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Long Beach School District
Audited Financial Statements
June 30, 2007

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

FINANCIAL AUDIT REPORT

**Long Beach School District
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INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTAL INFORMATION

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

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTAL 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, 2007, 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, 2007, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be 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, 2007**

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, 2007. 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 \$7,207,461, which represents a 51% increase from fiscal year 2006, which is due in part to the addition of \$4,581,785 in capital assets.
- General revenues account for \$20,990,857 of all revenues. This amount was less than the general revenues for the year 2006, which consisted of \$22,022,004 of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,732,860 of total revenues compared to \$14,552,134 in 2006.
- The district had \$29,398,253 in expenses, amount that increased when compared with the \$28,012,541 in expenses for the prior year. Of this amount, only \$14,732,860 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$20,990,857 were adequate to provide for these programs.
- Among major funds, the General Fund had \$23,838,851 in revenues and \$19,531,765 in expenditures. In 2006 the General Fund had \$20,052,406 in revenues and \$11,796,171 in expenditures. The General Fund's fund balance increased by \$305,272.
- Capital assets, net of accumulated depreciation, increased by \$4,048,291 due primarily to the donation of portable classroom buildings by FEMA.
- Long-term debt increased by \$271,241.

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 \$21,269,823 as of June 30, 2007.

27% 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, 2007 and 2006:

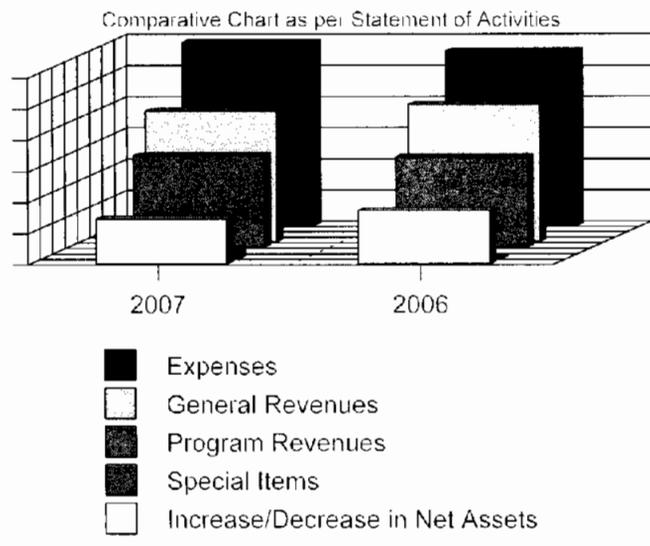
	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
Assets			
Current assets	\$ 19,983,341	16,173,109	24%
Capital assets, net	<u>13,121,333</u>	<u>9,073,042</u>	<u>45%</u>
Total assets	33,104,674	25,246,151	31%
Liabilities			
Current liabilities	3,792,006	2,857,442	33%
Long-term liabilities	<u>8,042,845</u>	<u>8,326,347</u>	<u>-3%</u>
Total liabilities	11,834,851	11,183,789	6%
Net Assets:			
Invested in capital assets, net of related debt	5,846,590	1,108,324	428%
Restricted	8,981,607	8,827,646	2%
Unrestricted	<u>6,441,626</u>	<u>4,126,392</u>	<u>56%</u>
Total Net Assets	<u>\$ 21,269,823</u>	<u>14,062,362</u>	51%

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

- The addition of \$903,324 of long-term debt.
- The \$4,048,291 net increase in capital assets is due primarily to the donation of portable classrooms in the amount of \$3,803,284.

Changes in net assets. The District's total revenues and special items for the fiscal year ended June 30, 2007 were \$36,605,714. The total cost of all programs and services was \$29,398,253. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and 2006.

