



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

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LONG BEACH SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2004

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LONG BEACH SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT 1
 Independent Auditor's Report on the Basic Financial Statements and Supplemental Information 3

MANAGEMENT'S DISCUSSION AND ANALYSIS 5

FINANCIAL STATEMENTS 15
 Statement of Net Assets 17
 Statement of Activities 18
 Balance Sheet - Governmental Funds 19
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 20
 Statement of Revenues, Expenditures and Changes in Fund Balances 21
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in
 Fund Balances to the Statement of Activities 22
 Statement of Fiduciary Net Assets 23
 Notes to Financial Statements 24

REQUIRED SUPPLEMENTARY INFORMATION 39
 Budgetary Comparison Schedule - General Fund 41
 Notes to the Required Supplementary Information 42

SUPPLEMENTAL INFORMATION 43
 Schedule of Expenditures of Federal Awards 44
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds 45

REPORTS ON COMPLIANCE AND INTERNAL CONTROL 47
 Independent Auditor's Report on Compliance and Internal Control over Financial Reporting Based on an
 Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* 49
 Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal
 Program and Internal Control over Compliance in Accordance with OMB Circular A-133 51

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS 53
 Independent Auditor's Report on Compliance with State Laws and Regulations 55

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 57

LONG BEACH SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

LONG BEACH SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

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, 2004, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Long Beach School District, as of June 30, 2004, 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.

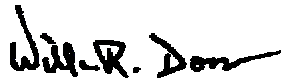
In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2005, on our consideration of the Long Beach School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 7 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 41 and 42 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 13, 2005

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, 2004

The discussion and analysis of Long Beach School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

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

FINANCIAL HIGHLIGHTS

- Total net assets increased \$501,324 which represents 13% increase from fiscal year 2003. This could be attributed to an increase in state funding under the Mississippi Adequate Education Program.
- General revenues account for \$18,120,232 in revenue, or 84% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,555,609 or 16% of total revenues.
- The District had \$21,174,517 in expenses; only \$3,555,609 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$18,120,232 were adequate to provide for these programs.
- Among major funds, the General Fund had \$17,854,742 in revenues and \$17,583,601 in expenditures. The General Fund's fund balance decreased \$125,866 over the prior year. This could be attributed to an increase in expenditures for one time instructional items.
- Capital assets, net of accumulated depreciation, increased by \$17,245. This increase is due to adding a capital lease for instructional equipment, purchasing buses, and buying real property (land).
- Long-term debt decreased \$684,856.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets.

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.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$4,522,103 as of June 30, 2004.

The District's net assets (34%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital leases); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2004.

	<u>2004</u>	<u>2003</u>
Current assets	\$ 4,769,256	\$ 4,845,467
Capital assets, net	<u>7,851,097</u>	<u>7,833,852</u>
Total asset	<u>12,620,353</u>	<u>12,679,319</u>
Current liabilities	1,299,161	1,174,595
Long-term debt outstanding	<u>6,799,089</u>	<u>7,483,945</u>
Total liabilities	<u>8,098,250</u>	<u>8,658,540</u>
Net assets:		
Invested in capital assets, net of related debt	1,486,920	1,012,000
Restricted	885,866	1,077,963
Unrestricted	<u>2,149,317</u>	<u>1,930,816</u>
Total net assets	<u>4,522,103</u>	<u>4,020,779</u>

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

- The principal retirement of \$1,190,491 of long-term debt.

Comparative Analysis: Total net assets increased by \$501,324 from FY03 to FY04. This increase is primarily due to a decrease of (\$457,675) in capital related liabilities.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2004 were \$21,675,841. The total cost of all programs and services was \$21,174,517. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2003.

	<u>2004</u>	<u>2003</u>
Revenues:		
Program revenue	\$ 3,555,609	\$ 3,252,856
General revenues	<u>18,120,232</u>	<u>16,810,460</u>
Total revenue	<u>21,675,841</u>	<u>20,063,316</u>

Comparative analysis: General revenues increased by 1.61 million dollars from FY03 to FY04. The increase was primarily from the following categories:

- A. Local taxes increased by \$524,059.**
- B. State revenue (MAEP) increased by \$838,396.**
- C. Debt service levies increased by \$180,269.**
- D.**

	<u>2004</u>	<u>2003</u>
Expenses:		
Instruction	13,010,150	12,282,185
Support services	6,913,238	6,567,672
Non-instruction	909,179	947,234
Interest on long-term liabilities	<u>341,950</u>	<u>401,369</u>
Total expenses	<u>21,174,517</u>	<u>20,198,460</u>
Increase in net assets	<u>\$ 501,324</u>	<u>\$ 135,144</u>

Comparative analysis: The increase in net assets is due to a large increase in total general revenues (1.6 million) from FY03 to FY04 to offset the net cost of governmental activities.

