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Long Beach School District

Audited Financial Statements

June 30, 2006

J.E. Fortenberry, III, PC
Certified Public Accountant

FINANCIAL AUDIT REPORT

Long Beach School District
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J.E. FORTENBERRY, III, PC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
Long Beach School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Long Beach School District as of and for the year ended June 30, 2006, which collectively comprise the Long Beach School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Long Beach School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Long Beach School District, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 9, 2007 on my consideration of the Long Beach School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 and 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 read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages 8 through 15 and the Budgetary Comparison Schedules and corresponding notes on pages 47 through 53 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it.

AICPA & MSCPA
1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Long Beach School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

J.E. Fortenberry, III, PC
January 9, 2007

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

LONG BEACH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

The discussion and analysis of Long Beach School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is a element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

FINANCIAL HIGHLIGHTS

- Total net assets increased $8,561,597, which represents a 61% increase from fiscal year 2005.

- General revenues account for $22,022,004, or 60% of all revenues. This amount was more than the general revenues for the year 2005, which consisted of $18,872,652, or 85% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $14,552,134, or 40% of total revenues compared to $3,424,061 in 2005.

- The district had $28,012,541 in expenses, amount that increased when compared with the $21,318,051 in expenses for the prior year; only $14,552,134 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of $22,022,004 were adequate to provide for these programs.

- Among major funds, the General Fund had $20,052,406 in revenues and $11,796,171 in expenditures. In 2005 the General Fund had $18,350,724 in revenues and $17,528,149 in expenditures. The General Fund's fund balance increased by $1,705,590.

- Capital assets, net of accumulated depreciation, increased by $1,370,071 due primarily to the purchase of land.

- Long-term debt decreased by $2,382,082.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District'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 the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. 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 this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

The government-wide financial statements can be found on pages 18 and 19 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

> **Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental

funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 21 and 23, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 20 and 22 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary Funds are comprised of the Payroll Clearing Fund, Club Funds, Accounts Payable Clearing Funds, and the Bert Johnson Scholarship Fund. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 24.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-45 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 47-51 of this report.

Additionally, a new schedule of instructional, administrative and other expenditures - governmental funds will be found right after the schedule of federal awards, required by OMB Cir. A-133. These schedules can be found on page 55 and 56 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by $14,062,362 as of June 30, 2006.

(8%) of the District's net assets reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2006 and 2005:

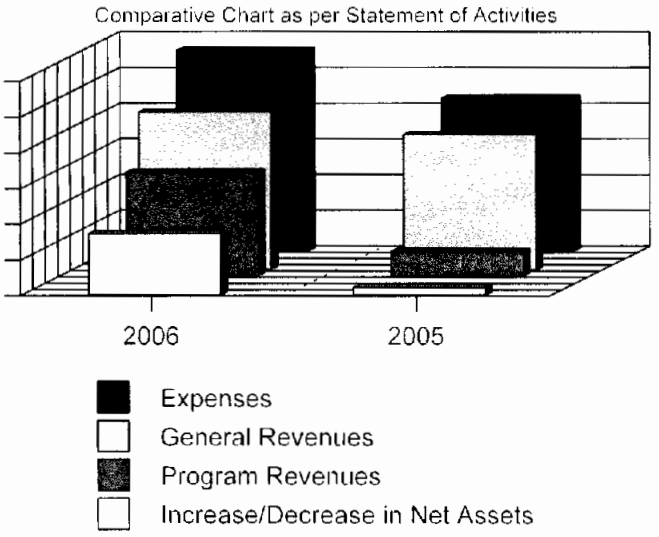
	2006	2005	Percentage Change
Assets			
Current assets	$ 16,173,109	4,979,991	225%
Capital assets, net	9,073,042	7,702,971	18%
Total assets	25,246,151	12,682,962	99%
Liabilities			
Current liabilities	2,857,442	1,237,932	131%
Long-term liabilities	8,326,347	5,944,265	40%
Total liabilities	11,183,789	7,182,197	56%
Net Assets:			
Invested in capital assets, net of related debt	1,108,324	2,053,667	-46%
Restricted	8,827,646	959,687	820%
Unrestricted	4,126,392	2,487,411	66%
Total Net Assets	$ 14,062,362	5,500,765	156%

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The addition of $3,440,616 of long-term debt.
- The $1,370,071 net increase in Capital Assets is due primarily to the purchase of land in the amount of $2,229,997.

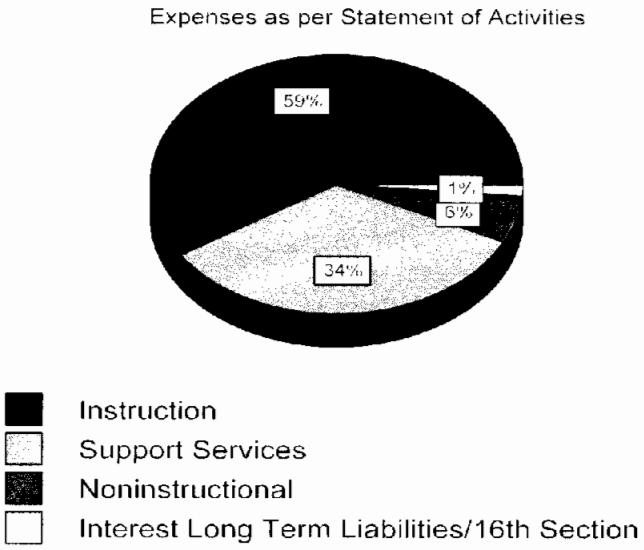
Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were $36,574,138. The total cost of all programs and services was $28,012,541. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and 2005.