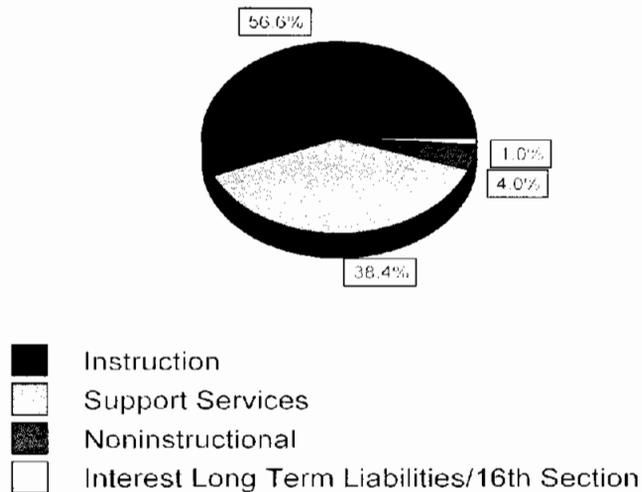
	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 700,313	416,785	68%
Operating Grants and Contributions	10,427,691	14,135,349	-26%
Capital Grants and Contributions	<u>3,604,856</u>	<u>0</u>	
Total Program Revenues	14,732,860	14,552,134	1%
<u>General Revenues</u>			
Property Taxes	5,387,278	6,114,150	-12%
Unrestricted Grants and Contributions	14,723,136	13,566,433	9%
Unrestricted Investment Earnings	528,512	179,450	195%
Sixteenth Section Sources	14,241	6,995	104%
Other	<u>1,219,687</u>	<u>2,154,976</u>	-43%
Total General Revenues	21,872,854	22,022,004	-1%
Total Revenues and Special Items	<u>36,605,714</u>	<u>36,574,138</u>	0%
Expenses			
Instruction	16,661,731	16,642,195	0%
Support services	11,113,307	9,410,553	18%
Non-instructional	1,280,331	1,599,236	-20%
Interest on long-term liabilities	<u>342,884</u>	<u>360,557</u>	-5%
Total expenses	<u>29,398,253</u>	<u>28,012,541</u>	5%
Increase (Decrease) in net assets	7,207,461	8,561,597	-16%
Net Assets, July 1	<u>14,062,362</u>	<u>5,500,765</u>	156%
Net Assets, June 30	<u>21,269,823</u>	<u>14,062,362</u>	51%



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.

	2007	2006	2007 Net (Expense) Revenue	2006 Net (Expense) Revenue
	Expenses	Expenses		
Instruction	\$ 16,661,731	16,642,195	(4,642,695)	(7,881,111)
Support Services	11,113,307	9,410,553	(9,706,342)	(5,241,298)
Non-Instructional	1,280,331	1,599,236	26,528	22,559
Interest on Long-Term Liabilities	342,884	360,557	(342,884)	(360,557)
	\$ 29,398,253	28,012,541	(14,665,393)	(13,460,407)

Expenses as per Statement of Activities



■ Net cost of governmental activities (\$14,665,393), was financed by general revenue, which is made up of primarily property taxes (\$5,026,924) and state revenue (\$13,996,804).

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 \$16,876,724, an increase of \$3,407,074. \$5,836,298, or 35 %, of the fund balance constitutes unreserved and undesignated fund balance. The remaining fund balance of \$11,040,426, or 65%, 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 \$305,272. The fund balance of Other Governmental Funds showed an increase of \$90,195.

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 07 the final budget was less than the original budget due primarily to additional funding from Restart School Grant, Hurricane Katrina Insurance Fund, 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 the 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, Restart School Fund, FEMA MEMA Fund, and Hurricane Katrina Insurance Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were \$19,181,744, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$4,411,231 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$6,060,411 and total depreciation expense for the year was \$497,697, resulting in total net capital assets of \$13,121,333. The increase was due mainly to the donation of portable classrooms in the amount of \$3,803,284.

	Capital Assets, Net of Depreciation		Percentage
	2007	2006	Change
Land	\$ 2,548,709	2,548,709	0%
Buildings	9,449,613	5,882,117	61%
Improvements other than buildings	98,959	94,146	5%
Mobile equipment	513,011	432,510	19%
Furniture and equipment	511,041	115,560	342%
	<u>\$ 13,121,333</u>	<u>9,073,042</u>	45%

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, 2007, the District had \$255,000 in general obligation bonds outstanding and \$8,342,588 in other long-term debt outstanding, of which \$554,743 is due within one year.

