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LONG BEACH SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2011

Cox & Palmer  
Certified Public Accountants



LONG BEACH SCHOOL DISTRICT

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LONG BEACH SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

LONG BEACH SCHOOL DISTRICT

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**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Long Beach School District

We 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, 2011, 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. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously 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, 2011, 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*, we have also issued our report dated August 6, 2012, on our consideration of the Long Beach School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Long Beach School District  
Independent Auditor's Report

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Long Beach School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Long Beach School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Cox & Palmer, P.A.*

Cox and Palmer, P.A.  
August 6, 2012

LONG BEACH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

LONG BEACH SCHOOL DISTRICT

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LONG BEACH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

The following discussion and analysis of Long Beach School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

### FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$457,999, which represents a 2% increase from fiscal year 2010. Total net assets for 2010 decreased \$1,254,865, which represents a 4% decrease from fiscal year 2009.
- General revenues amounted to \$18,896,911 and \$19,035,320, or 78% and 64% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,469,807, or 22% of total revenues for 2011, and \$10,538,415, or 36% of total revenues for 2010.
- The District had \$26,209,739 and \$30,828,600 in expenses for fiscal years 2011 and 2010; only \$5,469,807 for 2011 and \$10,538,415 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$18,896,911 for 2011 and \$19,035,320 for 2010 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$17,493,052 in revenues and \$19,437,519 in expenditures for 2011, and \$17,548,470 in revenues and \$20,054,891 in expenditures in 2010. The General Fund's fund balance decreased by \$1,950,709 from 2010 to 2011, and decreased by \$2,266,815 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$220,330 for 2011 and increased by \$2,334,869 for 2010. The decrease for 2011 was due primarily to the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$2,909,422 for 2011 and increased by \$1,261,914 for 2010. The decrease for 2011 was due primarily to the principal payments on outstanding long-term debt and the forgiveness of a portion of the shortfall notes payable (CDL). The liability for compensated absences decreased by \$18,402 for 2011 and increased by \$26,914 for 2010.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the

LONG BEACH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

District's net assets may serve as a useful indicator of whether its financial position 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 periods.

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 and interest on long-term liabilities.

### **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** – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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 funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. 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. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the

LONG BEACH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

#### **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 immediately following the basic financial statements.

#### **Required Supplemental Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

#### **Supplemental Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

#### **Other Information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Net assets**

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$30,016,533 as of June 30, 2011.

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.

LONG BEACH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

**Table 1**  
**Condensed Statement of Net Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 9,981,540	\$ 12,203,318	(18.21) %
Other assets	61,860	72,029	(14.12) %
Restricted assets	213,852	759,333	(71.84) %
Capital assets, net	29,424,939	29,645,269	(0.74) %
<b>Total assets</b>	<b><u>39,682,191</u></b>	<b><u>42,679,949</u></b>	<b>(7.02) %</b>
Current liabilities	456,099	1,006,042	(54.66) %
Other liabilities	(21,954)	(25,562)	(14.11) %
Long-term debt outstanding	9,231,513	12,140,935	(23.96) %
<b>Total liabilities</b>	<b><u>9,665,658</u></b>	<b><u>13,121,415</u></b>	<b>(26.34) %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	22,556,893	22,737,684	(0.80) %
Restricted	2,228,743	1,910,040	16.69 %
Unrestricted	5,230,897	4,910,810	6.52 %
<b>Total net assets</b>	<b><u>\$ 30,016,533</u></b>	<b><u>\$ 29,558,534</u></b>	<b>1.55 %</b>

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

- Decrease in net capital assets in the amount of \$220,330.
- The principal retirement of \$590,000 of long-term debt.
- The forgiveness of \$2,301,020 of shortfall notes payable (CDL).

**Changes in net assets**

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$24,366,718 and \$29,573,735, respectively. The total cost of all programs and services was \$26,209,739 for 2011 and \$30,828,600 for 2010.

LONG BEACH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

**Table 2  
Changes in Net Assets**

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 682,629	\$ 659,860	3.45 %
Operating grants and contributions	4,787,178	3,618,635	32.29 %
Capital Grants and Contributions	-	6,259,920	(100.00) %
General revenues:			
Property and gaming taxes	6,421,162	6,247,341	2.78 %
Grants and contributions not restricted	12,408,180	12,710,743	(2.38) %
Investment earnings	29,226	29,097	0.44 %
Sixteenth section sources	14,165	14,661	(3.38) %
Other	24,178	33,478	(27.78) %
<b>Total revenues</b>	<b>24,366,718</b>	<b>29,573,735</b>	<b>(17.61) %</b>
<b>Expenses:</b>			
Instruction	14,355,514	14,949,061	(3.97) %
Support services	10,520,379	14,346,581	(26.67) %
Non-instructional	1,192,342	1,207,105	(1.22) %
Interest and other expenses on long-term liabilities	141,504	325,853	(56.57) %
<b>Total expenses</b>	<b>26,209,739</b>	<b>30,828,600</b>	<b>(14.98) %</b>
<b>Special Items</b>	<b>2,301,020</b>	<b>-</b>	
<b>Increase (Decrease) in net assets</b>	<b>457,999</b>	<b>(1,254,865)</b>	<b>136.50 %</b>
<b>Net Assets, July 1</b>	<b>29,558,534</b>	<b>30,813,399</b>	<b>(4.07) %</b>
<b>Net Assets, June 30</b>	<b>\$ 30,016,533</b>	<b>\$ 29,558,534</b>	<b>1.55 %</b>

**Governmental activities**

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

LONG BEACH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 14,355,514	\$ 14,949,061	(3.97) %
Support services	10,520,379	14,346,581	(26.67) %
Non-instructional	1,192,342	1,207,105	(1.22) %
Interest on long-term liabilities	141,504	325,853	(56.57) %
<b>Total expenses</b>	<b>\$ 26,209,739</b>	<b>\$ 30,828,600</b>	<b>(14.98) %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (11,482,869)	\$ (9,592,259)	19.71 %
Support services	(9,178,152)	(10,724,212)	(14.42) %
Non-instructional	62,593	352,139	(82.22) %
Interest on long-term liabilities	(141,504)	(325,853)	(56.57) %
<b>Total net (expense) revenue</b>	<b>\$ (20,739,932)</b>	<b>\$ (20,290,185)</b>	<b>2.22 %</b>

- Net cost of governmental activities (\$20,739,932 for 2011 and \$20,290,185 for 2010) was financed by general revenue, which is primarily made up of property and gaming taxes (\$6,421,162 for 2011 and \$6,247,341 for 2010) and state and federal revenues (\$12,408,180 for 2011 and \$12,710,743 for 2010). In addition, there was \$14,165 and \$14,661 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$29,226 for 2011 and \$29,097 for 2010.