		2006	2005	Percentage Change
Revenues				
Program Revenues				
Charges for services	$	416,785	672,050	-38%
Operating Grants and Contributions		14,135,349	2,752,011	414%
Total Program Revenues		14,552,134	3,424,061	325%
General Revenues				
Property Taxes		6,114,150	6,080,201	1%
Unrestricted Grants and Contributions		13,566,433	12,686,535	7%
Unrestricted Investment Earnings		179,450	52,893	239%
Sixteenth Section Sources		6,995	7,694	-9%
Other		2,154,976	45,329	4654%
Total General Revenues		22,022,004	18,872,652	17%
Total revenues		36,574,138	22,296,713	64%
Expenses				
Instruction		16,642,195	13,170,610	26%
Support services		9,410,553	6,917,915	36%
Non-instructional		1,599,236	977,159	64%
Interest on long-term liabilities		360,557	252,367	43%
Total expenses		28,012,541	21,318,051	31%
Increase (Decrease) in net assets		8,561,597	978,662	775%
Net Assets, July 1		5,500,765	4,522,103	22%
Prior Period Adjustment		0	0	
Net Assets, June 30	$	14,062,362	5,500,765	156%



Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2006 Expenses	2005 Expenses	2006 Net (Expense) Revenue	2005 Net (Expense) Revenue
Instruction	$ 16,642,195	13,170,610	(7,881,111)	(11,544,195)
Support Services	9,410,553	6,917,915	(5,241,298)	(6,232,353)
Non-Instructional	1,599,236	977,159	22,559	134,238
Interest on Long-Term Liabilities	360,557	252,367	(360,557)	(251,680)
	$ 28,012,541	21,318,051	(13,460,407)	(17,893,990)



- Net cost of governmental activities ($13,460,407), was financed by general revenue, which is made up of primarily property taxes ($6,114,150) and state revenue ($13,402,299).

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $13,469,650, an increase of $9,624,723. $5,911,587 or 44% of the fund balance constitutes unreserved and undesignated fund balance. The remaining fund balance of $7,558,063 or 56% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $1,705,590. The fund balance of Other Governmental Funds showed an increase of $1,397,386.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs are used to determine original budget amounts.

- Budget amounts for revenues in the General Fund were consistent with actual amounts .

- Budget amounts for expenditures are amended as funding sources/amounts change. In FY 06 the final budget was less than the original budget due primarily to additional funding from Displaced Student Grant, Restart School Grant, and FEMA/MEMA funding. These grants were made available to schools most affected by Hurricanes Katrina and Rita. The District used these fundings to help defray the expenses related to meeting the needs of public and non public displaced students, restart and reopening of schools, and also for debris removal, emergency protective measures and repairs.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, the Displaced Student Fund, Restart School Fund, Displaced Student Non-Public Fund, and FEMA MEMA Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets were $14,770,513, including land, school buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of $895,399 from the previous year. Total accumulated depreciation as of June 30, 2006 was $5,697,471 and total depreciation expense for the year was $299,172, resulting in total net capital assets of $9,073,042.

	Capital Assets, Net of Depreciation		Percentage
	2006	2005	Change
Land	$ 2,548,709	318,712	700%
Buildings	5,882,117	6,681,356	-12%

Improvements other than buildings	94,146	113,013	-17%
Mobile equipment	432,510	506,944	-15%
Furniture and equipment	115,560	72,846	59%
Leased property under capital leases		10,100	-100%
	$ 9,073,042	7,702,971	18%

Additional information of the District's capital assets can be found in Note 4 on page 36 of this report.

Debt Administration. At June 30, 2006, the District had $375,000 in general obligation bonds outstanding and $7,951,347 in other long-term debt outstanding, of which $632,170 is due within one year.

	2006	2005	Percentage Change
General obligation bonds	$ 375,000	490,000	-23%
Limited obligation bonds	4,440,000	4,715,000	-6%
Certificates of participation payable	245,748	363,125	-32%
Shortfall notes payable	220,387	155,973	41%
Obligation under capital leases	153,970	81,179	90%
Three mill notes payable	2,750,000	0	0%
Compensated absences	141,242	138,988	2%
	$ 8,326,347	5,944,265	40%

The District maintains a AA bond rating.

Additional information of the District's long-term debt can be found in Note 5 on page 37 of this report.

CURRENT ISSUES

The Long Beach District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Long Beach School District, 19148 Commission Road, Long Beach, MS 39560.