	2007	2006	Percentage
			Change
General obligation bonds	\$ 255,000	375,000	-32%
Limited obligation bonds	4,145,000	4,440,000	-7%
Certificates of participation payable	124,743	245,748	-49%
Shortfall notes payable	1,123,711	220,387	410%
Obligation under capital leases	0	153,970	-100%
Three mill notes payable	2,750,000	2,750,000	0%
Compensated absences	199,134	141,242	41%
	<u>\$ 8,597,588</u>	<u>8,326,347</u>	3%

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, 2007

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 15,169,356
Due from other governments	4,472,989
Inventories and prepaid items	116,418
Restricted assets (Note 2)	224,578
Capital assets, non-depreciable (Note 4)	
Land	2,548,709
Capital assets, net of accumulated depreciation (Note 4)	
Buildings	9,449,613
Improvements other than buildings	98,959
Mobile equipment	513,011
Furniture and equipment	<u>511,041</u>
Total Assets	\$ <u><u>33,104,674</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,256,182
Due to other governments	1,850,435
Interest payable on long-term liabilities	130,646
Long-term liabilities, due within one year (Note 5)	
Capital related liabilities	554,743
Long-term liabilities, due beyond one year (Note 5)	
Capital related liabilities	6,720,000
Non-capital related liabilities	<u>1,322,845</u>
Total Liabilities	\$ <u><u>11,834,851</u></u>
Net Assets	
Investment in capital assets, net of related debt	\$ 5,846,590
Restricted net assets:	
Expendable:	
School - based activities	1,538,124
Debt service	566,128
Capital improvements	6,801,705
Unemployment benefits	75,650
Unrestricted	<u>6,441,626</u>
Total Net Assets	\$ <u><u>21,269,823</u></u>

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, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Government
					Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 16,661,731	217,866	8,311,802	3,489,368	(4,642,695)
Support services	11,113,307	-	1,406,965	-	(9,706,342)
Non-instructional	1,280,331	482,447	708,924	115,488	26,528
Interest on long-term liabilities	342,884	-	-	-	(342,884)
Total governmental activities	\$ 29,398,253	700,313	10,427,691	3,604,856	(14,665,393)
General Revenues:					
Taxes:					
					4,624,644
					402,280
					360,354
Unrestricted grants and contributions:					
					13,996,804
					726,332
					528,512
					14,241
					1,219,687
					21,872,854
Change in Net Assets					7,207,461
Net Assets - Beginning					14,062,362
Net Assets - Ending					\$ 21,269,823

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

LONG BEACH SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2007

	Major Funds					Other	Total
	General Fund	Restart School Grant	FEMA/MEMA Fund	Hurricane Katrina Insurance Fund	Capital Project Fund	Governmental Funds	Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 3,584,390	297,986	84	23,413	9,897,909	1,365,574	15,169,356
Investments	-	-	-	-	-	224,578	224,578
Due from other governments	1,245,570	-	1,005,545	886,200	-	352,321	3,489,636
Due from other funds	983,353	-	-	-	-	-	983,353
Inventories and prepaid items	50,544	-	-	-	-	65,874	116,418
Total Assets	5,863,857	297,986	1,005,629	909,613	9,897,909	2,008,347	19,983,341
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	266,192	13,627	480	605,477	355,879	14,527	1,256,182
Due to other funds	804,431	4,899	910,000	-	-	131,105	1,850,435
Total Liabilities	1,070,623	18,526	910,480	605,477	355,879	145,632	3,106,617
Fund Balances:							
Reserved for:							
Unemployment benefits	-	-	-	-	-	75,650	75,650
Inventory	-	-	-	-	-	61,244	61,244
Prepaid items	50,000	-	-	-	-	5,174	55,174
Capital projects funds	-	-	-	-	9,542,030	308,545	9,850,575
Debt service funds	-	-	-	-	-	997,783	997,783
Unreserved:							
Undesignated, reported in:							
General fund	4,743,234	-	-	-	-	-	4,743,234
Special Revenue funds	-	279,460	95,149	304,136	-	414,319	1,093,064
Total Fund Balances	4,793,234	279,460	95,149	304,136	9,542,030	1,862,715	16,876,724
Total Liabilities and Fund Balances	\$ 5,863,857	297,986	1,005,629	909,613	9,897,909	2,008,347	19,983,341

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, 2007

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 16,876,724
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 \$6,060,411	13,121,333
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(8,597,588)
3. Governmental funds recognize interest on long term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(130,646)</u>
Total Net Assets - Governmental Activities	\$ <u><u>21,269,823</u></u>