### 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, unassigned 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 \$9,970,436, a decrease of \$2,344,445, which includes a decrease in reserve for inventory of \$2,211. \$6,963,246, or 70%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,007,190, or 30%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,950,709. The fund balance of Other Governmental Funds showed a decrease in the amount of \$255,267, which includes a decrease in reserve for inventory of

LONG BEACH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

\$2,211. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
FEMA/MEMA Fund	\$ (138,469)

### BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Significant budget revisions made during the fiscal year are explained as follows:

- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. The District received approximately \$730,000 in Budget Stabilization funds that were reported in a special revenue fund. Instructional expenditures normally incurred in the General Fund were reclassified to the Budget Stabilization Fund (special revenue fund) and federal funds were received to cover those expenditures.
- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year. The District took a conservative approach to spending and some expenditures originally budgeted were delayed or not incurred.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue fund is provided in this report as required supplemental information.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2011, the District's total capital assets were \$38,113,241, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of \$563,426 from 2010. During the fiscal year, expenditures were incurred related to the construction of the New Harper McCaughan Elementary School and other improvements other than buildings. The District also purchased various items of furniture and equipment. Total accumulated depreciation as of June 30, 2011, was \$8,688,302, and total depreciation expense for the year was \$790,447, resulting in total net capital assets of \$29,424,939.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 2,669,709	\$ 2,669,709	0.00 %
Construction in Progress	16,942,730	16,721,301	1.32 %
Buildings	6,583,656	6,771,475	(2.77) %
Improvements other than buildings	1,694,873	1,696,306	(0.08) %
Mobile equipment	768,321	897,507	(14.39) %
Furniture and equipment	765,650	888,971	(13.87) %
<b>Total</b>	<b>\$ 29,424,939</b>	<b>\$ 29,645,269</b>	<b>(0.74) %</b>

LONG BEACH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011

Additional information on the District's capital assets can be found in Note 5 included in this report.

**Debt Administration.** At June 30, 2011, the District had \$9,231,513 in outstanding long-term debt, of which \$897,779 is due within one year. During the fiscal year, the District made principal payments in the amount of \$590,000 on existing long-term debt. In addition, \$2,301,020 of the District's shortfall note payable (CDL) was forgiven during the fiscal year. The liability for compensated absences decreased \$18,402 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	June 30, 2011	June 30, 2010	Percentage Change
Limited obligation bonds payable	\$ 3,035,000	\$ 3,415,000	(11.13) %
Three mill notes payable	3,285,000	3,495,000	(6.01) %
Shortfall notes payable	2,128,587	4,429,607	(51.95) %
Qualified school construction bonds payable	570,000	570,000	0.00 %
Compensated absences payable	212,926	231,328	(7.95) %
<b>Total</b>	<b>\$ 9,231,513</b>	<b>\$ 12,140,935</b>	<b>(23.96) %</b>

Additional information on the District's long-term debt can be found in Note 6 included in this report.

### **CURRENT ISSUES**

The Long Beach School 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 is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

LONG BEACH SCHOOL DISTRICT

FINANCIAL STATEMENTS

LONG BEACH SCHOOL DISTRICT

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**LONG BEACH SCHOOL DISTRICT**

**Statement of Net Assets**  
**June 30, 2011**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 6,355,962
Due from other governments	3,557,414
Inventories	24,981
Prepaid items	43,183
Deferred debt issuance costs	61,860
Restricted assets	213,852
Capital assets, non-depreciable:	
Land	2,669,709
Construction in progress	16,942,730
Capital assets, net of accumulated depreciation:	
Buildings	6,583,656
Improvements other than buildings	1,694,873
Mobile equipment	768,321
Furniture and equipment	765,650
Total Assets	39,682,191
<b>Liabilities</b>	
Accounts payable and accrued liabilities	224,956
Interest payable on long-term liabilities	231,143
Deferred charges on refunding debt	(51,296)
Deferred bond premiums	29,342
Long-term liabilities, due within one year:	
Capital related liabilities	605,000
Non-capital related liabilities	292,779
Long-term liabilities, due beyond one year:	
Capital related liabilities	6,285,000
Non-capital related liabilities	2,048,734
Total Liabilities	9,665,658
<b>Net Assets</b>	
Invested in capital assets, net of related debt	22,556,893
Restricted for:	
Expendable:	
School-based activities	622,767
Debt service	1,500,875
Capital improvements	229
Unemployment benefits	104,872
Unrestricted	5,230,897
Total Net Assets	\$ 30,016,533

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, 2011**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>						
Instruction	\$ 14,355,514	\$ 247,040	\$ 2,625,605	\$ -	\$ (11,482,869)	
Support services	10,520,379	-	1,342,227	-	(9,178,152)	
Non-instructional	1,192,342	435,589	819,346	-	62,593	
Interest and other expenses on long-term liabilities	141,504	-	-	-	(141,504)	
<b>Total Governmental Activities</b>	<b>\$ 26,209,739</b>	<b>\$ 682,629</b>	<b>\$ 4,787,178</b>	<b>\$ -</b>	<b>\$ (20,739,932)</b>	

**General Revenues:**

**Taxes:**

General purpose levies	5,611,200
Debt purpose levies	476,273
Gaming	333,689

**Unrestricted grants and contributions:**

State	11,534,340
Federal	873,840
Unrestricted investment earnings	29,228
Sixteenth section sources	14,165
Other	24,178