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FINANCIAL STATEMENTS

Long Beach School District
Statement of Net Assets
June 30, 2006

	Primary Government	
		Governmental Activities
Assets		
Cash and cash equivalents	$	11,600,984
Due from other governments		4,252,440
Inventories and prepaid items		114,580
Restricted assets		205,105
Capital assets, not being depreciated		
Land		2,548,709
Capital assets, net of accumulated depreciation		
Buildings		5,882,117
Improvements other than buildings		94,146
Mobile equipment		432,510
Furniture and equipment		115,560
Total Assets	$	25,246,151
Liabilities		
Accounts payable and accrued liabilities	$	2,703,459
Interest payable on long-term liabilities		153,983
Long-term liabilities, due within one year		
Capital related liabilities		632,170
Long-term liabilities, due beyond one year		
Capital related liabilities		7,332,548
Non-capital related liabilities		361,629
Total Liabilities	$	11,183,789
Net Assets		
Investment in capital assets, net of related debt	$	1,108,324
Restricted net assets:		
Expendable:		
School - based activities		1,538,204
Debt service		412,087
Capital improvements		6,801,705
Unemployment benefits		75,650
Unrestricted		4,126,392
Total Net Assets	$	14,062,362

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

LONG BEACH SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities
Primary Government:				
Governmental Activities:				
Instruction	$ 16,642,195	106,761	8,654,323	(7,881,111)
Support services	9,410,553	-	4,169,255	(5,241,298)
Non-instructional	1,599,236	310,024	1,311,771	22,559
Interest on long-term liabilities	360,557	-	-	(360,557)
Total governmental activities	$ 28,012,541	416,785	14,135,349	(13,460,407)

General Revenues:	
Taxes:	
General purpose levies	5,430,995
Debt service levies	471,886
Gaming	211,269
Unrestricted grants and contributions:	
State	13,402,299
Federal	164,134
Unrestricted investment earnings	179,450
Sixteenth section sources	6,995
Other	2,154,976
Total General Revenues	22,022,004
Change in Net Assets	8,561,597
Net Assets - Beginning	5,500,765
Net Assets - Ending	$ 14,062,362

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

LONG BEACH SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2006

	Major Funds						Other	Total
	General Fund	Displaced Student Fund	Restart School Grant	Displaced Student Non Public	FEMA/MEMA Fund	Capital Project Fund	Governmental Funds	Governmental Funds
ASSETS								
Cash and cash equivalents	$ 1,383,311	-	1,663,029	-	54,547	6,250,000	2,250,097	11,600,984
Investments	-	-	-	-	-		205,105	205,105
Due from other governments	579,659	1,322,095	-	585,812	1,384,761	-	380,113	4,252,440
Due from other funds	2,763,562	-	-	-	-		-	2,763,562
Inventories and prepaid items	48,626	-	-	-	-		65,954	114,580
Total Assets	4,775,158	1,322,095	1,663,029	585,812	1,439,308	6,250,000	2,901,269	18,936,671
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	287,196	-	1,463,292	585,812	29,762	-	337,396	2,703,458
Due to other funds	-	1,322,095	-	-	1,361,726	-	79,741	2,763,562
Total Liabilities	287,196	1,322,095	1,463,292	585,812	1,391,488	-	417,137	5,467,020
Fund Balances:								
Reserved for:								
Unemployment benefits	-	-	-	-	-	-	75,650	75,650
Inventory	-	-	-	-	-		61,324	61,324
Prepaid items	48,626	-	-	-	-	-	4,630	53,256
Capital projects funds	-	-	-	-	-	6,250,000	551,705	6,801,705
Debt service funds	-	-	-	-	-		566,128	566,128
Unreserved:								
Undesignated, reported in:								
General fund	4,439,336	-	-	-	-		-	4,439,336
Special Revenue funds	-	-	199,737	-	47,820	-	1,224,694	1,472,251
Total Fund Balances	4,487,962	-	199,737	-	47,820	6,250,000	2,484,131	13,469,650
Total Liabilities and Fund Balances	$ 4,775,158	1,322,095	1,663,029	585,812	1,439,308	6,250,000	2,901,268	18,936,670

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

LONG BEACH SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2006

		Amount
Total Fund Balance - Governmental Funds	$	13,469,650
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $5,697,471		9,073,042
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(8,326,347)
3 Governmental funds recognize interest on long term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.		(153,983)
Total Net Assets - Governmental Activities	$	14,062,362

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

LONG BEACH SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Funds						Other	Total
	General Fund	Displaced Student Fund	Restart School Grant	Displaced Student Non Public	FEMA/MEMA Fund	Capital Projects Fund	Governmental Funds	Governmental Funds
Revenues:								
Local sources	$ 6,540,789	-	-	-	-	-	810,772	7,351,561
State sources	13,315,909	-	-	-	-	-	838,717	14,154,626
Federal sources	195,708	3,111,095	5,216,503	585,812	2,155,720	-	2,282,525	13,547,363
Sixteenth section sources	-	-	-	-	-	-	10,155	10,155
Total Revenues	20,052,406	3,111,095	5,216,503	585,812	2,155,720	-	3,942,169	35,063,705
Expenditures:								
Instruction	7,296,836	2,624,104	3,681,993	-	624,138	-	1,705,046	15,932,117
Support services	4,269,837	486,991	1,334,773	-	1,648,393	-	1,600,078	9,340,072
Non-instructional services	1,515	-	-	585,812	36,530	-	917,948	1,541,805
Facilities acquisition and construction	-	-	-	-	-	-	2,229,997	2,229,997
Debt service:								
Principal	198,556	-	-	-	39,005	-	820,973	1,058,534
Interest	29,427	-	-	-	2,809	-	226,407	258,643
Other	-	-	-	-	-	-	50,800	50,800
Total Expenditures	11,796,171	3,111,095	5,016,766	585,812	2,350,875	-	7,551,249	30,411,968
Excess (Deficiency) of Revenues Over Expenditures	8,256,235	-	199,737	-	(195,155)	-	(3,609,080)	4,651,737
Other Financing Sources (Uses):								
Proceeds of loans	220,387	-	-	-	-	-	3,025,000	3,245,387
Inception of capital leases	-	-	-	-	192,975	-	-	192,975
Insurance loss recoveries	10,434	-	-	-	-	-	1,500,000	1,510,434
Operating transfers in	1,941,257	-	-	-	50,000	6,250,000	535,093	8,776,350
Operating transfers out	(8,722,723)	-	-	-	-	-	(53,627)	(8,776,350)
Total Other Financing Sources (Uses)	(6,550,645)	-	-	-	242,975	6,250,000	5,006,466	4,948,796
Net Change in Fund Balances	1,705,590	-	199,737	-	47,820	6,250,000	1,397,386	9,600,533
Fund Balances:								
July 1, 2005	2,782,372	-	-	-	-	-	1,062,555	3,844,927
Increase (Decrease) in reserve for inventory	-	-	-	-	-	-	24,190	24,190
June 30, 2006	$ 4,487,962	-	199,737	-	47,820	6,250,000	2,484,131	13,469,650