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, 2007

	Major Funds		FEMA/MEFA Fund	Hurricane Katrina Insurance Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	Restart School Grant					
Revenues:							
Local sources	\$ 5,843,380	-	-	-	196,351	933,301	6,973,032
State sources	13,776,144	-	-	-	-	822,956	14,599,100
Federal sources	4,219,327	6,791,254	459,077	-	-	2,686,925	14,156,583
Sixteenth section sources	-	-	-	-	-	14,241	14,241
Total Revenues	23,838,851	6,791,254	459,077	-	196,351	4,457,423	35,742,956
Expenditures:							
Instruction	9,224,513	4,766,750	57,386	-	-	2,337,070	16,385,719
Support services	6,666,545	1,944,781	196,648	1,293,595	699,762	844,448	11,645,779
Non-instructional services	5,316	-	-	-	180,297	1,050,310	1,235,923
Facilities acquisition and construction	3,489,812	-	-	-	324,262	-	3,814,074
Debt service:							
Principal	125,520	-	153,970	-	-	410,485	689,975
Interest	20,059	-	3,744	-	-	341,644	365,447
Other	-	-	-	-	-	773	773
Total Expenditures	19,531,765	6,711,531	411,748	1,293,595	1,204,321	4,984,730	34,137,690
Excess (Deficiency) of Revenues Over Expenditures	4,307,086	79,723	47,329	(1,293,595)	(1,007,970)	(527,307)	1,605,266
Other Financing Sources (Uses):							
Proceeds of loans	903,324	-	-	-	-	-	903,324
Insurance loss recoveries	7,720	-	-	886,200	-	-	893,920
Sale of transportation equipment	2,604	-	-	-	-	-	2,604
Sale of other property	2,040	-	-	-	-	-	2,040
Operating transfers in	2,058,411	-	-	-	4,300,000	672,060	7,030,471
Operating transfers out	(6,975,913)	-	-	-	-	(54,558)	(7,030,471)
Total Other Financing Sources (Uses)	(4,001,814)	-	-	886,200	4,300,000	617,502	1,801,888
Net Change in Fund Balances	305,272	79,723	47,329	(407,395)	3,292,030	90,195	3,407,154
Fund Balances:							
July 1, 2006	4,487,962	199,737	47,820	711,531	6,250,000	1,772,600	13,469,650
Increase (Decrease) in reserve for inventory	-	-	-	-	-	(80)	(80)
June 30, 2007	\$ 4,793,234	279,460	95,149	304,136	9,542,030	1,862,715	16,876,724

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, 2007

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 3,407,154
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 asset purchase amounted to \$4,581,785 and the depreciation expense amounted to \$497,697.	4,084,088
2. Proceeds of long-term liabilities are reported in the governmental funds, but not in the Statement of Activities	(903,324)
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.	689,975
4. Expenses in Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: Compensated Absences	(57,892)
5. Governmental funds recognize 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.	23,337
6. Gains and losses on sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities	(35,797)
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	<u>(80)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>7,207,461</u></u>

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

LONG BEACH SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2007

	Private-purpose Trust	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents (Note 2)	\$ 5,678	658,401
Due from other funds (Note 3)	-	<u>926,215</u>
 Total Assets	 <u>5,678</u>	 <u>1,584,616</u>
Liabilities		
Accounts payable and accrued liabilities	-	1,427,669
Due to other funds (Note 3)	1,000	58,133
Due to student clubs	-	<u>98,814</u>
 Total Liabilities	 <u>1,000</u>	 <u>1,584,616</u>
Net Assets		
Reserve for endowments	<u>4,678</u>	
 Total net assets	 <u>\$ 4,678</u>	

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, 2007

	Private-Purpose Trust Funds
Additions	
Contributions and donations from private sources	\$ <u>4,482</u>
Total Additions	<u>4,482</u>
Deductions	
Scholarships awarded	<u>5,600</u>
Total Deductions	<u>5,600</u>
Change in Net Assets	(1,118)
Net Assets	
July 1, 2006	<u>5,796</u>
June 30, 2007	\$ <u>4,678</u>

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

Long Beach School District

Notes to the Financial Statements
June 30, 2007

Long Beach School District

Notes to Financial Statements
For the Year Ended June 30, 2007

(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

Long Beach School District

Notes to Financial Statements For the Year Ended June 30, 2007

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.