**Total General Revenues** 18,896,911

**Special Items** 2,301,020

**Total General Revenues and Special Items** 21,197,931

**Change in Net Assets** 457,999

**Net Assets - Beginning** 29,558,534

**Net Assets - Ending** \$ 30,016,533

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

**LONG BEACH SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2011**

**Exhibit C**

	Major Funds			Total Governmental Funds
	General Fund	FEMA/MEMA Grant Fund	Other Governmental Funds	
<b>Assets</b>				
Cash and cash equivalents	\$ 4,481,046	\$ -	\$ 1,874,916	\$ 6,355,962
Cash with fiscal agents	-	-	213,852	213,852
Due from other governments	275,422	2,522,762	759,140	3,557,324
Due from other funds	2,893,569	-	-	2,893,569
Inventories	-	-	24,981	24,981
Prepaid items	38,457	-	4,726	43,183
<b>Total assets</b>	<b>\$ 7,688,494</b>	<b>\$ 2,522,762</b>	<b>\$ 2,877,615</b>	<b>\$ 13,088,871</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 139,487	\$ -	\$ 85,469	\$ 224,956
Due to other funds	-	2,430,581	462,898	2,893,479
<b>Total Liabilities</b>	<b>139,487</b>	<b>2,430,581</b>	<b>548,367</b>	<b>3,118,435</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	-	-	24,981	24,981
Prepaid items	38,457	-	4,726	43,183
<b>Restricted:</b>				
Debt service	-	-	1,732,018	1,732,018
Capital projects	-	-	229	229
Unemployment benefits	-	-	104,872	104,872
Other commitments	-	92,181	462,422	554,603
<b>Assigned:</b>				
Other purposes	547,304	-	-	547,304
<b>Unassigned</b>	<b>6,963,246</b>	<b>-</b>	<b>-</b>	<b>6,963,246</b>
<b>Total Fund Balances</b>	<b>7,549,007</b>	<b>92,181</b>	<b>2,329,248</b>	<b>9,970,436</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,688,494</b>	<b>\$ 2,522,762</b>	<b>\$ 2,877,615</b>	<b>\$ 13,088,871</b>

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

**LONG BEACH SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2011**

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 9,970,436**

Amounts reported for governmental activities in the statement of net assets are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 2,669,709	
Construction in progress	16,942,730	
Buildings	11,566,922	
Improvements other than buildings	2,251,063	
Mobile equipment	2,021,990	
Furniture and equipment	2,660,827	
Accumulated depreciation	<u>(8,688,302)</u>	29,424,939

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Limited obligation bonds	(3,035,000)	
Other bonds payable	(570,000)	
Notes payable	(5,413,587)	
Compensated absences	(212,926)	
Unamortized charges	113,156	
Unamortized premiums	(29,342)	
Accrued interest payable	<u>(231,143)</u>	(9,378,842)

**Net assets of governmental activities** **\$ 30,016,533**

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

**LONG BEACH SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
For the Year Ended June 30, 2011

Exhibit D

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	FEMA/MEMA Grant Fund		
<b>Revenues:</b>				
Local sources	\$ 6,233,348	\$ -	\$ 922,312	\$ 7,155,660
State sources	11,108,799	-	977,566	12,086,365
Federal sources	150,905	3,015	4,955,857	5,109,777
Sixteenth section sources	-	-	14,916	14,916
<b>Total Revenues</b>	<b>17,493,052</b>	<b>3,015</b>	<b>6,870,651</b>	<b>24,366,718</b>
<b>Expenditures:</b>				
Instruction	11,625,251	4,041	2,562,103	14,191,395
Support services	7,722,668	14,592	2,489,789	10,227,049
Noninstructional services	5,790	-	1,092,747	1,098,537
Facilities acquisition and construction	72,265	-	217,181	289,446
Debt service:				
Principal	-	-	590,000	590,000
Interest	-	-	246,162	246,162
Other	11,545	-	7,318	18,863
<b>Total Expenditures</b>	<b>19,437,519</b>	<b>18,633</b>	<b>7,205,300</b>	<b>26,661,452</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(1,944,467)	(15,618)	(334,649)	(2,294,734)
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	215,173	-	268,915	484,088
Operating transfers out	(221,415)	(122,851)	(139,822)	(484,088)
Other financing uses	-	-	(47,500)	(47,500)
<b>Total Other Financing Sources (Uses)</b>	<b>(6,242)</b>	<b>(122,851)</b>	<b>81,593</b>	<b>(47,500)</b>
<b>Net Change in Fund Balances</b>	<b>(1,950,709)</b>	<b>(138,469)</b>	<b>(253,056)</b>	<b>(2,342,234)</b>
<b>Fund Balances:</b>				
July 1, 2010	9,499,716	230,650	2,584,515	12,314,881
Increase (Decrease) in reserve for inventory	-	-	(2,211)	(2,211)
<b>June 30, 2011</b>	<b>\$ 7,549,007</b>	<b>\$ 92,181</b>	<b>\$ 2,329,248</b>	<b>\$ 9,970,436</b>

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

**LONG BEACH SCHOOL DISTRICT**

**Governmental Funds**

**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, 2011**

Exhibit D-1

**Net change in fund balances - total governmental funds** **\$ (2,342,234)**

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 570,185	
Depreciation expense	(790,447)	(220,262)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (68)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	590,000	
Forgiveness of debt	2,301,020	
Accrued interest payable	127,129	3,018,149

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	18,402	
Change in inventory reserve	(2,211)	
Amortization of deferred charges, premiums and discounts	(13,777)	2,414

**Change in net assets of governmental activities** **\$ 457,999**

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

**LONG BEACH SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Net Assets**

**Exhibit E**

**June 30, 2011**

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,870	\$ 995,692
Total Assets	<u>2,870</u>	<u>\$ 995,692</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-	\$ 942,849
Due to other funds	-	90
Due to student clubs	-	52,753
Total Liabilities	<u>-</u>	<u>\$ 995,692</u>
<b>Net Assets</b>		
Reserved for endowments	<u>2,870</u>	
Total Net Assets	<u>\$ 2,870</u>	

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

**LONG BEACH SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2011**

**Exhibit F**

	Private-Purpose Trust Funds
<b>Additions</b>	
Contributions and donations from private sources	\$ 7,211
Total Additions	7,211
<b>Deductions</b>	
Scholarships awarded	6,500
Total Deductions	6,500
Change in Net Assets	711
<b>Net Assets</b>	
July 1, 2010	2,159
June 30, 2011	\$ 2,870

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

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

**Note 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. Basis of Presentation**

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

**B. Financial Reporting Entity**

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.

For financial reporting purposes, Long Beach School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

**C. Government-wide and Fund Financial Statements**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

## LONG BEACH SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2011

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

FEMA/MEMA Grant 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.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing Fund - This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts - These funds are used to account for the transactions of student clubs.