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

LONG BEACH SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2006

		Amount
Net Change in Fund Balances - Governmental Funds	$	9,600,533
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assest purchase amounted to $2,328,030.59 and the depreciation expense amounted to $299,172.94.		2,028,858
2. Proceeds of long-term liabilities are reported in the governmental funds, but not in the Statement of Activities		(3,438,362)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity.		1,058,534
4. Expenses in Staement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: Compensated Absences		(2,254)
5. Governemental funds recongnize interest on long-term debt when it becomes due, however, the Statement of Activities recognize interest as it accrues regardless of when it becomes due.		(51,115)
6. Gains and losses on sale or disposal of assets are not reported in the governemental funds, but are reported in the Statement of Activities		(658,787)
7. Increases or decreases in reserve for inventory directly affects fund balance in the fund statements, but is adjusted through expenses in the Statement of Activities		24,190
Change in Net Assets of Governmental Activities	$	8,561,597

The notes to the financial statements are an intergral part of this statement.

LONG BEACH SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2006

		Private-purpose Trust	Agency Funds
Assets			
Cash and cash equivalents	$	6,596	1,604,798
Due from other funds		-	3,717
Total Assets		6,596	1,608,515
Liabilities			
Accounts payable and accrued liabilities		-	1,512,256
Due to other funds		800	2,917
Due to student clubs		-	93,343
Total Liabilities		800	1,608,516
Net Assets			
Reserve for endowments		5,796	
Total net assets	$	5,796	

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

LONG BEACH SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2006

	Private-Purpose Trust Funds
Additions	
Contributions and donations from private sources	$ 23,596
Total Additions	23,596
Deductions	
Scholarships awarded	17,800
Total Deductions	17,800
Change in Net Assets	5,796
Net Assets	
July 1, 2005	-
June 30, 2006	$ 5,796

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

Long Beach School District

Notes to the Financial Statements
June 30, 2006

(1) Summary of Significant Accounting Policies.

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Long Beach since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all the funds of the reporting entity except for the fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular

program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Displaced Student Fund - This fund is used to assist in meeting the educational needs of students displaced by Hurricanes Katrina and Rita, and

to help schools that were closed as a result of the hurricanes to reopen as quickly and effectively as possible.

Restart School Grant - This fund is used to provide assistance or services to local educational agencies and non public schools to help defray the expenses related to the restart of operations in, the reopening of, and the re-enrollment of students that serve in which a major disaster has been declared related to Hurricanes Katrina and Rita.

Displaced Student Non-Public - This fund is used to assist in meeting the educational needs of students displaced by Hurricanes Katrina and Rita, and to help non-public schools that were closed as a result of the hurricanes to reopen as quickly and effectively as possible.

FEMA / MEMA Fund - This fund is used to assist in recovering from the devastating effects of disasters by providing assistance for debris removal, emergency protective measures and the repair, restoration, reconstruction or replacement of public facilities or infrastructure damaged or destroyed.

Capital Project Funds - This fund accounts for the funds transferred from the General Fund and the expenditures associated with the renovation and construction of school facilities

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

Capital Project Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of result of operations.

Private-Purpose Trust - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Cash and Cash Equivalents.

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand account and certificates of deposit with maturities of twelve months or less. Cash and cash equivalents are valued at cost.

G. Investments.

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated inventories are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The cost of governmental fund type inventories are reported as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental and fund financial statements.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	Capitalization Policy	Estimated Useful Life
Land	$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed.
See Note 4 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See **Note 3** for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-Wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted net assets- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets- All other net assets that do not meet the definition

of "restricted", or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserve for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for prepaid items - An account that represents a portion of the fund balance which indicates that prepaid items do not represent available spendable resources even though they are a component of net current assets.

Reserve for capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

M. Property Taxes.

Ad valorem property taxes are levied by the governing authorities of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

N. Mississippi Adequate Education Program Revenues.

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the state of Mississippi.

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by policy of the school district. Some employees are allowed personal and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

(2) Changes in Accounting Standards.