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

	<u>2004</u>		<u>2003</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$13,010,150	\$ (11,101,471)	\$12,282,185	\$(10,200,771)
Support services	6,913,238	(6,260,568)	6,567,672	(6,426,545)
Non-instructional	909,179	85,081	947,234	83,081
Interest on long-term liabilities	<u>341,950</u>	<u>(341,950)</u>	<u>401,369</u>	<u>(401,369)</u>
Total expenses	<u>\$21,174,517</u>	<u>\$ (17,618,908)</u>	<u>20,198,460</u>	<u>(16,945,604)</u>

- Net cost of governmental activities (\$17,618,908) was financed by general revenue, which is made up of primarily property taxes \$5,593,926 and state revenue \$11,911,470.

Comparative Analysis: Total expenses increased by \$976,057 from FY03 to FY04 due to an increase in salaries. The 6% teacher pay raise cost the district an additional \$850,000.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,610,286; a decrease of \$186,096 due primarily to one time expenditures for textbooks and instructional equipment. \$2,564,069 or 71% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$1,046,218 or 29% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$125,866, a result of one time expenditures for instructional equipment and textbooks. The fund balance of Other Governmental Funds showed a decrease of \$67,108.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. A primary reason for amending the budget was to match our expenditures with our educational plan of goals and objectives.

- Budget amounts for revenue from state sources was increased to full funding for Mississippi Adequate Education.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2004, the District's total capital assets were \$13,882,963, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$320,708 from the previous year. This increase is due to adding buses and a capital lease for instructional equipment. Total accumulated depreciation as of June 30, 2004 was \$6,031,866 and total depreciation expense for the year was \$303,463, resulting in total net assets of \$7,851,097.

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

Debt Administration. At June 30, 2004, the District had \$6,799,089 in general obligation bonds and other long-term debt outstanding, of which \$864,876 is due within one year.

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

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The operating millage has stabilized at 55 mills. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will remain stable around 3325.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

LONG BEACH SCHOOL DISTRICT

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LONG BEACH SCHOOL DISTRICT

FINANCIAL STATEMENTS

LONG BEACH SCHOOL DISTRICT

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LONG BEACH SCHOOL DISTRICT
Statement of Net Assets
June 30, 2004

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 3,862,155
Due from other governments	642,798
Inventories and prepaid items	100,377
Restricted assets	163,926
Capital assets, net	<u>7,851,097</u>
 Total Assets	 <u>12,620,353</u>
Liabilities	
Accounts payable and accrued liabilities	1,396
Due to other governments	1,157,573
Interest payable on long-term liabilities	140,192
Long-term liabilities, due within one year	
Capital related liabilities	714,873
Non-capital related liabilities	150,003
Long-term liabilities, due beyond one year	
Capital related liabilities	5,649,304
Non-capital related liabilities	<u>284,909</u>
 Total Liabilities	 <u>8,098,250</u>
Net Assets	
Investment in capital assets, net of related debt	1,486,920
Restricted net assets:	
Expendable:	
School-based activities	473,734
Capital improvements	339,451
Debt service	20,160
Unemployment benefits	72,681
Unrestricted	<u>2,129,157</u>
 Total Net Assets	 \$ <u><u>4,522,103</u></u>

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

LONG BEACH SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2004

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 13,010,150	195,882	1,712,797		(11,101,471)
Support services	6,913,238		652,670		(6,260,568)
Non-instructional	909,179	460,090	534,170		85,081
Interest on long-term liabilities	341,950				(341,950)
Total Governmental Activities	\$ 21,174,517	655,972	2,899,637	0	(17,618,908)
General Revenues:					
Taxes:					
					5,072,030
					521,896
					387,214
Unrestricted grants and contributions:					
					11,911,470
					120,275
					42,532
					7,969
					56,846
					<u>18,120,232</u>
					501,324
					4,020,779
					<u>\$ 4,522,103</u>