Reach Grants - This fund is used to account for the revenues and related expenditures that passed through the District as part of the Reach program.

Scholarship Funds - These funds are used to account for the contributions to and scholarships awarded from the district's scholarship funds.

## LONG BEACH SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2011

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

#### FIDUCIARY FUNDS

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

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 results of operations.

#### **D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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 recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority 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.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi 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.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, 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, 2003*, 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. Assets, liabilities, and net assets/fund balances**

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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.

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.

## LONG BEACH SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2011

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

#### 3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

#### 4. Inventories and Prepaid Items

Donated commodities 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 costs of governmental fund type inventories are reported as expenditures when purchased.

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

#### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

#### 6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

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.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability 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 the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

## LONG BEACH SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2011

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

*Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Business Manager pursuant to authorization established by official school board policy.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

#### **Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents**

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 district's 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 Deposit Insurance Corporation.

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess 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 deposit or 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, not to exceed fifty percent of all monies invested with maturities of thirty

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

days or longer ; (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 other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. 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. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 6,355,962 and \$ 998,562, respectively.

*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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$ 7,745,312 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$ 213,852.

**Note 3 – Inter-fund Receivables, Payables and Transfers**

The following is a summary of inter-fund transactions and balances:

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - FEMA/MEMA Fund	\$ 2,430,581
	Other governmental funds	462,898
	Fiduciary Funds	90
Total		<u>\$ 2,893,569</u>

The primary purpose of the interfund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year-end closing adjustments.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 221,415
	FEMA/MEMA Fund	122,851
Other governmental funds	General Fund	92,322
	Other governmental funds	47,500
Total		<u>\$ 484,088</u>

Transfers were made primarily for operational purposes and to move indirect costs from other governmental funds to the general fund.

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

**Note 4 – Restricted Assets**

The restricted assets represent the cash with fiscal agents balance, totaling \$ 213,852 of the MAEP Limited Obligation Bond/Note Fund.

**Note 5 – Capital Assets**

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

	Balance 7/1/2010	Increases	Decreases	Adjustments	Balance 6/30/2011
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,669,709	\$ -	\$ -	\$ -	\$ 2,669,709
Construction in progress	16,721,301	221,429	-	-	16,942,730
<b>Total non-depreciable capital assets</b>	<b>19,391,010</b>	<b>221,429</b>	<b>-</b>	<b>-</b>	<b>19,612,439</b>
<u>Depreciable capital assets:</u>					
Buildings	11,566,922	-	-	-	11,566,922
Improvements other than buildings	2,177,033	74,030	-	-	2,251,063
Mobile equipment	2,021,990	-	-	-	2,021,990
Furniture and equipment	2,392,860	274,726	6,759	-	2,660,827
<b>Total depreciable capital assets</b>	<b>18,158,805</b>	<b>348,756</b>	<b>6,759</b>	<b>-</b>	<b>18,500,802</b>
<u>Less accumulated depreciation for:</u>					
Buildings	4,795,447	198,187	-	(10,368)	4,983,266
Improvements other than buildings	480,727	78,278	-	(2,815)	556,190
Mobile equipment	1,124,483	135,902	-	(6,716)	1,253,669
Furniture and equipment	1,503,889	378,080	6,691	19,899	1,895,177
<b>Total accumulated depreciation</b>	<b>7,904,546</b>	<b>790,447</b>	<b>6,691</b>	<b>-</b>	<b>8,688,302</b>
<b>Total depreciable capital assets, net</b>	<b>10,254,259</b>	<b>(441,691)</b>	<b>68</b>	<b>-</b>	<b>9,812,500</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 29,645,269</b>	<b>\$ (220,262)</b>	<b>\$ 68</b>	<b>\$ -</b>	<b>\$ 29,424,939</b>

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 175,160
Support services	570,273
Non-instructional	45,014
Total depreciation expense - Governmental activities	<u>\$ 790,447</u>

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
<b>Governmental Activities:</b>		
Harper McCaughan Elementary School	\$ 16,942,730	\$ 42,872
Total governmental activities	<u>\$ 16,942,730</u>	<u>\$ 42,872</u>

Construction projects included in governmental activities are funded with grant proceeds.

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. Limited obligation bonds payable	\$ 3,415,000	\$ -	\$ 380,000	\$ 3,035,000	\$ 395,000
B. Three mill notes payable	3,495,000	-	210,000	3,285,000	210,000
C. Shortfall notes payable	4,429,607	-	2,301,020	2,128,587	282,133
D. Qualified school construction bonds payable	570,000	-	-	570,000	-
E. Compensated absences payable	231,328	-	18,402	212,926	10,646
<b>Total</b>	<b>12,140,935</b>	<b>-</b>	<b>2,909,422</b>	<b>9,231,513</b>	<b>897,779</b>
Add: Bond issue premium	34,166	-	4,824	29,342	-
Less: Deferred charges from refunding	(59,728)	-	(8,432)	(51,296)	-
<b>Total, net</b>	<b>\$ 12,115,373</b>	<b>\$ -</b>	<b>\$ 2,905,814</b>	<b>\$ 9,209,559</b>	<b>\$ 897,779</b>

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

**A. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2009	3%	7/1/2009	8/1/2017	\$ 3,635,000	\$ 3,035,000
<b>Total</b>				<b>\$ 3,635,000</b>	<b>\$ 3,035,000</b>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 395,000	\$ 85,125	\$ 480,125
2013	400,000	73,200	473,200
2014	415,000	60,975	475,975
2015	435,000	48,225	483,225
2016	450,000	34,950	484,950
2017-2018	940,000	28,500	968,500
<b>Total</b>	<b>\$ 3,035,000</b>	<b>\$ 330,975</b>	<b>\$ 3,365,975</b>

This debt will be retired from the MAEP Debt Retirement Fund.