Restart School Grant - This fund is used to provide assistance or services to local educational agencies and non public schools to help defray the

Long Beach School District

Notes to Financial Statements For the Year Ended June 30, 2007

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.

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.

Hurricane Katrina Insurance Fund - This fund is used to account for proceeds received for repairs to school property damaged by Hurricane Katrina.

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.

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.

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.

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

Long Beach School District

Notes to Financial Statements For the Year Ended June 30, 2007

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

Long Beach School District

Notes to Financial Statements For the Year Ended June 30, 2007

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.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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

Long Beach School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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.

Long Beach School District

Notes to Financial Statements For the Year Ended June 30, 2007

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:

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.

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

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available resources.

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

Long Beach School District

Notes to Financial Statements For the Year Ended June 30, 2007

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) 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.

Long Beach School District

Notes to Financial Statements For the Year Ended June 30, 2007

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$15,169,356 and \$664,079, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents, \$15,169,356, and restricted assets, \$224,578. The restricted assets of \$224,578 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 \$16,563,440.

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, 2007, none of the district's bank balance of \$16,563,440 was exposed to custodial credit risk.

Investments.

As of June 30, 2007, the district had the following investments in the Hancock Bank's Trust Department investment pool..

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Treasury Securities Money Market	less than 1	\$ <u>224,578</u>	AAAm
Total Investments		\$ <u>224,578</u>	

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, 2007, the district did not have any investments to which this would apply.]

Long Beach School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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, 2007, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Hancock Bank	\$ 224,578	100%
	<u>\$ 224,578</u>	

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$983,353	\$804,431
Restart School Grant Fund	0	4,899
FEMA / MEMA Fund	0	910,000
Other Governmental Fund	0	131,105
Fiduciary Funds	<u>926,215</u>	<u>59,133</u>
Total Funds	\$1,909,568	\$1,909,568

The purpose of the Due From/To other funds balances was for general operating activities.

All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$2,058,411	\$6,975,913
Capital Project	4,300,000	0
Other Governmental Fund	<u>672,060</u>	<u>54,558</u>
Total Funds	\$7,030,471	\$7,030,471

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.

Long Beach School District

Notes to Financial Statements
For the Year Ended June 30, 2007

(4) Capital Assets.

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

	Balance 7-01-2006	Additions	Retirements	Adjustments	Balance 6-30-2007
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,548,709		0	0	2,548,709
Total non-depreciable capital assets	<u>2,548,709</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,548,709</u>
<u>Depreciable capital assets:</u>					
Buildings	9,829,705	3,803,284	0	0	13,632,989
Improvements other than buildings	398,650	10,790	0	0	409,440
Mobile equipment	1,432,548	183,911	165,128	0	1,451,331
Furniture and equipment	560,901	583,800	5,426	0	1,139,275
Total depreciable capital assets	<u>12,221,804</u>	<u>4,581,785</u>	<u>170,554</u>	<u>0</u>	<u>16,633,035</u>
<u>Less accumulated depreciation for:</u>					
Buildings	3,947,588	221,716	0	14,072	4,183,376
Improvements other than buildings	304,504	5,976	0	1	310,481
Mobile equipment	1,000,038	86,975	148,615	(78)	938,320
Furniture and equipment	445,341	183,030	5,372	5,235	628,234
Total accumulated depreciation	<u>5,697,471</u>	<u>497,697</u>	<u>153,987</u>	<u>19,230</u>	<u>6,060,411</u>
Total depreciable capital assets, net	<u>6,524,333</u>	<u>4,084,088</u>	<u>16,567</u>	<u>(19,230)</u>	<u>10,572,624</u>
Governmental activities capital assets, net	<u>\$ 9,073,042</u>	<u>4,084,088</u>	<u>16,567</u>	<u>(19,230)</u>	<u>13,121,333</u>

Depreciation expense was charged to the following governmental functions:

Instructional services	\$ 218,130
Support services	235,238
Non-instructional	<u>44,329</u>
Total depreciation expense	<u>\$ 497,697</u>

Long Beach School District

Notes to Financial Statements
For the Year Ended June 30, 2007

(5) Long-term liabilities.