As required, the Long Beach School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents and Investments.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b)

direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Amounts less than $100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $11,600,984 and $1,611,394 , respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - $11,600,984 and restricted assets - $205,105. The restricted assets of $205,105 represent the investment balance of the Debt Service Fund (other governmental funds) held by the paying agent of the MAEP Bond Fund in an escrow fund until principal and interest are due, which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was $13,553,730.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of $13,553,730 was exposed to custodial credit risk.

Investments.

As of June 30, 2006, the district had the following investments in the Hancock Bank's Trust Department investment pool..

Investment Type	Maturities (in years)	Fair Value	Rating
Treasury Securities Money Market	less than 1	$ 205,105	AAAm
Total Investments		$ 205,105	

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments in Hancock Bank's Trust Department, none of underlying securities are held by the investment's counterparty, not in the name of the district. [As of June 30, 2006, the district did not have any investments to which this would apply.]

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2006, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Hancock Bank	$ 205,105	100%
	$ 205,105	

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Governmental Funds:	Due From	Due To
General Fund	$ 2,763,562	$ 0
Displaced Student Fund	0	1,322,095
FEMA / MEMA Fund	0	1,361,726
Other Governmental Fund	0	79,741
Fiduciary Funds	3,717	3,717
Total Funds	$2,767,279	$2,767,279

The purpose of the Due From/To other funds balances was to remove negative cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	$1,941,257	$ 8,722,723
FEMA / MEMA	50,000	0
Capital Project	6,250,000	0
Other Governmental Fund	535,093	53,627
Total Funds	$ 8,776,350	$ 8,776,350

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

(5) Capital Assets.

The following is a summary of changes in capital assets for governmental activities:

	Balance 7-01-2005	Additions	Retirements	Adjustments	Balance 6-30-2006
Non-depreciable capital assets:					
Land	$ 318,712	2,229,997	0	0	2,548,709
Total non-depreciable capital assets	318,712	2,229,997	0	0	2,548,709
Depreciable capital assets:					
Buildings	11,115,254	0	1,285,549	0	9,829,705
Improvements other than buildings	465,265	0	66,615	0	398,650
Mobile equipment	1,428,819	3,729	0	0	1,432,548
Furniture and equipment	536,964	94,304	80,467	10,100	560,901
Leased property under capital leases	10,100	0	0	(10,100)	0
Total depreciable capital assets	13,556,402	98,033	1,432,631	0	12,221,804
Less accumulated depreciation for:					
Buildings	4,433,898	165,410	651,720	0	3,947,588
Improvements other than buildings	352,252	5,544	53,292	0	304,504
Mobile equipment	921,875	78,163	0	0	1,000,038
Furniture and equipment	464,118	50,055	68,832	0	445,341
Total accumulated depreciation	6,172,143	299,172	773,844	0	5,697,471
Total depreciable capital assets, net	7,384,259	(201,139)	658,787	0	6,524,333
Governmental activities capital assets, net	$ 7,702,971	2,028,858	658,787	0	9,073,042

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$ 155,951
Support Services	117,738
Non-instructional	25,483
Total depreciation expense	$ 299,172

(6) Long-term liabilities.

The following is a summary of changes in general long-term liabilities and other obligations for governmental activities:

			Balance 7-1-2005	Additions	Reductions	Balance 6-30-2006	Amounts due within one year
A.	General obligation bonds	$	490,000	0	115,000	375,000	120,000
B.	Limited obligation bonds		4,715,000		275,000	4,440,000	295,000
C.	Certificates of participation payable		363,125	0	117,377	245,748	121,004
D.	Shortfall notes payable		155,973	220,387	155,973	220,387	0
E.	Obligations under capital leases		81,179	192,975	120,184	153,970	96,166
F.	Three Mill Notes Payable		0	3,025,000	275,000	2,750,000	
G.	Compensated Absences		138,988	2,254	0	141,242	0
	Total	$	5,944,265	3,440,616	1,058,534	8,326,347	632,170

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Bonds	varies	09/02	12/08	$820,000	$375,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30,	Principal	Interest	Total
2007	$120,000	14,655	134,655
2008	120,000	10,275	130,275
2009	135,000	5,535	140,535
Total	$375,000	$30,465	$405,465

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2006 the amount of outstanding bonded indebtedness was equal to .68% of property assessments as of October 1, 2005 This debt will be retired from the District Maintenance Fund #1120 and EEF Buildings and Busses Fund #2410.

B. Limited obligation bonds payable

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement	varies	03/98	08/17	$5,770,000	$4,440,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30,	Principal	Interest	Total
2007	$ 295,000	215,018	510,018
2008	310,000	199,736	509,736
2009	315,000	184,611	499,611
2010	315,000	169,380	484,380
2011	335,000	134,811	469,811
2012-2016	1,945,000	447,771	2,392,771
2017-2021	925,000	43,359	968,359
Total	$4,440,000	$1,394,686	$5,834,686

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and the Adequate Education Act, Sections 37-151-1 through 37-151-7 of the Mississippi Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the fund 4041 (MAEP Retirement Fund).

C. Certificates of participation payable.

As more fully explained in Note 9, certificates of participation have been issued by the

school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust Certificates 2002	3.09%	11/02	10/07	$589,852	$245,748

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30,	Principal	Interest	Total
2007	$121,004	7,594	128,598
2008	124,744	3,855	128,599
Total	$245,748	11,449	$257,197

This debt will be retired from the District Maintenance Fund 1120.

D. Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Community Disaster Shortfall	3.12%	6/06	6/11	$220,387	220,387
Shortfall Note 2003	3.98%	6/03	6/06	450,238	0
Total				$670,625	220,387

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30,	Principal	Interest	Total
2007	$ 0	6,877	6,877
2008	0	6,877	6,877
2009	0	6,877	6,877
2010	0	6,877	6,877
2011	220,387	6,877	227,264
Total	$220,387	34,385	$254,772

Shortfall note 2003 was retired from the Ad Valorem Shortfall Fund 4011.

Community disaster loan will be retired from the District Maintenance Fund 1120.

Pursuant to HR 2206 - Public Law 110-28, FEMA may allow forgiveness of Community Disaster Loans, in Presidentially declared disaster areas on a case by case basis.

E. Obligations under capital leases.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under band equipment lease is composed of a Yamaha Concert Tuba, two Yamaha Bari Euphoniums, three Yamaha Marching Mellophones, two Yamaha Marching baritones, one Yamaha Bari Saxophone, two Yamaha Tenor Saxophones, two Yamaha Sousaphones, one set of 4 Adams Hammered Copper Tympan, one drum set with cases, one roto toms, one keyboard, one Yamaha keyboard S-90, one Congo set, one bass clarinet, two concert tubas, two fiberglass sousaphones, two euphoriums, three double french horns, 34 CLT-785-Client Pro 345E computers, 24 CLT-751-Client Pro 325D computers and one tech-prep lab.

Leased property under computer equipment lease is composed of one hundred fifty five(155) new MPC laptop computers.

The various options available to the lessee for these leases are as follows:

Option to purchase:

1. At the end of the lease term (including renewal terms), upon payment in full of the rental payments and other amounts payable by lessee hereunder; or

2. At the end of the original term or any renewal term upon payment by lessee of the then applicable purchase price; or

3. If the lease term is terminated pursuant to Article IX of this agreement.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Band Equipment	2.85%	12/03	12/06	$239,813	0
Computer Equipment	3.8%	1/06	1/08	192,975	153,970
Total				$432,788	153,970

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30,	Principal	Interest	Total
2007	$ 96,166	4,187	100,353
2008	57,804	735	58,539
Total	$153,970	4,922	$158,892

Band equipment lease was retired from the District Maintenance Fund 1120.

Computer equipment lease will be retired from the FEMA/MEMA Fund 2579.

F. Three Mill Notes Payable

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes					
	4.48%	10/06	10/25	$2,750,000	2,750,000
Computer Upgrade					
	3.17%	12/05	6/06	275,000	0
Total				$3,025000	2,750,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30,	Principal	Interest	Total
2007	$ 0	151,325	151,325
2008	0	121,060	121,060
2009	25,000	120,608	145,608
2010	50,000	119,228	169,228
2011	100,000	116,380	216,380
2012-2016	725,000	506,177	1,231,177
2017-2021	1,100,000	304,700	1,404,700
2022-2025	750,000	52,588	802,588
Total	$2,750,000	$1,492,066	$4,242,066

This debt will be retired from Capital/Land Fund 3022 and Three Mill Debt Service Fund 4021.

G. Compensated Absences.

As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employee's salaries were paid.

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005, and 2004 were $1,494,422, $1,355,934, and $1,188,632, respectively, which equaled the required contributions for each year.

(8) Other commitments.

Operating leases:

The school district has several operating leases for the following:

1. 5227 AG digital copier.
2. Two (2) LD075 AG digital copier.
3. Canon 7200 copier.
4. Canon 5020 copier.
5. Two (2) Konica 7165 digital copier.
6. Imagistics IM 2520, IM 8310 digital copier.
7. Imagistics DL 650, DL 200 digital copier.
8. Imagistics IM 3520, IM 6530 digital copier.

Lease expenditures for the year ended June 30, 2006, amounted to $43,454. Future lease payments for these leases are as follows:

Year Ending June 30,		Amount
2007	$	54,802
2008		35,039
2009		15,999
Total	$	105,840

(9) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.
The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workman's Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South in Jackson, Mississippi. The funds in the trust account are used to pay any claim up to $500,000. For a claim exceeding $500,000, MSBAWCT has insurance which will pay the excess up to $25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(10) Trust Certificates.

A trust agreement dated November 2, 2002, was executed by and between the school district and Hancock Bank of Gulfport, Mississippi, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of $589,852. The funds were used for the purchase and renovations of school buildings and related facilities and equipment.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

REQUIRED SUPPLEMENTARY INFORMATION

LONG BEACH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 6,214,974	6,743,897	6,540,789	528,923	(203,108)
State sources	13,347,814	13,311,814	13,315,909	(36,000)	4,095
Federal sources	165,000	222,735	195,708	57,735	(27,027)
Total Revenues	19,727,788	20,278,446	20,052,406	550,658	(226,040)
Expenditures:					
Instruction	12,313,319	8,001,021	7,296,836	4,312,298	704,185
Support services	6,567,609	5,757,051	4,269,837	810,558	1,487,214
Noninstructional services	2,000	3,656	1,515	(1,656)	2,141
Debt Service				-	-
Principal	198,558	198,558	198,556	-	2
Interest	31,240	31,240	29,427	-	1,813
Total Expenditures	19,112,726	13,991,526	11,796,171	5,121,200	2,195,354
Excess (Deficiency) of Revenues Over Expenditures	615,063	6,286,921	8,256,235	5,671,858	1,969,315
Other Financing Sources (Uses):					
Proceeds of loans	-	-	220,387	-	220,387
Insurance Loss Recoveries	-	-	10,434	-	10,434
Operating Transfers In	2,510,127	2,398,329	1,941,257	(111,798)	(457,072)
Operating Transfers Out	(3,168,320)	(9,282,999)	(8,722,723)	(6,114,679)	560,276
Total Other Financing Sources (Uses)	(658,193)	(6,884,670)	(6,550,645)	(6,226,477)	334,025
Net Change in Fund Balances	(43,131)	(597,750)	1,705,590	(554,619)	2,303,340
Fund Balances:					
July 1, 2005	2,364,060	2,782,372	2,782,372	418,313	-
July 1, 2005, as restated	2,364,060	2,782,372	2,782,372	418,313	-
June 30, 2006	$ 2,320,929	2,184,623	4,487,962	(136,306)	2,303,340

