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Darline P. Robles, Ph.D.
Superintendent

January 16, 2007

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Mr. Jon Meyer, Board President
Long Beach Unified School District
1515 Hughes Way
Long Beach, CA 90810

Dear Mr. Meyer:

In accordance with the provisions of Education Code (EC) Section 42131, a review of the Long Beach Unified School District's (District) First Interim Report for fiscal year 2006-07 has been completed by the Los Angeles County Superintendent of Schools (County Superintendent). Our analysis of the data provided indicates that the District should be able to meet its financial obligations for the current and two subsequent years. **We therefore concur with the District's positive certification** and offer the following comment.

DECLINING ENROLLMENT AND REDUCED REVENUE LIMIT FUNDING

The District's 2006-07 First Interim Report projects the average daily attendance (ADA) for 2006-07 at 85,949.43, a reduction of 2,561.29 ADA from 2005-06. The District's multi-year projections also forecast ADA declines, with reductions of 2,325 ADA for 2007-08 and 2,500 ADA for 2008-09. While the District is able to use the previous year's higher ADA for revenue limit funding, it will continue to lose state funding over time as the decline in enrollment continues. We encourage the District to continue to monitor the projected enrollment trends and to keep our office informed of any changes that materially affect the multi-year projections.

SELF-INSURANCE FUND

In our Unaudited Actual response letter dated October 12, 2006, we requested that the District provide an update on the status of the Self-Insurance Fund. The Self-Insurance Fund has three Sub-funds including Property and Liability sub-fund, the Workers' Compensation sub-fund, and the Health Insurance sub-fund. We had noted that the 2005-06 Unaudited Actuals reflected a negative ending fund balance of a negative \$13.6 million in the Self-Insurance Fund, resulting in a projected negative ending fund balance of \$7.2 million for 2006-07. The District had previously submitted a corrective action plan to restore the fund balance beginning in 2005-06 through increased General Fund contributions to the Self-Insurance Fund over a five-year period.

Our review of the 2006-07 First Interim Report and the 2005-06 Annual Audit Report indicates that the Worker's Compensation sub-fund ended with a negative balance of \$19.9 million for 2005-06. This shortfall represents the projected liability of unpaid losses in the Workers' Compensation sub-fund. We note that as a result of the District's increased contributions, the projected liability was reduced from a high of \$38.8 million in 2004-05 to \$19.9 million for 2005-06. District staff have indicated that the Worker's Compensation fund is reviewed by the District to ensure the adequacy of the fiscal recovery plan.

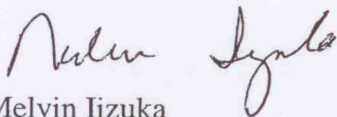
We request that the District provide this office with an update on the Self-Insurance Fund with the Second Interim Report due to this office by March 15, 2007.

CONCLUSION

Thank you for providing documentation that supports the District's positive certification. The multiyear projections, with accompanying narrative and assumptions, were extremely helpful in our analysis of the 2006-07 First Interim Report and in verifying the District's fiscal condition.

We are aware that the information provided reflects the District's financial position and assumptions as of October 31, 2006, and that further adjustments will be made during the year as additional data becomes available. We hope that these comments will be helpful to the District administration and board as you plan for the remainder of 2006-07 and develop your projections for 2007-08 and 2008-09. We wish to express our appreciation to the District staff for their cooperation during the review of the 2006-07 First Interim Report. If our office can be of further assistance, please call me at (562) 940-1704.

Sincerely,



Melvin Iizuka
Business Services Consultant
Division of Business Advisory Services

MI:lc

cc: Mr. Steinhauser, Superintendent
Mr. Stallings, Chief Business and Financial Officer
✓ Ms. Thorpe, Budget Director
Ms. Ginder, Accounting Director
Mr. Shelton, Los Angeles County Office of Education (LACOE)
Ms. Simons, LACOE
Mr. Ogunji, LACOE
Mr. Burdy, LACOE
Ms. Fees, LACOE