- Fixed route directly operated transportation service,
- Demand response purchased transportation service provided by Catalina Express for water taxi operation (ferry boats), and
- Demand response purchased transportation service provided by Taxi Systems, Inc. for elderly and handicapped transportation.

The results of the procedures performed are included in the accompanying attachment. We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the fairness of information included in Long Beach Transit's NTD report Urbanized Area Formula Statistics Form (FFA-10) for the fiscal year ended June 30, 2006, which is presented in conformity with the requirements of the Urban Mass Transportation Industry Uniform System of Accounts and Records and Reporting Systems, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the 2006 Reporting Manual. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the information described above and does not extend to Long Beach Transit's financial statements, or the forms in Long Beach Transit's NTD report other than the Urbanized Area Formula Statistics Form (FFA-10), for any date or period.

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

KPMG LLP

September 8, 2006

## AGREED-UPON PROCEDURES

### Background:

*Obtain and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, January 15, 1993 and as presented in the 2006 Reporting Manual. If procedures are not written, discuss the procedures with the personnel assigned responsibility of supervising the NTD data preparation and maintenance (Item A).*

We were informed that Long Beach Transit does not have formal written procedures relating to the system for reporting and maintaining the Long Beach Transit's statistical data. We discussed specific procedures for each mode and type of services provided by Long Beach Transit with personnel assigned the responsibility of supervising the NTD data preparation and maintenance. The individuals (collectively, Long Beach Transit personnel) with whom procedures were discussed include the following:

- Long Beach Transit Service Development Planner
- Long Beach Transit Service Development Assistant

### Agreed-Upon Procedures:

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

- *The extent to which the transit agency followed the procedures on a continuous basis*
- *Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, January 15, 1993 (49 CFR Part 630), and as presented in the 2006 Reporting Manual.*

We inquired of Long Beach Transit personnel the extent to which the procedures referenced above are followed on a continuous basis and whether the procedures result in the accumulation and reporting of data consistent with the NTD definitions and the requirements set forth in 49 CFR Part 630. We were informed that, to the best of Long Beach Transit personnel's knowledge, the procedures were followed on a continuous basis and that such procedures result in the accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, and as presented in the 2006 Reporting Manual.

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

We inquired of Long Beach Transit personnel regarding the retention policy that is followed with respect to source documents supporting the NTD data reported on the Federal Funding Allocation Statistics Form. We were informed that source documents are retained for a minimum of three years.

C. *Based on a description of the transit agency's procedures obtained in Background and item A above, identify all the source documents, which are to be retained by the transit agency for a minimum of three years.*

Attachment

*For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.*

Based on the description of Long Beach Transit's procedures obtained in Background and item A on the previous page, we identified the following source documents that are retained for a minimum of three years:

- Passenger Miles Sampling
- Fixed Guideway Directional Route Mile
- Operating Expenses
- Contract Agreement for Purchased Service Provider.

We selected the months of November 2005, February 2006, and April 2006 and observed that all source documents existed for each month selected.

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

We discussed Long Beach Transit's system of internal controls with the Long Beach Transit personnel responsible for supervising and maintaining the NTD data. We were informed that individuals, independent of the individuals preparing the source documents and posting the data summaries, review the source documents for completeness, accuracy, and reasonableness on a daily basis.

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

We inquired of Long Beach Transit personnel whether supervisors' signatures are required to document supervisors' reviews, and were informed that approval signatures are presented as required by the system of internal controls. We haphazardly selected a sample of 10 for Section 15 Variance Sheets for fiscal year 2006 to determine whether approval signatures were present. We noted that no other source documents require a supervisor's signature. No exceptions were noted as a result of performing this procedure.

- F. *Obtain the worksheets utilized by the transit agency to prepare the final data that are transcribed onto the Federal Funding Allocation Statistics Form (FFA-10). Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summarizations.*

We obtained the worksheets utilized by Long Beach Transit to prepare the fiscal year 2006 final data that are transcribed onto the Federal Funding Allocation Statistics Form (FFA-10). We compared the periodic data included on the worksheets to the periodic summaries presented by Long Beach Transit on the Federal Funding Allocation Statistics Form (FFA-10) and tested the arithmetical accuracy of the summarizations. No exceptions were noted as a result of performing this procedure.