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

LONG BEACH SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2004

Exhibit C

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,193,934	668,221	3,862,155
Cash with fiscal agents		1,663	1,663
Investments		162,263	162,263
Due from other governments	255,401	387,397	642,798
Due from other funds	122,580	619	123,199
Inventories and prepaid items	<u>58,975</u>	<u>41,402</u>	<u>100,377</u>
 Total Assets	 <u>\$ 3,630,890</u>	 <u>1,261,565</u>	 <u>4,892,455</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,396		1,396
Due to other funds	<u>1,065,425</u>	<u>215,347</u>	<u>1,280,772</u>
 Total Liabilities	 <u>1,066,821</u>	 <u>215,347</u>	 <u>1,282,168</u>
Fund Balances:			
Reserved for:			
Inventory		41,402	41,402
Prepaid items	58,975		58,975
Capital Projects Funds		20,160	20,160
Debt service		479,643	479,643
Undesignated, reported in:			
General Fund	2,505,094		2,505,094
Special Revenue Funds		<u>505,013</u>	<u>505,013</u>
 Total Fund Balances	 <u>2,564,069</u>	 <u>1,046,218</u>	 <u>3,610,287</u>
 Total Liabilities and Fund Balances	 <u>\$ 3,630,890</u>	 <u>1,261,565</u>	 <u>4,892,455</u>

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

LONG BEACH SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2004

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,610,287
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$6,031,866.	7,851,097
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(6,799,089)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(140,192)</u>
Total Net Assets - Governmental Activities	<u>\$ 4,522,103</u>

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

LONG BEACH SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2004

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
Revenues:			
Local sources	\$ 5,742,863	992,920	6,735,783
State sources	11,989,417	914,851	12,904,268
Federal sources	122,462	1,905,359	2,027,821
Sixteenth section sources		7,969	7,969
Total Revenues	<u>17,854,742</u>	<u>3,821,099</u>	<u>21,675,841</u>
Expenditures:			
Instruction	11,274,024	1,615,641	12,889,665
Support services	6,030,358	943,362	6,973,720
Noninstructional services		908,676	908,676
Facilities acquisition and construction	50,000	38,810	88,810
Debt service:			
Principal	192,491	998,000	1,190,491
Interest	36,728	289,695	326,423
Other		846	846
Total Expenditures	<u>17,583,601</u>	<u>4,795,030</u>	<u>22,378,631</u>
Excess (Deficiency) of Revenues over Expenditures	<u>271,141</u>	<u>(973,931)</u>	<u>(702,790)</u>
Other Financing Sources (Uses):			
Proceeds of loans		270,000	270,000
Inception of capital leases	239,816		239,816
Operating transfers in	57,284	785,352	842,636
Operating transfers out	(694,107)	(148,529)	(842,636)
Total Other Financing Sources (Uses)	<u>(397,007)</u>	<u>906,823</u>	<u>509,816</u>
Net Change in Fund Balances	<u>(125,866)</u>	<u>(67,108)</u>	<u>(192,974)</u>
Fund Balances:			
July 1, 2003	<u>2,689,935</u>	<u>1,106,448</u>	<u>3,796,383</u>
Increase in reserve for inventory	<u>0</u>	<u>6,878</u>	<u>6,878</u>
June 30, 2004	<u>\$ 2,564,069</u>	<u>1,046,218</u>	<u>3,610,287</u>

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

LONG BEACH SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2004

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (192,974)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$320,708 and the depreciation expense amounted to \$303,463.	17,245
2. Proceeds of long-term liabilities are reported in the governmental funds, but not in the statement of activities.	(509,816)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	1,190,491
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(14,681)
5. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	6,878
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>4,181</u>
Change in Net Assets of Governmental Activities	<u>\$ 501,324</u>

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

LONG BEACH SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2004

Exhibit E

		Agency Funds
<u>Assets</u>		
Cash and cash equivalents	\$	84,774
Due from other funds		<u>1,207,734</u>
 Total Assets	 \$	 <u><u>1,292,508</u></u>
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$	1,188,876
Due to other funds		50,161
Due to student clubs		<u>53,471</u>
 Total Liabilities	 \$	 <u><u>1,292,508</u></u>

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

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2004

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

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

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2004

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2004

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

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

H. 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.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

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

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

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

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

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

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

J. Long-term Liabilities.

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

K. Interfund Transactions and Balances.

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

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

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

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

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

L. Equity Classifications.

Government-wide Financial Statements:

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

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

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

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

M. Property Taxes.

Ad valorem property taxes are levied by the governing 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.

