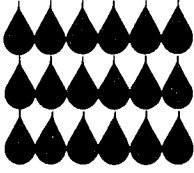


City of Long Beach Airport
Schedules of Passenger Facility Charges
Year Ended September 30, 2006
(With Independent Auditors Reports Thereon)

CITY OF LONG BEACH AIRPORT

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Independent Auditors' Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance and Schedule of Expenditures of Passenger Facility Charges Collected and Expended and Interest Credited

The Honorable Mayor and City Council
The City of Long Beach, California:

Compliance

We have audited the compliance of the City of Long Beach Airport (Airport) with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (FAA) (Guide), for its passenger facility charge program for the year ended September 30, 2006. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Airport's management. Our responsibility is to express an opinion on the Airport'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 the Guide. Those standards and the Guide 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 the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport'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 on the Airport's compliance with those requirements.

In our opinion, the Airport complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Airport's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge 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 the Guide.

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 reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to the passenger facility charge 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 internal control over compliance and its operation that we consider to be material weaknesses.

Schedules of Passenger Facility Charges Collected and Expended and Interest Credited

We have audited the accompanying Schedules of Passenger Facility Charges Collected and Expended and Interest Credited (Schedules) of the City of Long Beach Airport (Airport) for the fiscal year and each quarter during the fiscal year from October 1, 2005 to September 30, 2006. The Schedules are the responsibility of the Airport's management. Our responsibility is to express an opinion on the Schedules based on our audit.

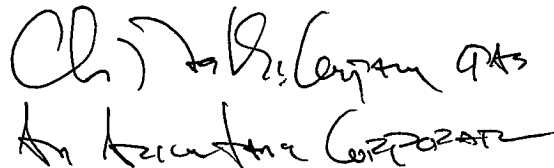
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedules. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Schedules were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

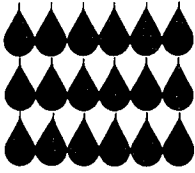
In our opinion, the Schedules referred to above present fairly, in all material respects, the passenger facility charges received, held, and used by the Airport for the fiscal year and each quarter during the fiscal year, from October 1, 2005 to September 30, 2006, as defined by the Federal Aviation Administration of the U.S. Department of Transportation.

This report is intended solely for the information and use of the city council, management, and officials of the City of Long Beach, the U.S. Department of Transportation, the Federal Aviation Administration, and other federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

June 14, 2007
Cypress, California



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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 Mayor and City Council
The City of Long Beach, California:

We have audited the accompanying Schedules of Passenger Facility Charges Collected and Expended and Interest Credited (Schedules) of the City of Long Beach Airport (Airport) for the fiscal year and each quarter during the fiscal year from October 1, 2005 to September 30, 2006. The Schedules are the responsibility of the Airport's management. Our responsibility is to express an opinion on the Schedules based on our audit.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedules 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 Airport's financial statements are free of material misstatement, 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 city council, management, and officials of the City of Long Beach, the U.S. Department of Transportation, the Federal Aviation Administration, and other federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

June 14, 2007
Cypress, California

Charles Z. Fedak, CPA
An Accountancy Corporation

CITY OF LONG BEACH AIRPORT

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited

Year Ended September 30, 2006

Passenger facility charges collected	\$ 3,901,472
Interest credited (note 2)	<u>57,498</u>
Total	<u>3,958,970</u>
Expenditures for passenger facility charge approved projects	<u>1,886,492</u>
Total	<u>1,886,492</u>
Change in unexpended passenger facility charges	2,072,478
Unexpended passenger facility charges as of September 30, 2005	<u>882,806</u>
Unexpended passenger facility charges as of September 30, 2006	<u>\$ 2,955,284</u>

See the accompanying notes to the schedules of passenger facility charges collected and expended and interest credited.

CITY OF LONG BEACH AIRPORT

Schedule of Passenger Facility Charges Collected and Expended and Interest Credited
 Quarters Ended December 31, 2005, March 31, 2006, June 30, 2006 and September 30, 2006

	<u>December 31,</u> <u>2005</u>	<u>March 31,</u> <u>2006</u>	<u>June 30,</u> <u>2006</u>	<u>September 30,</u> <u>2006</u>	<u>Total</u>
Passenger facility charges collected	\$ 752,306	1,201,640	1,038,509	909,017	3,901,472
Interest credited	5,896	11,311	14,902	25,389	57,498
Total	<u>758,202</u>	<u>1,212,951</u>	<u>1,053,411</u>	<u>934,406</u>	<u>3,958,970</u>
Expenditures for passenger facility charge approved projects	<u>678,074</u>	<u>821,744</u>	<u>297,677</u>	<u>88,997</u>	<u>1,886,492</u>
Total	<u>678,074</u>	<u>821,744</u>	<u>297,677</u>	<u>88,997</u>	<u>1,886,492</u>
Change in unexpended passenger facility charges	80,128	391,207	755,734	845,409	<u>2,072,478</u>
Unexpended passenger facility charges at beginning of quarter	<u>882,806</u>	<u>962,934</u>	<u>1,354,141</u>	<u>2,109,875</u>	
Unexpended passenger facility charges at end of quarter	\$ <u>962,934</u>	<u>1,354,141</u>	<u>2,109,875</u>	<u>2,955,284</u>	

See the accompanying notes to the schedules of passenger facility charges collected and expended and interest credited.

CITY OF LONG BEACH AIRPORT

Notes to the Schedules of Passenger Facility Charges Collected and Expended and Interest Collected

Year ended September 30, 2006

(1) Basis of Accounting

The schedules of passenger facility charges (PFC) collected and expended and interest credited are prepared on the basis of cash receipts and disbursements, as prescribed by Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990, issued by the Federal Aviation Administration of the United States Department of Transportation, which is a comprehensive basis of accounting other than United States generally accepted accounting principles.

Passenger facility charges collected include amounts collected by the airlines and transferred to the Airport. Expenditures for passenger facility charge approved projects are presented on a cash basis and include only the expenditures for approved PFC projects.

(2) Interest Credited

Interest credited represents interest income allocated to the PFC Program (Program) based on the ratio of the Program's unexpended passenger facility charges cash balance to the Airport's total cash and investments balance included in the pooled cash funds of the City of Long Beach.

CITY OF LONG BEACH AIRPORT
Schedule of Findings and Questioned Costs
Year ended September 30, 2006

There were no current year findings.