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LONG BEACH SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2013

LONG BEACH SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Long Beach School District
Long Beach, Mississippi

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Long Beach School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-14 and 41-44 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 supplementary 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Long Beach School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

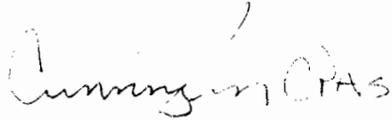
The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2014, 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* in considering Long Beach School District's internal control over financial reporting and compliance.



Cunningham CPAs, PLLC

Belzoni, Mississippi

March 6, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

LONG BEACH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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 position for 2013 increased \$115,063, which includes a prior period adjustment of (\$51,691), which represents a .4% increase from fiscal year 2012. Total net position for 2012 decreased \$839,090, including a prior period adjustment of (\$419,909), which represents a 3% decrease from fiscal year 2011.
- General revenues amounted to \$20,076,207 and \$19,975,453, or 84% and 82% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,708,022, or 16% of total revenues for 2013, and \$4,360,014, or 18% of total revenues for 2012.
- The District had \$23,617,475 and \$24,754,648 in expenses for fiscal years 2013 and 2012; only \$3,708,022 for 2013 and \$4,360,014 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,076,207 for 2013 were adequate to provide for these programs and \$19,975,453 for 2012 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$19,328,134 in revenues and \$19,227,155 in expenditures for 2013, and \$19,335,291 in revenues and \$20,092,293 in expenditures in 2012. The General Fund's fund balance increased by \$193,690 from 2012 to 2013, and decreased by \$1,099,379 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$930,773 for 2013 and decreased by \$692,047, which includes a prior period adjustment of (\$14,836), for 2012. The decrease for 2013 was due to current additions coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$295,034, including a prior period adjustment of \$282,134 and including a reclassing adjustment of \$42,864 to change presentation according to GASB 63 for 2013 and decreased by \$915,947 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$4,791 for 2013 and decreased by \$32,422 for 2012.

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 supplementary information, supplementary 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 Position 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 Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the

LONG BEACH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

District's net position 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 position changed during the most recent fiscal year. All changes in net position 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, 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 – 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 Position, 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

LONG BEACH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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 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 Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary 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.

Supplementary 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 position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,292,506 as of June 30, 2013.

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, 2013

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 9,283,077	\$ 8,065,393	15.10 %
Other assets	-	51,691	-100.00 %
Restricted assets	1,063,027	1,282,683	-17.12 %
Capital assets, net	27,802,119	28,732,892	-3.24 %
Total assets	38,148,223	38,132,659	0.04 %
Deferred outflows of resources	34,432	-	N/A %
Current liabilities	891,571	661,604	34.76 %
Long-term debt outstanding	7,998,578	8,293,612	-3.56 %
Total liabilities	8,890,149	8,955,216	-0.73 %
Net position:			
Net investment in capital assets	22,151,855	22,466,237	-1.40 %
Restricted	3,140,797	2,246,077	39.83 %
Unrestricted	3,999,854	4,465,129	-10.42 %
Total net position	\$ 29,292,506	\$ 29,177,443	0.39 %

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

- Decrease in net capital assets in the amount of \$930,773.
- The principal retirement of \$620,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$23,784,229 and \$24,335,467, respectively. The total cost of all programs and services was \$23,617,475 for 2013 and \$24,754,648 for 2012.