N. Mississippi Adequate Education Program Revenues.

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

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. 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 long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

(2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions was \$3,946,929, and the bank balance was \$4,217,706.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,663.

Investments.

Except for nonparticipating investment contracts and for participating interest-earning investment contracts and money market investments that had a remaining maturity at the time of purchase of one year or less, investments are reported at fair value which is based on quoted market price. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Participating interest-earning investment contracts and money market investments that had a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Investments made by the school district that are included on the balance sheet are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

Category 1 - Insured or registered or for which the securities are held by the school district or its agent in the school district's name.

Category 2 - Uninsured and unregistered for which the securities are held by the broker or dealer's trust department or agent in the school district's name.

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

Category 3 - Uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the school district's name.

Investment Type	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Treasury bills	\$ 162,263			162,263	162,848
Subtotal	\$ <u>162,263</u>	<u>0</u>	<u>0</u>	162,263	162,848
Total Investments				\$ <u>162,263</u>	<u>162,848</u>

Investments are carried at cost. The difference between cost and fair market value is not material to the financial statements.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	Due From	Due To
Governmental Funds:		
General Fund	\$ 122,580	1,065,425
Other governmental funds	619	215,347
Fiduciary Funds	<u>1,207,734</u>	<u>50,161</u>
Total	\$ <u>1,330,933</u>	<u>1,330,933</u>

B. Transfers In/Out.

	Transfer In	Transfers Out
Governmental Funds:		
General Fund	\$ 57,284	694,107
Other governmental funds	<u>785,352</u>	<u>148,529</u>
Total	\$ <u>842,636</u>	<u>842,636</u>

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

(4) Capital Assets.

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

	Balance 7-1-2003	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2004
<u>Non-depreciable capital assets:</u>						
Land	\$ 268,712	50,000				318,712
Total non-depreciable capital assets	<u>268,712</u>	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>318,712</u>
<u>Depreciable capital assets:</u>						
Buildings	11,042,896					11,042,896
Improvements other than buildings	426,455	38,810				465,265
Mobile equipment	1,364,748	175,937				1,540,685
Furniture and equipment	459,444	45,861				505,305
Leased property under capital leases		10,100				10,100
Total depreciable capital assets	<u>13,293,543</u>	<u>270,708</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,564,251</u>
<u>Less accumulated depreciation for:</u>						
Buildings	4,077,784	177,334				4,255,118
Improvements other than buildings	337,578	7,337				344,915
Mobile equipment	924,907	73,886				998,793
Furniture and equipment	388,134	44,906				433,040
Total accumulated depreciation	<u>5,728,403</u>	<u>303,463</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,031,866</u>
Total depreciable capital assets, net	<u>7,565,140</u>	<u>(32,755)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,532,385</u>
Governmental activities capital assets, net	<u>\$ 7,833,852</u>	<u>17,245</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,851,097</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 164,792
Support services	115,455
Non-instructional	<u>23,216</u>
Total Depreciation Expense	<u>\$ 303,463</u>

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

(5) Long-term Liabilities.

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

	Balance 7-1-2003	Additions	Reductions	Adjustments	Balance 6-30-2004	Amounts due within one year
A. General obligation bonds payable	\$ 715,000		110,000		605,000	115,000
B. Limited obligation bonds payable	5,230,000		255,000		4,975,000	260,000
C. Certificates of participation payable	589,852		112,868		476,984	113,859
D. Three mill notes payable	287,000	270,000	410,000		147,000	147,000
E. Shortfall notes payable	528,976		223,000		305,976	150,003
F. Obligations under capital leases		239,816	79,623		160,193	79,014
G. Compensated absences payable	133,117		4,181		128,936	
Total	\$ <u>7,483,945</u>	<u>509,816</u>	<u>1,194,672</u>	<u>0</u>	<u>6,799,089</u>	<u>864,876</u>

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds	Varies	09-01-2002	12-01-2008	\$ <u>820,000</u>	<u>605,000</u>
Total				\$ <u>820,000</u>	<u>605,000</u>

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

Year Ending June 30	Principal	Interest	Total
2005	\$ 115,000	21,325	136,325
2006	115,000	18,278	133,278
2007	120,000	14,655	134,655
2008	120,000	10,275	130,275
2009	<u>135,000</u>	<u>5,535</u>	<u>140,535</u>
Total	\$ <u>605,000</u>	<u>70,068</u>	<u>675,068</u>

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2004, the amount of outstanding bonded indebtedness was equal to .01% of property assessments as of October 1, 2003. This debt will be retired from the District Maintenance Fund (#1120) and EEF Buildings and Buses Fund (#2410).