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 Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Note - 2006	4.48%	12/29/2005	9/1/2023	\$ 2,750,000	\$ 2,575,000
2. Limited Tax Note - 2010	3.14%	11/25/2009	10/1/2019	820,000	710,000
<b>Total</b>				<b>\$ 3,570,000</b>	<b>\$ 3,285,000</b>

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

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

1. Three mill notes payable issue of December 29, 2005:

Year Ending June 30	Principal	Interest	Total
2012	\$ 100,000	\$ 112,475	\$ 212,475
2013	125,000	107,959	232,959
2014	150,000	102,300	252,300
2015	175,000	95,462	270,462
2016	175,000	87,981	262,981
2017 – 2021	1,100,000	304,700	1,404,700
2022 – 2024	750,000	52,588	802,588
<b>Total</b>	<b>\$ 2,575,000</b>	<b>\$ 863,465</b>	<b>\$ 3,438,465</b>

2. Three mill notes payable issue of November 25, 2009:

Year Ending June 30	Principal	Interest	Total
2012	\$ 110,000	\$ 20,567	\$ 130,567
2013	95,000	17,349	112,349
2014	80,000	14,602	94,602
2015	70,000	12,247	82,247
2016	75,000	9,970	84,970
2017 – 2020	280,000	17,900	297,900
<b>Total</b>	<b>\$ 710,000</b>	<b>\$ 92,635</b>	<b>\$ 802,635</b>

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 210,000	\$ 133,042	\$ 343,042
2013	220,000	125,308	345,308
2014	230,000	116,902	346,902
2015	245,000	107,709	352,709
2016	250,000	97,951	347,951
2017 – 2021	1,380,000	322,600	1,702,600
2022 – 2024	750,000	52,588	802,588
<b>Total</b>	<b>\$ 3,285,000</b>	<b>\$ 956,100</b>	<b>\$ 4,241,100</b>

This debt will be retired from the EEF School Buildings and Buses Fund and the Three Mill Debt Service Fund.

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

**C. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Community Disaster Loan	3.12%	6/30/2006	6/27/2016	\$ 4,429,607	\$ 2,128,587
Total				<u>\$ 4,429,607</u>	<u>\$ 2,128,587</u>

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 282,134	\$ 216,007	\$ 498,141
2013	440,689	57,452	498,141
2014	454,281	43,860	498,141
2015	468,455	29,686	498,141
2016	483,028	15,112	498,140
Total	<u>\$ 2,128,587</u>	<u>\$ 362,117</u>	<u>\$ 2,490,704</u>

Pursuant to HR 2006 – Public Law 110-28, FEMA may allow forgiveness of Community Disaster Loans, in Presidentially declared disaster areas on a case by case basis. During the current fiscal year, FEMA has forgiven \$2,301,020 of the original debt, plus accrued interest of \$211,121.

This debt will be retired from the District Maintenance Fund.

**D. Qualified school construction bonds payable**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable	0.00%	12/29/2009	9/15/2020	\$ 570,000	\$ 570,000
Total				<u>\$ 570,000</u>	<u>\$ 570,000</u>

**E. Compensated absences payable**

As more fully explained in Note 1(F)(7), 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 employees' salaries were paid.

## LONG BEACH SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2011

#### **Note 7 – Prior Year Defeasance of Debt**

In prior years, the Long Beach School District defeased certain limited obligation bonds payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2011, \$ 2,870,000 of bonds outstanding are defeased.

#### **Note 8 – Other Commitments**

Commitments under construction contracts are described in Note 5.

#### **Note 9 – 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 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$1,752,893, \$1,794,614 and \$1,854,873, respectively, which equaled the required contributions for each year.

#### **Note 10 – Contingencies**

**Federal Grants –** The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district. As of June 30, 2011, the single audit performed on these federal grants disclosed a material instance of noncompliance, as reported in the Schedule of Findings and Questioned Costs. Any disallowance by the grantor agency could result in a liability of the school district, but ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the school district's financial statements.

**Litigation –** The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

#### **Note 11 – 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.

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

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 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' 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 Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess 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.

**Note 12 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$ 0. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2012	\$ 94,000
2013	46,000
2014	43,000
2015	41,000
2016	42,000
2017 – 2021	231,000
2022	73,000
Total	<u>\$ 570,000</u>

**Note 13 – Special Items**

On January 21, 2011, the Long Beach School District received a partial forgiveness of their Community Disaster Loan. Of the original debt \$2,301,020 was forgiven, plus accrued interest of \$211,121.

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2011

**Note 14 - Subsequent Events**

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes.

Management of the Long Beach School District evaluated the activity of the district through August 6, 2012, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

In May 2012, the District was required to repay \$439,950 to Federal Emergency Management Agency (FEMA) as a result of a Department of Homeland Security Office of Inspector General's (OIG) audit of federal disaster recovery assistance associated with Hurricane Katrina. These grants were to assist in construction projects. It was determined by OIG that \$439,950 of project costs were ineligible for FEMA funding because they were covered by commercial insurance.

On June 29, 2012, a formal written demand in the amount of \$29,143.23 was issued by the Office of the State Auditor to the former middle school principal. This demand stems from donations made to the school district in the aftermath of Hurricane Katrina. The investigation disclosed that only a nominal amount of the Katrina donations were actually deposited into the middle school account. The majority of the donations were deposited into an account under the control of the PTO. The former middle school principal was placed on administrative leave during the month of May, 2012 and has since been terminated. This case is ongoing and unresolved at this time.

LONG BEACH SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

LONG BEACH SCHOOL DISTRICT

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**LONG BEACH SCHOOL DISTRICT**  
**Required Supplemental Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 8,355,465	\$ 6,233,348	\$ 6,233,348	\$ (122,117)	\$ -
State sources	11,292,888	11,108,800	11,108,799	(184,088)	(1)
Federal sources	171,700	150,905	150,905	(20,795)	-
<b>Total Revenues</b>	<b>17,820,053</b>	<b>17,493,053</b>	<b>17,493,052</b>	<b>(327,000)</b>	<b>(1)</b>
<b>Expenditures:</b>					
Instruction	12,344,313	11,825,253	11,625,251	719,060	2
Support services	8,283,754	7,708,649	7,722,668	575,105	(14,019)
Noninstructional services	7,050	5,789	5,790	1,261	(1)
Facilities acquisition and construction	-	86,284	72,265	(86,284)	14,019
Debt service:					
Other	-	11,545	11,545	(11,545)	-
<b>Total Expenditures</b>	<b>20,635,117</b>	<b>19,437,520</b>	<b>19,437,519</b>	<b>1,197,597</b>	<b>1</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(2,815,064)</b>	<b>(1,944,467)</b>	<b>(1,944,467)</b>	<b>870,597</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers In	5,504,916	9,587,736	215,173	4,082,820	(9,372,563)
Operating transfers out	(5,649,415)	(9,593,979)	(221,415)	(3,944,564)	9,372,564
<b>Total Other Financing Sources (Uses)</b>	<b>(144,499)</b>	<b>(6,243)</b>	<b>(6,242)</b>	<b>138,256</b>	<b>1</b>
<b>Net Change in Fund Balances</b>	<b>(2,959,563)</b>	<b>(1,950,710)</b>	<b>(1,950,709)</b>	<b>1,008,853</b>	<b>1</b>
<b>Fund Balances:</b>					
July 1, 2010	9,409,138	9,499,714	9,499,716	90,576	2
June 30, 2011	\$ 6,449,575	\$ 7,549,004	\$ 7,549,007	\$ 1,099,429	\$ 3