The notes to the required supplementary information are an integral part of this statement.

LONG BEACH SCHOOL DISTRICT
Budgetary Comparison Schedule
Displaced Student Grants
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ -	3,111,095	3,111,095	(3,111,095)	-
Total Revenues	-	3,111,095	3,111,095	(3,111,095)	-
Expenditures:					
Instruction	-	2,624,104	2,624,104	(2,624,104)	-
Support services	-	486,991	486,991	(486,991)	-
Total Expenditures	-	3,111,095	3,111,095	(3,111,095)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2005	-	-	-	-	-
Increase (Decrease) in reserve for inventory	-	-	-	-	-
June 30, 2006	$ -	-	-	-	-

The notes to the required supplementary information are an integral part of this statement.

LONG BEACH SCHOOL DISTRICT
Budgetary Comparison Schedule
Restart School Grants
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ -	8,426,520	5,216,503	8,426,520	(3,210,017)
Total Revenues	-	8,426,520	5,216,503	8,426,520	(3,210,017)
Expenditures:					
Instruction	-	4,379,805	3,681,993	(4,379,805)	697,812
Support services	-	1,433,252	1,334,773	(1,433,252)	98,479
Total Expenditures	-	5,813,057	5,016,766	(5,813,057)	796,291
Excess (Deficiency) of Revenues Over Expenditures	-	2,613,463	199,737	2,613,463	(2,413,726)
Net Change in Fund Balances	-	2,613,463	199,737	2,613,463	(2,413,726)
Fund Balances:					
July 1, 2005	-	-	-	-	-
Increase (Decrease) in reserve for inventory	-	-	-	-	-
Residual equity transfer in (out)	-	-	-	-	-
June 30, 2006	$ -	2,613,463	199,737	2,613,463	(2,413,726)

The notes to the required supplementary information are an integral part of this statement.

LONG BEACH SCHOOL DISTRICT
Budgetary Comparison Schedule
Displaced Student Non Public
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ -	830,656	585,812	830,656	(244,844)
Total Revenues	-	830,656	585,812	830,656	(244,844)
Expenditures:					
Non-instructional services	-	830,656	585,812	(830,656)	244,844
Total Expenditures	-	830,656	585,812	(830,656)	244,844
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2005	-	-	-	-	-
Increase (Decrease) in reserve for inventory	-	-	-	-	-
Residual equity transfer in (out)	-	-	-	-	-
June 30, 2006	$ -	-	-	-	-

The notes to the required supplementary information are an integral part of this statement.

LONG BEACH SCHOOL DISTRICT
Budgetary Comparison Schedule
FEMA MEMA Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
State sources	-	120,000	-	120,000	(120,000)
Federal sources	$ -	2,300,000	2,155,720	2,300,000	(144,280)
Total Revenues	-	2,420,000	2,155,720	2,420,000	(264,280)
Expenditures:					
Instruction	-	603,467	624,138	(603,467)	(20,671)
Support services	-	1,848,667	1,648,393	(1,848,667)	200,274
Noninstructional services	-	36,530	36,530	(36,530)	-
Facilities acquisition and construction	-	22,270	-	(22,270)	22,270
Debt Service					
Principal	-	39,005	39,005	(39,005)	-
Interest	-	2,809	2,809	(2,809)	-
Total Expenditures	-	2,552,748	2,350,875	(2,552,748)	201,873
Excess (Deficiency) of Revenues Over Expenditures	-	(132,748)	(195,155)	(132,748)	(62,407)
Other Financing Sources (Uses):					
Inception of capital leases	-	192,975	192,975	192,975	-
Operating Transfers In	-	120,000	50,000	120,000	(70,000)
Total Other Financing Sources (Uses)	-	312,975	242,975	312,975	(70,000)
Net Change in Fund Balances	-	180,227	47,820	180,227	(132,407)
Fund Balances:					
July 1, 2005	-	-	-	-	-
June 30, 2006	$ -	180,227	47,820	180,227	(132,407)

The notes to the required supplementary information are an integral part of this statement.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Long Beach School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2006

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

Long Beach School District **Schedule 1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2006