- G. *Discuss the transit agency's procedure for accumulating and recording passenger mile data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure used is (1) a 100% count of actual passenger miles or (2) an estimate of passenger miles based on statistical sampling meeting FTA's 95% confidence and 10% precision requirements.*

*If the transit agency conducts a statistical sample for estimating passenger miles, inquire whether the sampling procedure is (1) one of the two procedures suggested by the FTA and described in FTA Circulars 2710.1A or 2710.2A or (2) an alternative sampling procedure.*

*If the transit agency uses an alternative sampling procedure, inquire whether the procedure has been approved by FTA or whether a qualified statistician has determined that the procedure meets FTA's statistical requirements. Note as an exception in the report use of an alternative sampling procedure that has not been approved in writing by a qualified statistician.*

We discussed Long Beach Transit's procedure for accumulating and recording passenger mile data in accordance with NTD requirements with Long Beach Transit personnel and were informed that the procedure used by Long Beach Transit is an estimate of passenger miles based on statistical sampling meeting FTA's 95% confidence and 10% precision requirements.

We were informed by Long Beach Transit personnel that the passenger mile data was accumulated using a sampling procedure suggested by the FTA described in the FTA circular 2710.4A.

- H. *Discuss with transit agency staff the transit agency's eligibility to conduct statistical sampling for passenger mile data every third year. Determine whether the transit agency meets one of the three criteria that allow transit agencies to conduct statistical samples for accumulating passenger mile data every third year rather than annually. Specifically:*

- *According to the 2000 Census, the public transit agency serves an urbanized area of population less than 500,000.*
- *The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size urbanized area) (UZA).*
- *The service is purchased from a seller operating fewer than 100 revenue vehicles in annual maximum revenue service and is included in the transit agency's NTD report.*

*For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2005) and determine that statistical sampling was conducted and meets the 95% confidence and 10% precision requirements.*

*Determine how the transit agency estimated annual passenger miles for the current report year.*

We discussed with Long Beach Transit personnel Long Beach Transit's eligibility to conduct statistical sampling for passenger mile data every third year. We were informed by Long Beach Transit personnel that Long Beach Transit performs statistical sampling on an annual basis.

- I. *Obtain a description of the sampling procedure for estimation of passenger mile data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording passenger mile (PM) data. If the average trip length was*

**Attachment**

*used, determine that the universe of runs was used as the sampling frame. Determine that the methodology was to select specific runs from the universe resulted in a random selection of runs. If a selected sample run was missed, determine that a replacement sample run was randomly selected. Determine that the transit agency followed the stated sampling procedure.*

We obtained a description of the sampling procedures for estimation of passenger mile data used by Long Beach Transit and were informed by Long Beach Transit personnel that the universe of runs was used as the sampling frame. We were informed by Long Beach Transit personnel that the methodology used to select specific runs from the universe resulted in a random selection of runs. We were told by Long Beach Transit personnel that sample runs which are missed are replaced with another randomly selected run from the cluster sample and that all sampling procedures were followed.

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

We selected a haphazard sample of 25 source documents for accumulating passenger mile data throughout fiscal year 2006 and inspected these documents to determine if all required data was recorded and if computations were accurately performed. We recomputed the accumulation and summarization of passenger mile data for the fiscal year ended June 30, 2006 for these samples. No exceptions were noted as a result of performing this procedure.

	<u>Date</u>	<u>Trip</u>	<u>Start time</u>
1	03/01/06	689	2:54 PM
2	11/13/05	2779	3:46 PM
3	10/20/05	4661	6:38 PM
4	10/26/05	4587	6:21 PM
5	12/05/05	2320	7:35 PM
6	01/20/06	5572	10:39 AM
7	11/09/05	645	7:37 AM
8	12/03/05	808	2:15 PM
9	03/25/06	2509	11:19 AM
10	01/22/06	2313	7:50 AM
11	06/07/06	8759	6:05 PM
12	09/22/05	972	11:05 PM
13	06/25/06	1080	2:55 PM
14	04/10/06	2516	2:20 PM
15	03/19/06	1980	9:55 AM
16	06/18/06	5900	1:47 PM
17	01/20/06	740	2:17 PM
18	02/03/06	1992	9:40 AM
19	12/05/05	7870	5:54 PM
20	09/26/05	4712	7:59 AM
21	02/01/05	7699	5:30 AM
22	03/09/06	5453	3:00 PM
23	01/30/06	2737	2:50 PM
24	02/15/06	4888	6:13 PM
25	12/11/05	7689	2:59 PM

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

We discussed the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle school buses, and other ineligible vehicle miles from the calculation of vehicle revenue miles with Long Beach Transit personnel and were informed that Long Beach Transit does provide round-trip charter coaches exclusively for California State University Long Beach athletic teams to Los Angeles area game destinations and the airport.

We selected a sample included in Long Beach Transit's calculation of vehicle revenue miles for fiscal year 2006, to test the arithmetical accuracy of the computation, noting no exceptions.