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

**LONG BEACH SCHOOL DISTRICT**  
**Required Supplemental Information**

**Budgetary Comparison Schedule**  
**FEMA/MEMA Grant Fund**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 16,500	\$ 3,014	\$ 3,015	\$ (13,486)	1
Total Revenues	16,500	3,014	3,015	(13,486)	1
<b>Expenditures:</b>					
Instruction	11,500	4,040	4,041	7,460	(1)
Support services	5,000	14,592	14,592	(9,592)	-
Total Expenditures	16,500	18,632	18,633	(2,132)	(1)
Excess (Deficiency) of Revenues over (under) Expenditures	-	(15,618)	(15,618)	(15,618)	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(145,000)	(122,850)	(122,851)	22,150	(1)
Total Other Financing Sources (Uses)	(145,000)	(122,850)	(122,851)	22,150	(1)
Net Change in Fund Balances	(145,000)	(138,468)	(138,469)	6,532	(1)
<b>Fund Balances:</b>					
July 1, 2010	321,603	230,649	230,650	(90,954)	1
June 30, 2011	\$ 176,603	\$ 92,181	\$ 92,181	\$ (84,422)	-

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

# LONG BEACH SCHOOL DISTRICT

## Notes to the Required Supplemental Information For the Year Ended June 30, 2011

### Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents 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.

LONG BEACH SCHOOL DISTRICT

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LONG BEACH SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

**LONG BEACH SCHOOL DISTRICT**

**Supplemental Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 153,620
National school lunch program	10.555	623,580
Summer food service program for children	10.559	14,573
Total child nutrition cluster		<u>791,773</u>
Total passed-through Mississippi Department of Education		<u>791,773</u>
<b>Total U.S. Department of Agriculture</b>		<u>791,773</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Support for K-12 Student Achievement at Military-Connected Schools	12.030	100,868
<b>Total U.S. Department of Defense</b>		<u>100,868</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Direct Program:		
Community Development Block Grants	14.218	366,580
<b>Total U.S. Department of Housing and Urban Development</b>		<u>366,580</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	55,382
<b>Total Federal Communications Commission</b>		<u>55,382</u>
<b><u>U.S. Department of Education</u></b>		
Direct Program:		
Impact Aid	84.041	43,466
Total		<u>43,466</u>
Passed-through Mississippi Department of Rehabilitation Services		
Rehabilitation Services - Vocational rehabilitation grants to states	84.126	784
Total		<u>784</u>
Passed-through Mississippi Department of Education:		
Safe and drug-free schools and communities- state grants	84.186	4,980
Education technology state grants	84.318	7,485
Improving teacher quality - state grants	84.367	205,840
ARRA - Education technology - state grants, Recovery Act	84.386	9,799
ARRA - Education jobs fund, Recovery Act	84.410	557,320
Hurricane education recovery act programs	84.938	134,720
Subtotal		<u>920,144</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	874,794
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	56,834
Total Title I cluster		<u>931,628</u>
Special education cluster:		
Special education - grants to states	84.027	536,541
Special education - preschool grants	84.173	22,825
ARRA - Special education grants to states, Recovery Act	84.391	382,068
ARRA - Special education - preschool grants, Recovery Act	84.392	6,248
Total special education cluster		<u>947,682</u>
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	731,876
Total State Fiscal Stabilization Fund cluster		<u>731,876</u>
Total passed-through Mississippi Department of Education		<u>3,531,330</u>
<b>Total U.S. Department of Education</b>		<u>3,575,580</u>

**LONG BEACH SCHOOL DISTRICT**

**Supplemental Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Health and Human Services:		
Drug-Free Communities Support	93.276	116,961
Total passed-through Mississippi Department of Health and Human Services		<u>116,961</u>
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	43,117
Total passed-through Mississippi Department of Education		<u>43,117</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>160,078</u>
<b><u>U.S. Department of Homeland Security</u></b>		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	141,483
Total passed-through Mississippi Emergency Management Agency		<u>141,483</u>
<b>Total U.S. Department of Homeland Security</b>		<u>141,483</u>
Total for All Federal Awards		<u>\$ 5,191,744</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**

**Supplemental Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2011**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 19,635,302	14,807,633	866,082	1,297,036	2,664,551
Other	7,026,150	1,622,184	206,586	18,744	5,178,636
Total	<u>\$ 26,661,452</u>	<u>16,429,817</u>	<u>1,072,668</u>	<u>1,315,780</u>	<u>7,843,187</u>
Total number of students *	<u>2,762</u>				
Cost per student	<u>\$ 9,653</u>	<u>5,949</u>	<u>388</u>	<u>476</u>	<u>2,840</u>

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.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