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

	Balance 7-1-2006	Additions	Reductions	Balance 6-30-2007	Amounts due within one year
A. General obligation bonds	\$ 375,000	0	120,000	255,000	120,000
B. Limited obligation bonds	4,440,000	0	295,000	4,145,000	310,000
C. Certificates of participation payable	245,748	0	121,005	124,743	124,743
D. Shortfall notes payable	220,387	903,324	0	1,123,711	0
E. Obligations under capital leases	153,970	0	153,970	0	0
F. Three Mill Notes Payable	2,750,000	0	0	2,750,000	0
G. Compensated Absences	141,242	57,892	0	199,134	0
Total	\$ <u>8,326,347</u>	<u>961,216</u>	<u>689,975</u>	<u>8,597,588</u>	<u>554,743</u>

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	\$255,000

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

Year Ending	Principal	Interest	Total
June 30, 2008	\$ 120,000	7,804	127,804
2009	<u>135,000</u>	<u>2,767</u>	<u>137,767</u>
Total	\$ <u>255,000</u>	<u>10,571</u>	<u>265,571</u>

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%

Long Beach School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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, 2007 the amount of outstanding bonded indebtedness was equal to .25% of property assessments as of October 1, 2006. This debt will be retired from the District Maintenance Fund #1120 and EEf Buildings and Buses 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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State Aid Capital Improvement	varies	03/98	08/17	\$5,770,000	\$4,145,000

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2008	\$ 310,000	184,611	494,611
2009	315,000	169,380	484,380
2010	315,000	154,811	469,811
2011	335,000	140,186	475,186
2012	355,000	124,484	479,484
2013-2017	2,040,000	355,663	2,395,663
2018	475,000	10,984	485,984
Total	\$ <u>4,145,000</u>	<u>1,140,119</u>	<u>5,285,119</u>

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).

Long Beach School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Trust Certificates					
2002	3.09%	11/02	10/07	\$589,852	\$124,744

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2008	\$ 124,744	3,855	128,599

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

D. Shortfall notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Community Shortfall Disaster	3.12%	06/06	06/11	\$1,123,711	\$1,123,711

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2008	\$ 0	35,060	35,060
2009	0	35,060	35,060
2010	0	35,060	35,060
2011	1,123,711	35,060	1,158,771
Total	\$ 1,123,711	140,240	1,263,951

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

Long Beach School District

Notes to Financial Statements
 For the Year Ended June 30, 2007

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.

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 this lease is 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
Computer Equipment	3.8%	01/06	01/08	\$192,975	\$0

Computer equipment lease was 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

Long Beach School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>				
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		100,000	112,475	212,475
2013-2017		825,000	473,553	1,298,553
2018-2022		1,150,000	253,999	1,403,999
2023-2024		<u>500,000</u>	<u>23,438</u>	<u>523,438</u>
Total	\$	<u>2,750,000</u>	<u>1,340,741</u>	<u>4,090,741</u>

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.

(6) 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 11.30% of annual covered payroll. The contribution requirements of PERS

Long Beach School District

Notes to Financial Statements For the Year Ended June 30, 2007

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, 2007, 2006, and 2005 were \$1,636,527, \$1,494,422, and \$1,355,934, respectively, which equaled the required contributions for each year.

(7) 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 121 school districts and one community college and covers risks of loss arising from injuries to the members' 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 \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers Compensation Commission Act. 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.

(8) 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. Approximately \$580,532 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$9,320 was used to pay the cost of issuance.

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

Long Beach School District

Notes to Financial Statements
For the Year Ended June 30, 2007

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 5 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.

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REQUIRED SUPPLEMENTARY INFORMATION