LONG BEACH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 611,624	\$ 711,673	(14.06) %
Operating grants and contributions	3,096,398	3,648,341	(15.13) %
General revenues:			
Property taxes	6,704,971	6,721,468	(0.25) %
Grants and contributions not restricted	13,229,380	13,171,534	0.44 %
Investment earnings	6,653	7,753	(14.19) %
Sixteenth section sources	24,830	21,849	13.64 %
Other	110,373	52,849	108.85 %
Total revenues	<u>23,784,229</u>	<u>24,335,467</u>	(2.27) %
Expenses:			
Instruction	13,813,667	14,107,077	(2.08) %
Support services	8,327,313	9,254,862	(10.02) %
Non-instructional	1,215,190	1,099,766	10.50 %
Interest on long-term liabilities and other debt service costs	261,305	292,943	(10.80) %
Total expenses	<u>23,617,475</u>	<u>24,754,648</u>	(4.59) %
Increase (Decrease) in net position	<u>166,754</u>	<u>(419,181)</u>	139.78 %
Net Position, July 1, as previously reported	29,177,443	30,016,533	(2.80) %
Prior Period Adjustment	<u>(51,691)</u>	<u>(419,909)</u>	(87.69) %
Net Position, July 1, as restated	<u>29,125,752</u>	<u>29,596,624</u>	(1.59) %
Net Position, June 30	<u>\$ 29,292,506</u>	<u>\$ 29,177,443</u>	0.39 %

Governmental activities

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional and interest on long-term liabilities. 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, 2013

Table 3
Net Cost of Governmental Activities

Instruction	\$ 13,813,667	\$ 14,107,077	(2.08) %
Support services	8,327,313	9,254,862	(10.02) %
Non-instructional	1,215,190	1,099,766	10.50 %
Interest on long-term liabilities and other debt service costs	261,305	292,943	(10.80) %
Total expenses	\$ 23,617,475	\$ 24,754,648	(4.59) %
	Net (Expense) Revenue		Percentage
	2013	2012	Change
Instruction	\$ (12,078,132)	\$ (12,238,636)	(1.31) %
Support services	(7,662,023)	(8,424,135)	(9.05) %
Non-instructional	92,007	561,080	(83.60) %
Interest on long-term liabilities and other debt service costs	(261,305)	(292,943)	(10.80) %
Total net (expense) revenue	\$ (19,909,453)	\$ (20,394,634)	(2.38) %

- Net cost of governmental activities (\$19,909,453 for 2013 and \$20,394,634 for 2012) was financed by general revenue, which is primarily made up of property and gaming taxes (\$6,704,971 for 2013 and \$6,721,468 for 2012) and state and federal revenues (\$13,229,380 for 2013 and \$13,171,534 for 2012). In addition, there was \$24,830 and \$21,849 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$6,653 for 2013 and \$7,753 for 2012.

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 \$9,803,793, an increase of \$1,042,222, which included a prior period adjustment of \$498,141 and which includes a decrease in inventory of \$10,211. \$6,313,836 or 64% 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 \$3,489,957 or 36% 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.

LONG BEACH SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2013

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$193,690. The fund balance of Other Governmental Funds showed an increase in the amount of \$163,577, including a decrease in reserve for inventory of \$10,211, due primarily to normal operations. 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	\$	446
Ad Valorem Shortfall Fund	\$	684,509

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.

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 funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$38,400,427, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents a decrease of \$80,388 from 2012. Total accumulated depreciation as of June 30, 2013, was \$10,598,308, and total depreciation expense for the year was \$954,201, resulting in total net capital assets of \$27,802,119.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>
Land	\$ 2,669,709	\$ 2,669,709	0.00 %
Buildings	22,699,175	23,217,166	(2.23) %
Improvements other than buildings	1,687,169	1,772,330	(4.81) %
Mobile equipment	539,914	640,360	(15.69) %
Furniture and equipment	206,152	433,327	(52.43) %
Total	\$ 27,802,119	\$ 28,732,892	(3.24) %

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

LONG BEACH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Debt Administration. At June 30, 2013, the District had \$7,998,578 in outstanding long-term debt, of which \$659,088 is due within one year. The liability for compensated absences increased \$4,791 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	\$ 2,240,000	\$ 2,640,000	(15.15) %
Premium on debt issuance	19,696	24,519	(19.67) %
Three mill notes payable	2,855,000	3,075,000	(7.15) %
Shortfall notes payable	2,128,587	1,846,453	15.28 %
Qualified school construction bonds payable	570,000	570,000	0.00 %
Compensated absences payable	185,295	180,504	2.65 %
Subtotal	<u>7,998,578</u>	<u>8,336,476</u>	(4.05) %
Less deferred amount on refunding	-	(42,864)	(100.00) %
Total-net	<u>\$ 7,998,578</u>	<u>\$ 8,293,612</u>	(3.56) %

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 are 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.