LONG BEACH SCHOOL DISTRICT

OTHER INFORMATION

LONG BEACH SCHOOL DISTRICT

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**LONG BEACH SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 6,233,348	\$ 6,038,957	\$ 6,367,686	\$ 5,558,698
State sources	11,108,799	11,459,807	12,540,368	14,969,710
Federal sources	150,905	49,706	112,316	242,386
<b>Total Revenues</b>	<b>17,493,052</b>	<b>17,548,470</b>	<b>19,020,370</b>	<b>20,770,794</b>
<b>Expenditures:</b>				
Instruction	11,625,251	12,394,221	13,005,056	11,104,593
Support services	7,722,668	7,655,696	8,879,216	7,513,318
Noninstructional services	5,790	4,974	11,335	5,228
Facilities acquisition and construction	72,265	-	-	-
Debt service:				
Principal	-	-	19,516	129,255
Interest	-	-	2,768	11,759
Other	11,545	-	-	-
<b>Total Expenditures</b>	<b>19,437,519</b>	<b>20,054,891</b>	<b>21,917,891</b>	<b>18,764,153</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(1,944,467)</b>	<b>(2,506,421)</b>	<b>(2,897,521)</b>	<b>2,006,641</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	-	-	2,449,662	856,234
Insurance recovery	-	4,149	35,446	-
Sale of transportation equipment	-	2,034	817	-
Sale of other property	-	80,000	-	-
Operating transfers in	215,173	339,772	6,141,672	-
Operating transfers out	(221,415)	(186,349)	(785,340)	(834,314)
<b>Total Other Financing Sources (Uses)</b>	<b>(6,242)</b>	<b>239,606</b>	<b>7,842,257</b>	<b>21,920</b>
<b>Net Change in Fund Balances</b>	<b>(1,950,709)</b>	<b>(2,266,815)</b>	<b>4,944,736</b>	<b>2,028,561</b>
<b>Fund Balances:</b>				
Beginning of period	9,499,716	11,766,531	6,821,795	4,793,234
End of Period	\$ 7,549,007	\$ 9,499,716	\$ 11,766,531	\$ 6,821,795

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**LONG BEACH SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

All Governmental Funds

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
<b>Revenues:</b>				
Local sources	\$ 7,155,660	\$ 6,968,494	\$ 7,340,971	\$ 6,677,056
State sources	12,086,365	12,216,972	13,339,210	15,784,620
Federal sources	5,109,777	10,373,015	13,480,907	9,022,401
Sixteenth section sources	14,916	15,254	55,285	17,334
<b>Total Revenues</b>	<b>24,366,718</b>	<b>29,573,735</b>	<b>34,217,373</b>	<b>31,501,411</b>
<b>Expenditures:</b>				
Instruction	14,191,395	14,603,162	15,091,852	16,398,744
Support services	10,227,049	12,275,157	10,039,826	12,143,172
Noninstructional services	1,098,537	1,155,184	1,091,756	1,116,082
Sixteenth section	-	-	-	2,856,363
Facilities acquisition and construction	289,446	4,860,883	11,385,795	-
Debt service:				
Principal	590,000	270,000	1,085,000	554,743
Interest	246,162	179,541	292,904	317,430
Other	18,863	87,079	717	780
<b>Total Expenditures</b>	<b>26,661,452</b>	<b>33,431,006</b>	<b>38,987,850</b>	<b>33,387,314</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(2,294,734)</b>	<b>(3,857,271)</b>	<b>(4,770,477)</b>	<b>(1,885,903)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans	-	1,390,000	3,059,662	856,234
Proceeds of refunding bonds	-	3,635,000	-	-
Insurance recovery	-	4,149	44,221	462,614
Payment to refunded bond escrow agent	-	(3,587,458)	-	-
Sale of transportation equipment	-	2,034	817	-
Sale of other property	-	80,000	-	-
Operating transfers in	484,088	5,935,755	17,565,367	2,687,463
Other financing sources	-	38,587	-	-
Operating transfers out	(484,088)	(5,935,755)	(17,565,367)	(2,687,463)
Other financing uses	(47,500)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(47,500)</b>	<b>1,562,312</b>	<b>3,104,700</b>	<b>1,318,848</b>
<b>Net Change In Fund Balances</b>	<b>(2,342,234)</b>	<b>(2,294,959)</b>	<b>(1,665,777)</b>	<b>(567,055)</b>
<b>Fund Balances:</b>				
Beginning of period	12,314,881	14,612,339	16,295,065	16,876,724
<b>Increase (Decrease) in reserve for inventory</b>	<b>(2,211)</b>	<b>(2,499)</b>	<b>(16,949)</b>	<b>(14,604)</b>
<b>End of Period</b>	<b>\$ 9,970,436</b>	<b>\$ 12,314,881</b>	<b>\$ 14,612,339</b>	<b>\$ 16,295,065</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

LONG BEACH SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

LONG BEACH SCHOOL DISTRICT

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

Superintendent and School Board  
Long Beach School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Long Beach School District as of and for the year ended June 30, 2011, which collectively comprise Long Beach School District's basic financial statements and have issued our report thereon dated August 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Long Beach School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. (Finding 2011-01 and 2011-02).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. (Finding 2011-03, 2011-04 and 2011-05).

**MEMBER**

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS - MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS**

Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated August 6, 2012, which is included in this report.

Long Beach School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit the district's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the district's school board and management, entities with accreditation oversight, 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.

*Cox & Palmer, P.A.*

Cox and Palmer, P.A.  
August 6, 2012

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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Long Beach School District

Compliance

We 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Long Beach School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Long Beach School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Long Beach School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Long Beach School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Long Beach School District  
Report on Compliance and Internal Controls

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the district's 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.

*Cox & Palmer, P.A.*

Cox and Palmer, P.A.

August 6, 2012

LONG BEACH SCHOOL DISTRICT

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

LONG BEACH SCHOOL DISTRICT

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

Superintendent and School Board  
Long Beach School District

We 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, 2011, which collectively comprise Long Beach School District's basic financial statements and have issued our report thereon dated August 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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, we 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 our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed 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 \$11,866 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 our 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, we 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 our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding

Code Section 37-61-21, Miss. Code Ann. (1972), states that final budget revisions, pertinent to a fiscal year, shall be approved on or before October 15 of each year. The District's final amended budget for June 30, 2011 was approved on October 25, 2011.

Recommendation

Code Section 37-61-21 should be followed.

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Long Beach School District  
Report on Compliance with State Laws and Regulations

School District's Response

The District shall have the final budget revisions approved on or before October 15 of each year.

Finding

On June 14, 2010 the District accepted a fuel bid from A & M Petroleum based on the Oil Price Information Service (OPIS) cost plus a margin of .10 per gallon for unleaded gas and .12 per gallon for diesel.

During the test of purchasing, it was noted that documentation was not on file to indicate that the bid price had been met.

Recommendation

Documentation should be on file to support the price paid.

School District's Response

The District will take finding under advisement.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The Long Beach School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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.