LONG BEACH SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,124,891	10,326,387	9,332,748	4,201,496	(993,639)
State sources	14,047,832	13,895,974	13,776,144	(151,858)	(119,830)
Federal sources	161,350	761,357	729,959	600,007	(31,398)
Total Revenues	<u>20,334,073</u>	<u>24,983,718</u>	<u>23,838,851</u>	<u>4,649,645</u>	<u>(1,144,867)</u>
Expenditures:					
Instruction	11,357,548	10,534,477	9,224,513	823,071	1,309,964
Support services	7,753,798	8,069,796	6,666,545	(315,998)	1,403,251
Noninstructional services	7,900	8,570	5,316	(670)	3,254
Facilities acquisition and construction	-	3,479,022	3,489,812	(3,479,022)	(10,790)
Debt Service					
Principal	-	147,770	125,520	(147,770)	22,250
Interest	-	-	20,059	-	(20,059)
Total Expenditures	<u>19,119,246</u>	<u>22,239,635</u>	<u>19,531,765</u>	<u>(3,120,389)</u>	<u>2,707,870</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,214,827</u>	<u>2,744,083</u>	<u>4,307,086</u>	<u>1,529,256</u>	<u>1,563,003</u>
Other Financing Sources (Uses):					
Proceeds of loans	-	903,324	903,324	903,324	-
Insurance Loss Recoveries	-	7,720	7,720	7,720	-
Sale of transportation equipment	-	2,604	2,604	2,604	-
Sale of other property	-	2,040	2,040	2,040	-
Indirect costs	-	56,507	-	56,507	(56,507)
Operating Transfers In	2,262,050	2,466,120	2,058,411	204,070	(407,709)
Operating Transfers Out	<u>(2,861,103)</u>	<u>(7,433,680)</u>	<u>(6,975,913)</u>	<u>(4,572,577)</u>	<u>457,767</u>
Total Other Financing Sources (Uses)	<u>(599,053)</u>	<u>(3,995,365)</u>	<u>(4,001,814)</u>	<u>(3,396,312)</u>	<u>(6,449)</u>
Net Change in Fund Balances	<u>615,774</u>	<u>(1,251,282)</u>	<u>305,272</u>	<u>(1,867,056)</u>	<u>1,556,554</u>
Fund Balances:					
July 1, 2006	<u>2,320,929</u>	<u>4,521,373</u>	<u>4,487,962</u>	<u>2,200,444</u>	<u>(33,411)</u>
June 30, 2007	<u>\$ 2,936,703</u>	<u>3,270,091</u>	<u>4,793,234</u>	<u>333,388</u>	<u>1,523,143</u>

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

LONG BEACH SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Hurricane Katrina Insurance Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	-	-	-	-
Total Revenues	-	-	-	-	-
Expenditures:					
Instruction	-	-	-	-	-
Support services	1,060,000	2,442,002	1,293,595	1,382,002	(1,148,407)
Total Expenditures	1,060,000	2,442,002	1,293,595	1,382,002	(1,148,407)
Other Financing Sources:					
Insurance Loss Recoveries	400,000	1,730,471	886,200	1,330,471	(844,271)
Total Other Financing Sources	400,000	1,730,471	886,200	1,330,471	(844,271)
Net Change in Fund Balances	(660,000)	(711,531)	(407,395)	(51,531)	304,136
Fund Balances:					
July 1, 2006	754,113	711,531	711,531	(42,582)	-
	-	-	-	-	-
June 30, 2007	\$ 94,113	-	304,136	(94,113)	304,136

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, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 3,210,017	10,944,660	6,791,254	7,734,643	(4,153,406)
Total Revenues	<u>3,210,017</u>	<u>10,944,660</u>	<u>6,791,254</u>	<u>7,734,643</u>	<u>(4,153,406)</u>
Expenditures:					
Instruction	2,652,019	5,285,751	4,766,750	(2,633,732)	519,001
Support services	<u>738,926</u>	<u>1,954,187</u>	<u>1,944,781</u>	<u>(1,215,261)</u>	<u>9,406</u>
Total Expenditures	<u>3,390,945</u>	<u>7,239,938</u>	<u>6,711,531</u>	<u>(3,848,993)</u>	<u>528,407</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(180,928)</u>	<u>3,704,722</u>	<u>79,723</u>	<u>3,885,650</u>	<u>(3,624,999)</u>
Net Change in Fund Balances	<u>(180,928)</u>	<u>3,704,722</u>	<u>79,723</u>	<u>3,885,650</u>	<u>(3,624,999)</u>
Fund Balances:					
July 1, 2006	<u>197,601</u>	<u>199,737</u>	<u>199,737</u>	<u>2,136</u>	<u>-</u>
June 30, 2007	<u>\$ 16,673</u>	<u>3,904,459</u>	<u>279,460</u>	<u>3,887,786</u>	<u>(3,624,999)</u>