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE/		
Passed-through the Mississippi Department of Education:		
Noncash assistance:		
Food Donation	10.550	$86,458
Child Nutrition Cluster:		
School Breakfast Program	10.553	118,929
National School Lunch Program	10.555	567,155
Total child nutrition cluster		686,084
Total passed-through the MDE		772,542
TOTAL U. S. DEPARTMENT OF AGRICULTURE		772,542
FEDERAL COMMUNICATIONS COMMISSION		
Administered through Universal Service Administrative Company		
The schools and libraries program of the Universal Service Fund	32.XXX	60,523
Total Federal Communications Commission		60,523
U. S. DEPARTMENT OF EDUCATION		
Direct Program:		
Impact aid	84.041	52,070
Total		52,070
Pass-through Department of Rehabilitation Services		
Rehabilitation services - vocational rehabilitation grants to states	84.126	208
Total		208
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	564,901
Vocation Education - Basic Grant to States	84.048	30,050
Safe and Drug Free Schools and Communities - State Grants	84.186	80,616
Eisenhower Professional Development -State Grant	84.281	158,413
State Grant for Innovative Programs	84.298	10,246
Education Technology State Grants	84.318	13,462
Improving Teacher Quality - State Grants	84.367	64,900
Hurricane Education Recovery	84.938	8,913,410
Total		9,835,998
Special Education Cluster:		
Special Education - Grants to States	84.027	563,754
Special Education - Preschool Grants	84.173	23,452
Total special education cluster		587,206
Total passed-through the Mississippi Department of Education		10,423,204
TOTAL U. S. DEPARTMENT OF EDUCATION		10,475,482
U. S. DEPARTMENT OF HOMELAND SECURITY		
Direct Program:		
Community Disaster Loans	97.030	220,387
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	2,155,720
Total Other Federal Assistance		2,376,107
TOTAL FOR ALL FEDERAL AWARDS		$13,684,654

NOTES TO SCHEDULE

1 This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2 The expenditure amounts include transfers out.
3 The pass-through entities did not assign identifying numbers to the school district.

Long Beach School District
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2006

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	18,196,002	14,622,015	658,358	1,186,606	1,729,023
Other		12,215,966	3,435,901	262,946	42,999	8,474,120
Total	$	30,411,968	18,057,916	921,304	1,229,605	10,203,143
Total number of students *		2,782				
Cost per student	$	10,932	6,491	331	442	3,668

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100, & 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s)

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

Other - includes all expenditure functions not included in Instruction or Administration Categories

include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

INTERNAL CONTROL AND COMPLIANCE REPORTS

J.E. FORTENBERRY, III, PC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Long Beach School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Long Beach School District as of and for the year ended June 30, 2006, which collectively comprise Long Beach School District's basic financial statements and have issued my report thereon dated January 9, 2007. I conducted my 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 my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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. I did not note any matters involving 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 school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and 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. However, this report is a matter of public record and its distribution is not limited.

J.E. Fortenberry, III, PC
January 9, 2007

Certified Public Accountant

AICPA & MSCPA
1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292

J.E. FORTENBERRY, III, PC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Long Beach School District

Compliance

I have audited the compliance of the Long Beach School District 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 each of its major federal programs for the year ended June 30, 2006. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my 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 I 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 school district's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

In my opinion, the Long Beach School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Long Beach School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district'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 my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My 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 of the internal control components does not reduce to

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a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants caused by error or fraud 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. I did not note any matters involving internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and 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. However, this report is a matter of public record and its distribution is not limited.

J.E. Fortenberry, III, PC Certified Public Accountant
January 9, 2007

J.E. FORTENBERRY, III, PC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Long Beach School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Long Beach School District as of and for the year ended June 30, 2006, which collectively comprise Long Beach School District's basic financial statements and have issued my report thereon dated January 9, 2007. I conducted my 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.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my procedures to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $57,531 classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed no instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and 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. However, this report is a matter of public record and its distribution is not limited.

J.E. Fortenberry, III, PC
January 9, 2007

Certified Public Accountant

AICPA & MSCPA
1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Long Beach School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified.

2. Material noncompliance relating to the financial statements? No.

3. Internal control over financial reporting:
   a. Material weaknesses identified? No.
   b. Reportable conditions identified that are not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.

5. Internal control over major programs:
   a. Material weaknesses identified? No.
   b. Reportable conditions identified that are not considered to be material weaknesses? No.

6. Any audit findings reported as required by Section___.510(a) of OMB Circular A-133? No.

7. Federal programs identified as major programs:

   a. Child Nutrition Cluster
      CFDA# 10.553
      CFDA# 10.555

   b. Title I Grants to Local Educational Agencies
      CFDA# 84.010

   c. Special Education Cluster
      CFDA# 84.027
      CFDA# 84.173

   d. Hurricane Education Recovery
      CFDA# 84.938

   e. Disaster Grant - Public Assistance
      CFDA# 97.036

8. The dollar threshold used to distinguish between Type A and Type B programs was: $403,928.

9. Auditee qualified as a low-risk auditee? Yes.

10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section___.315(b) of OMB Circular A-133? No.

Section 2: Financial Statement Findings
The results of our tests did not disclose any findings related to the financial statements that are required to be reported by Government Auditing Standards.

Section 3: Federal Award Findings and Questioned Costs
The results of our tests did not disclose any findings and questioned costs related to the federal awards.

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Long Beach School District
19148 Commission Road
Long Beach, MS 39560

Mrs. Carrolyn Hamilton - Superintendent
Mr. Jamie Harvey - Business Manager

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section ___.315(b) of OMB Circular A-133, the Long Beach School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2006:

Finding Status

2005-1	Corrected
2005-2	Corrected