*Cox & Palmer, P.A.*

Cox and Palmer, P.A.  
August 6, 2012

LONG BEACH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LONG BEACH SCHOOL DISTRICT

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LONG BEACH SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Section I: Summary of Auditor's Results

**Financial Statements:**

- |    |   |                    |
|----|---|--------------------|
| 1. | Type of auditor's report issued:                      | <u>Unqualified</u> |
| 2. | Internal control over financial reporting:            |                    |
|    | a. Material weaknesses identified?                    | <u>Yes</u>         |
|    | b. Significant deficiencies identified?               | <u>Yes</u>         |
| 3. | Noncompliance material to financial statements noted? | <u>No</u>          |

**Federal Awards:**

- |    |  |                      |
|----|--|----------------------|
| 4. | Internal control over major programs:  |                      |
|    | a. Material weaknesses identified?   | <u>No</u>            |
|    | b. Significant deficiencies identified?  | <u>None reported</u> |
| 5. | Type of auditor's report issued on compliance for major programs:  | <u>Unqualified</u>   |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | <u>No</u>            |
| 7. | Identification of major programs:  |                      |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.394	ARRA – State Stabilization Fund- Education State Grants, Recovery Act
84.410	ARRA – Education Jobs Fund, Recovery Act
84.027	Special Education Cluster: Special Education – Grants to States
84.173	Special Education – Preschool Grants
84.391	ARRA – Special Education Grants to States, Recovery Act
84.392	ARRA – Special Education – Preschool Grants, Recovery Act

- |    |  |                  |
|----|--|------------------|
| 8. | Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$300,000</u> |
| 9. | Auditee qualified as low-risk auditee?                                   | <u>Yes</u>       |

LONG BEACH SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

Section II: Financial Statement Findings

Significant deficiencies identified that are considered to be material weaknesses.

2011-01      Finding

During the test of payroll, it was noted that the transportation department was not maintaining appropriate timesheets.

Recommendation

Timesheets need to be maintained for all employees. These timesheets should be signed by the employee and the Director before payment is made.

2011-02      Finding

Accountability over athletic event ticket sales was lacking.

The following weaknesses were noted:

- The individual selling tickets did not sign the event form.
- The gate receipts were not counted and reconciled to the tickets sold.
- Tickets were not issued in sequence.
- The athletic director counted the money, prepared the receipt and made the deposits. She also holds the tickets and prepares the cash box.

Recommendation

The event form should be filled out completely. There should be a reconciliation of tickets issued to tickets sold. Ticket sellers should sign off on the event form after reconciling cash to tickets sold.

Significant deficiencies identified that are not considered to be material weaknesses.

2011-03      Finding

During the review of Capital Assets, it was noted that there were four instances where an asset was misclassified. Misclassification of fixed assets will result in depreciation, salvage value and useful life being misstated.

Recommendation

A second review of the coding of fixed assets should be made prior to year end closing.

2011-04      Finding

During the current fiscal year, the District issued purchase orders manually. These purchase orders were not issued in a sequential manner. Also these purchase orders were used as both a purchase requisition and receiving report.

Recommendation

Purchase orders should be sequentially numbered. Also, we believe a separate purchase requisition form should be used to enhance internal controls.

LONG BEACH SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

2011-05      Finding

During the current fiscal year, the district had a total of six purchasing agents. While this does not appear to be in conflict with state law, it would appear to fall outside the spirit of a centralized purchasing system.

Also, we believe that when selecting purchasing agents, relationships between key personnel should be considered.

Recommendation

We believe that one person should be responsible for approving the majority of purchases with alternates as needed.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

LONG BEACH SCHOOL DISTRICT

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LONG BEACH SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

LONG BEACH SCHOOL DISTRICT

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# Long Beach School District

Carrolyn Hamilton  
Superintendent of Education  
Christi Spinks  
Assistant Superintendent

Central Administrative Office  
19148 Commission Rd.  
Long Beach, MS 39560  
PH. (228) 864-1146  
FAX (228) 863-3196

Dr. Tim Holland  
Director of Federal Programs  
Melanie Walton  
Director of Instructional Services  
Jana H. Grenn  
Director of Finance

## Financial & Compliance Audit Division

As required by Section \_\_.315(c) of OMB Circular A-133, the Long Beach School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011.

### Finding

### Correction Action Plan Details

**2011-01**

a. Name of Contact Person Responsible for Corrective Action:

Name: Mrs. Jana Grenn  
Title: Director of Finance  
Phone: 228-864-1146

b. Corrective Action Planned:

The district concurs with the recommendation.

c. Anticipated Completion Date:

Completed October, 2011.

**2011-02**

a. Name of Contact Person Responsible for Corrective Action:

Name: Mrs. Jana Grenn  
Title: Director of Finance  
Phone: 228-864-1146

b. Corrective Action Planned:

The district concurs with the recommendation.

c. Anticipated Completion Date:

Completed August, 2011.

**2011-03**

a. Name of Contact Person Responsible for Corrective Action:

Name: Mrs. Jana Grenn  
Title: Director of Finance  
Phone: 228-864-1146

b. Corrective Action Planned:

The district concurs with the recommendation.

c. Anticipated Completion Date:

Procedure will occur at fiscal year-end.



Dept. of Student Services  
111 Quarles St.  
(228) 864-8085

Long Beach Sr. High School  
300 East Old Pass Road  
(228) 863-6945

Long Beach Middle School  
204 N. Cleveland Avenue  
(228) 864-3370

Harper McCaughan Elementary  
1920 Pineville Road  
(228) 863-0478

W.J. Quarles Elementary  
111 Quarles Street  
(228) 864-3946

Thomas L. Reeves Elementary  
214 St. Augustine Drive  
(228) 864-9764

Long Beach School District  
Auditee's Corrective Action Plan

**2011-04**

a. Name of Contact Person Responsible for Corrective Action:

Name: Mrs. Jana Grenn  
Title: Director of Finance  
Phone: 228-864-1146

b. Corrective Action Planned:

A new purchasing system is in place.

c. Anticipated Completion Date:

Completed August, 2011.

**2011-05**

a. Name of Contact Person Responsible for Corrective Action:

Name: Mrs. Jana Grenn  
Title: Director of Finance  
Phone: 228-864-1146

b. Corrective Action Planned:

The district concurs with the recommendation.

c. Anticipated Completion Date:

Completed August, 2011.