B. Limited obligation bonds payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement bonds, Series 1998	Varies	03-01-1998	08-01-2017	\$ 5,770,000	4,975,000
Total				\$ <u>5,770,000</u>	<u>4,975,000</u>

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

	<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 260,000	230,399	490,399	
2006	275,000	215,018	490,018	
2007	295,000	199,736	494,736	
2008	310,000	184,611	494,611	
2009	315,000	169,380	484,380	
2010 - 2014	1,755,000	617,894	2,372,894	
2015 - 2019	<u>1,765,000</u>	<u>168,234</u>	<u>1,933,234</u>	
Total	\$ <u>4,975,000</u>	<u>1,785,272</u>	<u>6,760,272</u>	

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and 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. This debt will be retired from the MAEP Retirement Fund (#4041).

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

C. Certificates of participation payable.

As more fully explained in Note 8, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Trust certificates, 2002	3.09%	11-20-2002	10-1-2007	\$ 589,852	476,984
Total				\$ <u>589,852</u>	<u>476,984</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 113,859	14,739	128,598
2006	117,377	11,221	128,598
2007	121,004	7,594	128,598
2008	<u>124,744</u>	<u>3,855</u>	<u>128,599</u>
Total	\$ <u>476,984</u>	<u>37,409</u>	<u>514,393</u>

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

D. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill ten year note	5.4%	8-15-1994	08-15-2004	\$ 512,000	147,000
Total				\$ <u>512,000</u>	<u>147,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 147,000	3,969	150,969
Total	\$ <u>147,000</u>	<u>3,969</u>	<u>150,969</u>

This debt will be retired from the Three Mill Debt Service Fund (#4021).

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

E. Shortfall notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Shortfall notes, 2003	3.98%	6-26-2003	6-26-2006	\$ <u>450,238</u>	<u>305,976</u>
Total				\$ <u><u>450,238</u></u>	<u><u>305,976</u></u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 150,003	12,178	162,181
2006	<u>155,973</u>	<u>6,208</u>	<u>162,181</u>
Total	\$ <u><u>305,976</u></u>	<u><u>18,386</u></u>	<u><u>324,362</u></u>

This debt will be retired from the MAEP Retirement Fund (#4041).

F. Obligations under capital leases.

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

The various options available to the lessee for this lease are as follows:

Option to purchase:

1. At the end of the lease term (including renewal terms), upon payment in full of the rental payments and other amounts payable by lessee hereunder; or
2. At the end of the original term or any renewal term upon payment by lessee of the then applicable purchase price; or
3. If the lease term is terminated pursuant to Article IX of this agreement.

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2004

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2005	\$ 79,014	4,389	83,403
2006	81,179	2,224	83,403
Total	\$ <u>160,193</u>	<u>6,613</u>	<u>166,806</u>

G. Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2004, 2003 and 2002 were \$1,188,632, \$1,107,670 and \$1,095,381, respectively, which equaled the required contributions for each year.

LONG BEACH SCHOOL DISTRICT

Notes to Financial Statements For the Year Ended June 30, 2004

(7) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's 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 BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$300,000. For a claim exceeding \$300,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(8) Trust Certificates.

A trust agreement dated November 20, 2002, was executed by and between the Long Beach School District and Hancock Bank of Gulfport, Mississippi, as trustees.

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

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

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

LONG BEACH SCHOOL DISTRICT

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LONG BEACH SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