- L. *For actual vehicle revenue mile (VRM) data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation.*

*This is accomplished as follows:*

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

We discussed with Long Beach Transit personnel the methodology for the collection and recording of vehicle mile data.

We obtained the calculation worksheets for Vehicle Revenue Miles, Vehicle Miles, Vehicle Revenue Hours, and Vehicle Hours. We randomly selected five dates in fiscal year 2006 on each of the calculation worksheets and vouched the miles or hours back to the mileage summary reports prepared by the scheduling department. We tested the mathematical accuracy of the calculation worksheets and agreed the total hours/miles to the mileage summary report by hours/miles. No exceptions were noted as a result of performing this procedure.

We obtained the missed service worksheet that is used to calculate the missed service percentages. We haphazardly selected 10 days in fiscal year 2006 of data from the missed service worksheet and vouched the total missed service hours reported for each mode of transportation to the missed service reports. No exceptions were noted as a result of performing this procedure.

- M. *For rail modes, review the recording and accumulation sheets for vehicle revenue miles and determine that locomotive miles are not included in the computation.*

We were informed by personnel that Long Beach Transit does not operate rail modes or have locomotive miles. As such, this procedure is deemed to be not applicable.

- N. *If fixed guideway directional route miles (FG DRM) are reported, inquire of the person responsible for maintaining and reporting the NTD data whether the operations meet FTA's definition of fixed guideway (FG) in that the service is:*

- *Rail, trolleybus (LTB), or ferryboat (FB); or aerial transway (TR), or*
- *Bus (MB) service operating over exclusive or controlled access rights-of-way (ROW) and:*
  - *Access is restricted*
  - *Legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway*

- *Restricted access is enforced for freeways*
- *Priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation (see Fixed Guideway Segments from (5-20)).*
- *High Occupancy/Toll (HO/T) lanes meet FHWA requirements for traffic flow and use of toll revenues, and that the transit agency has provided to NTD a copy of the State's certification to the U.S. Secretary of Transportation that it has established a program for monitoring, assessing and reporting on the operation of the HOV facility with HO/T lanes.*

We were informed Long Beach Transit reports fixed guideway directional route miles as the fixed route bus services meet FTA's definition of fixed guideway in that the bus service operates over exclusive or controlled access rights-of-way and access is restricted, legitimate need for restricted access is demonstrated by peak period level of service D or worse on parallel adjacent highway and restricted access is enforced.

We were also informed Long Beach Transit also has services called the "Aqua Bus" and "Aqua Link Water" (water taxi service) for transporting the general public across Long Beach Harbor. However, we were informed the service has been outsourced to Catalina Express (the Contractor).

- O. *Discuss the measurement of fixed guideway directional route miles with the person reporting the NTD data and determine that the mileage is computed in accordance with FTA's definitions of fixed guideway (FG) and directional route miles.*

*Inquire whether there were service changes during the year that resulted in an increase or a decrease in directional route miles (DRM). If a service change resulted in a change in overall directional route mileage, recompute the average monthly directional route miles (DRM) and reconcile the total to the fixed guideway directional route miles (FG DRM) reported on the Federal Funding Allocation Statistics Form (FFA-10).*

*Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a fixed guideway (FG) segment(s), the following apply:*

- *Directional route miles (DRM) for the segment(s) should be reported for the entire report year if the interruption is less than 12 months in duration. The months of operation on the Fixed Guideway Segments form (S-20) should be reported as 12. The transit agency should have completed a Form Note describing the interruption.*
- *If the improvements cause a service interruption on the fixed guideway segment(s) directional route miles (DRM) lasting more than 12 months, the transit agency should contact their validation analyst to discuss. FTA will make a determination on how the directional route miles (DRM) should be reported.*

We discussed with Long Beach Transit personnel the measurement of fixed guideway directional route miles and were informed that the mileage is computed in accordance with FTA's definitions. Based on these discussions, we understand that there were no service changes during the fiscal year 2006, which resulted in changes in directional route miles.

- P. *Measure fixed guideway directional route miles from maps or by retracing route.*

We recomputed the fixed guideway directional route miles reported on the Federal Funding Allocation Statistics Form by retracing sections of one motor bus route for fiscal year 2006 using mapping system referred to as arcGIS. No exceptions were noted as a result of performing this procedure.