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, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
State sources	-	-	-	-	-
Federal sources	\$ -	1,015,659	459,077	1,015,659	(556,582)
Total Revenues	-	1,015,659	459,077	1,015,659	(556,582)
Expenditures:					
Instruction	-	57,459	57,386	(57,459)	73
Support services	-	197,325	196,648	(197,325)	677
Noninstructional services	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt Service					
Principal	-	157,716	153,970	(157,716)	3,746
Interest	-	-	3,744	-	(3,744)
Total Expenditures	-	412,500	411,748	(412,500)	752
Excess (Deficiency) of Revenues Over Expenditures	-	603,159	47,329	603,159	(555,830)
Other Financing Sources (Uses):					
Inception of capital leases	-	-	-	-	-
Operating Transfers In	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	603,159	47,329	603,159	(555,830)
Fund Balances:					
July 1, 2006	-	47,819	47,820	47,819	1
June 30, 2007	\$ -	650,978	95,149	650,978	(555,829)

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

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Long Beach School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2007

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 OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Schedule 1

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal <u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education:		
Noncash assistance:		
Food Donation	10.550	\$82,661
Child Nutrition Cluster:		
School Breakfast Program	10.553	114,949
National School Lunch Program	10.555	504,487
Total child nutrition cluster		<u>619,436</u>
Total passed-through the MDE		<u>702,097</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>702,097</u>
U. S. DEPARTMENT OF JUSTICE		
Direct Program:		
Drug Free Community Support	16.729	111,621
TOTAL U. S. DEPARTMENT OF JUSTICE		<u>111,621</u>
FEDERAL COMMUNICATIONS COMMISSION		
Administered through Universal Service Administrative Company		
The schools and libraries program of the Universal Service Fund	32.XXX	549,603
Total Federal Communications Commission		<u>549,603</u>
U. S. DEPARTMENT OF EDUCATION		
Direct Program:		
Impact aid	84.041	34,033
Total		<u>34,033</u>
Pass-through Department of Rehabilitation Services		
Rehabilitation services - vocational rehabilitation grants to states	84.126	318
Total		<u>318</u>
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	916,293
Vocation Education - Basic Grant to States	84.048	22,549
Safe and Drug Free Schools and Communities - State Grants	84.186	24,327
State Grant for Innovative Programs	84.298	5,041
Education Technology State Grants	84.318	7,524
Improving Teacher Quality - State Grants	84.367	211,487
Grants for state assessments and related activities	84.369	15,402
Hurricane Education Recovery	84.938	6,711,531
Total		<u>7,914,154</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	647,379
Special Education - Preschool Grants	84.173	23,202
Total special education cluster		<u>670,581</u>
Total passed-through the Mississippi Department of Education		<u>8,584,735</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>8,619,086</u>
U. S. DEPARTMENT OF HOMELAND SECURITY		
Direct Program:		
Community Disaster Loans	97.030	903,324
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	3,932,786
Total Other Federal Assistance		<u>4,836,110</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$14,818,517</u>

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, 2007

Expenditures	Total	Instruction and Other			Other
		Student Instructional Expenditures	General Administration	School Administration	
Salaries and fringe benefits	\$ 19,227,565	14,919,170	831,860	1,220,888	2,255,647
Other	14,910,125	3,496,707	274,962	95,945	11,042,511
Total	\$ 34,137,690	18,415,877	1,106,822	1,316,833	13,298,158

Total number of students * 2,784

Cost per student \$ 12.262

398

473

4,777

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

* Includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

Note: includes 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, 2007, 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 as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect material misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies internal control over financial reporting that I consider to be material weaknesses, as defined above.

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

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, 2007. 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, 2007.

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 my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing

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

their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school board and management, others within the entity, 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

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, 2007, which collectively comprise Long Beach School District's basic financial statements and have issued my report thereon dated December 14, 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)(a), 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 \$4,564 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of my procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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 procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements did not disclose any 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
December 14, 2007

Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Long Beach School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section I: 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. Significant deficiency(ies) 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. Significant deficiency(ies) 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. The Schools & Libraries Program of the Universal Service Fund
CFDA# 32.xxx
 - c. Title I Grants to Local Educational Agencies.
CFDA# 84.010
 - d. Special Education Cluster
CFDA # 84.027
CFDA #84.173
 - e. Hurricane Education Recovery
CFDA# 84.938

f. Disaster Grant - Public Assistance
CFDA# 97.036

8. The dollar threshold used to distinguish between Type A and Type B programs was: \$440,556.
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.

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