LONG BEACH SCHOOL DISTRICT

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LONG BEACH SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,873,080	5,903,344	5,742,863	30,264	(160,481)
State sources	11,963,448	11,973,448	11,989,417	10,000	15,969
Federal sources	99,000	100,000	122,462	1,000	22,462
Total Revenues	<u>17,935,528</u>	<u>17,976,792</u>	<u>17,854,742</u>	<u>41,264</u>	<u>(122,050)</u>
Expenditures:					
Instruction	11,390,701	11,529,684	11,274,024	(138,983)	255,660
Support services	6,418,133	6,350,503	6,030,358	67,630	320,145
Noninstructional services	1,500	500		1,000	500
Facilities acquisition and construction		85,000	50,000	(85,000)	35,000
Debt service:					
Principal	187,869	231,482	192,491	(43,613)	38,991
Interest	43,613		36,728	43,613	(36,728)
Total Expenditures	<u>18,041,816</u>	<u>18,197,169</u>	<u>17,583,601</u>	<u>(155,353)</u>	<u>613,568</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(106,288)</u>	<u>(220,377)</u>	<u>271,141</u>	<u>(114,089)</u>	<u>491,518</u>
Other Financing Sources (Uses):					
Inception of capital leases	257,000	239,816	239,816	(17,184)	
Operating transfers in	2,244,040	2,299,362	57,284	55,322	(2,242,078)
Operating transfers out	(2,800,444)	(2,851,479)	(694,107)	(51,035)	2,157,372
Total Other Financing Sources (Uses)	<u>(299,404)</u>	<u>(312,301)</u>	<u>(397,007)</u>	<u>(12,897)</u>	<u>(84,706)</u>
Net Change in Fund Balances	<u>(405,692)</u>	<u>(532,678)</u>	<u>(125,866)</u>	<u>(126,986)</u>	<u>406,812</u>
Fund Balances:					
July 1, 2003	<u>2,476,006</u>	<u>2,689,938</u>	<u>2,689,935</u>	<u>213,932</u>	<u>(3)</u>
June 30, 2004	<u>\$ 2,070,314</u>	<u>2,157,260</u>	<u>2,564,069</u>	<u>86,946</u>	<u>406,809</u>

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

LONG BEACH SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2004

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 the date established by the Mississippi Department of Education. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

LONG BEACH SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

LONG BEACH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ <u>73,108</u>
Child nutrition cluster:		
School breakfast program	10.553	106,229
National school lunch program	10.555	424,572
Total child nutrition cluster		<u>530,801</u>
Total U.S. Department of Agriculture		<u>603,909</u>
<u>U.S. Department of Education</u>		
Direct program:		
Impact aid	84.041	83,330
Total		<u>83,330</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	422,388
Vocational education - basic grants to states	84.048	29,632
Safe and drug free schools and communities national programs	84.184	8,772
Safe and drug-free schools and communities - state grants	84.186	17,052
State grants for innovative programs	84.298	21,715
Education technology state grants	84.318	1,888
Improving teacher quality - state grants	84.367	156,183
Total		<u>657,630</u>
Special education cluster:		
Special education - grants to states	84.027	580,122
Special education - preschool grants	84.173	39,489
Total		<u>619,611</u>
Total passed-through Mississippi Department of Education		<u>1,277,241</u>
Total U.S. Department of Education		<u>1,360,571</u>
Total for All Federal Awards		\$ <u><u>1,964,480</u></u>

NOTES TO SCHEDULE

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

LONG BEACH SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2004

<u>Expenditures</u>		<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$	15,654,737	11,335,802	1,668,390	2,650,545
Other		<u>6,723,894</u>	<u>1,553,863</u>	<u>200,756</u>	<u>4,969,275</u>
Total	\$	<u>22,378,631</u>	<u>12,889,665</u>	<u>1,869,146</u>	<u>7,619,820</u>
Total number of students		<u>3,300</u>			
Cost per student	\$	<u>6,781</u>	<u>3,906</u>	<u>566</u>	<u>2,309</u>

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

Instruction - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type - all the 1000 functional codes.

Administrative - includes expenditures for the following functions: support services - general administration (2300s); support services - school administration (2400s); support services - business (2500s).

Other - includes all expenditure functions not included in Instruction or Administrative.

LONG BEACH SCHOOL DISTRICT

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LONG BEACH SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

LONG BEACH SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE 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 the Long Beach School District as of and for the year ended June 30, 2004, and have issued our report thereon dated January 13, 2005. 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

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 13, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Superintendent and School Board
Long Beach School District

Compliance

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 are applicable to its major federal program for the year ended June 30, 2004. The school district's major federal program is identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Long Beach School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 13, 2005

LONG BEACH SCHOOL DISTRICT

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

LONG BEACH SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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, 2004, and have issued our report thereon dated January 13, 2005. 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*.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, 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. No classroom supply funds were carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 13, 2005

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, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Type of auditor's report issued on compliance for major federal program: | Unqualified |
| 5. | Internal control over major program: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section ____510(a) of Circular A-133? | No |
| 7. | Federal programs identified as a major program:
Child nutrition cluster
CFDA #10.553
CFDA #10.555 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

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