- Q. *Discuss with the person reporting the NTD data whether other public transit agencies operate service over the same fixed guideway (FG) as the transit agency. If yes, determine that the transit agency coordinated with the other agency(ies) such that the directional route miles (DRM) for the segment of fixed guideway are reported only once to the NTD on the Federal Funding Allocation Statistics Form.*

We were informed by Long Beach Transit personnel that two other agencies operate passenger service over the same fixed guideway as Long Beach Transit. We inquired of the responsible Long Beach Transit personnel and were informed that there has been adequate coordination of the Dial-a-Lift/Paratransit Service and the "Aqua Bus" and "Aqua Link Water" taxi operation so that the segment of fixed guideway is reported only once.

- R. *Review the Fixed Guideway Segments Form (S-20). Discuss the commencement date of revenue service for each fixed guideway (FG) segment with the person reporting the NTD data and determine that the date is reported as when revenue service began. This is the opening date of revenue service, even though the transit agency may not have been the original operator. Review the fixed guideway worksheets in Internet reporting and determine that the information has been properly entered. There should be a date for segments put into revenue service on or after September 30, 1998. If the segments opened earlier, they should be simply classified as older than seven years. Segments on the fixed guideway worksheets are summarized by like characteristics.*

We obtained and read the Transit Agency Service Form fixed guideway worksheets for fiscal year 2006 in Internet reporting for each of Long Beach Transit's modes of transportation noting that a date was recorded for segments put into revenue service on or after September 30, 1998. For those segments put into service before September 30, 1998, we noted that they were classified as older than seven years.

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

We compared the operating expenses included in the NTD Operating Expense Form for fiscal year 2006 to the operating expenses reported in Long Beach Transit's audited financial statements for fiscal year 2006. No exceptions were noted as a result of performing this procedure.

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

We interviewed the personnel reporting the NTD data and were informed that Long Beach Transit purchased transportation services, Taxi, Systems, Inc. (TSI), and Catalina Channel Express. We inquired of the responsible Long Beach Transit personnel and were informed that the amount of purchased transportation generated fare revenues equals the generated fare

revenue amount reported on the Contractual Relationship Form for fiscal year 2006. No exceptions were noted as a result of performing this procedure.

- U. *If the transit agency's report contains data for purchased transportation (PT) services from sellers operating fewer than 100 vehicles in maximum service, and assurances of the data for those services is not included in the engagement, obtain a copy of the Independent Auditor Statement for Federal Funding Allocation data of the purchased transportation (PT) service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement (IAS) for the purchased transportation (PT) data.*

We were informed by Long Beach Transit personnel that the seller of the purchased transportation services, Taxi Systems Inc., operates fewer than 100 vehicles in maximum service and did not file its own NTD report for the fiscal year 2006. Accordingly, Taxi Systems, Inc. data is included in Long Beach Transit's fiscal year 2006 NTD report and an Independent Auditor Statement for Federal Funding Allocation is not required.

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

We obtained a copy of the purchased transportation contract between Long Beach Transit and the purchased service provider, Taxi Systems, Inc., and noted that the contract (1) specifies the specific mass transportation services to be provided by Taxi Systems, Inc; (2) specifies the monetary considerations obligated by Long Beach Transit; (3) specifies the period covered by the contract and that the contract period covers this NTD report period; and (4) is signed by representatives of both parties to the contract. We were also informed by Long Beach Transit personnel that executed copies of all contracts are retained through the term of the agreement, which exceeds three years.

- W. *If the transit agency provides service in more than one urbanized area, or between an urbanized area and a nonurbanized area, inquire of the person responsible for maintaining the NTD data regarding the procedures for allocation of statistics between urbanized areas (UZA) and nonurbanized areas (Non-UZA). Obtain and review the worksheets, route maps, and urbanized area(UZA) boundaries used for allocating the statistics and determine that the stated procedure is followed and that the computations are correct.*

We were informed by Long Beach Transit personnel that Long Beach Transit provides services in only one urbanized area and it is therefore not necessary for Long Beach Transit to perform an allocation between urbanized and nonurbanized areas.

- X. *Compare the data reported on the Federal Funding Allocation Statistics Form (FFA-10) to comparable data for the prior report year and calculate the percentage change from prior year to the current year. For vehicle revenue mile (VRM), passenger mile (PM), or operating expense (OE) data that have increased or decreased by more than 10%, or fixed guideway directional route mile data that have increased or decreased by more than 1%, interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.*

We compared the vehicle revenue mile, passenger mile, and operating expense data reported on the Federal Funding Allocation Statistics Form (FFA-10) to comparable data for the prior report year and calculated the percentage change from the prior year to the current year and noted that there were no fluctuations of more than of 10%. We compared fixed guideway directional route mile data reported on the Federal Funding Allocation Statistics Form (FFA-10) to comparable data for the prior report year and calculated the percentage change from the prior year to the current year and noted that there were fluctuations of more than 1%.



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