FINANCIAL STATEMENTS

LONG BEACH SCHOOL DISTRICT

Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,731,877
Due from other governments	3,537,977
Inventories	13,223
Restricted assets	1,063,027
Capital assets, non-depreciable:	
Land	2,669,709
Capital assets, net of accumulated depreciation:	
Buildings	22,699,175
Improvements other than buildings	1,687,169
Mobile equipment	539,914
Furniture and equipment	206,152
Total Assets	38,148,223
 Deferred Outflows of Resources	
Deferred amount on refunding	34,432
Total deferred outflows of resources	34,432
 Liabilities	
Accounts payable and accrued liabilities	542,311
Interest payable on long-term liabilities	349,260
Long-term liabilities, due within one year:	
Capital related liabilities	649,823
Non-capital related liabilities	9,265
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,034,873
Non-capital related liabilities	2,304,617
Total Liabilities	8,890,149
 Net Position	
Net investment in capital assets	22,151,855
Restricted for:	
Expendable:	
School-based activities	908,535
Debt service	1,980,453
Capital improvements	158,301
Unemployment benefits	93,508
Unrestricted	3,999,854
Total Net Position	\$ 29,292,506

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, 2013

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 13,813,667	\$ 230,259	\$ 1,505,276	-	\$ (12,078,132)	
Support services	8,327,313	-	665,290	-	(7,662,023)	
Non-instructional	1,215,190	381,365	925,832	-	92,007	
Interest on long-term liabilities and other debt service costs	261,305	-	-	-	(261,305)	
Total Governmental Activities	\$ 23,617,475	\$ 611,624	\$ 3,096,398	\$ -	\$ (19,909,453)	

General Revenues:

Taxes:

General purpose levies	5,893,321
Debt purpose levies	502,544
Gaming	309,106

Unrestricted grants and contributions:

State	13,072,216
Federal	157,164
Unrestricted investment earnings	6,653
Sixteenth section sources	24,830
Other	110,373
Total General Revenues	20,076,207

Change in Net Position 166,754

Net Position - Beginning, as previously reported 29,177,443
 Prior Period Adjustments (51,691)
 Net Position - Beginning, as restated 29,125,752

Net Position - Ending \$ 29,292,506

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

LONG BEACH SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2013

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	FEMA/MEMA Grant Fund	Ad Valorem Shortfall Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents	\$ 4,488,610	\$ 469,672	\$ 223,281	\$ 1,247,551	\$ 6,429,114
Cash with fiscal agents	-	-	-	365,790	365,790
Due from other governments	340,383	1,657,826	5,910	536,570	2,540,689
Due from other funds	1,883,403	-	996,282	11,188	2,890,873
Inventories	-	-	-	13,223	13,223
Total Assets	\$ 6,712,396	\$ 2,127,498	\$ 1,225,473	\$ 2,174,322	\$ 12,239,689
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 69,078	\$ 468,018	\$ -	\$ 5,215	\$ 542,311
Due to other funds	-	1,551,408	-	342,177	1,893,585
Total Liabilities	69,078	2,019,426	-	347,392	2,435,896
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	13,223	13,223
Restricted:					
Debt service	-	-	1,225,473	1,104,240	2,329,713
Capital projects	-	-	-	158,301	158,301
Grant activities	-	108,072	-	457,658	565,730
Unemployment benefits	-	-	-	93,508	93,508
Assigned:					
School based activities	329,482	-	-	-	329,482
Unassigned					
	6,313,836	-	-	-	6,313,836
Total Fund Balances	6,643,318	108,072	1,225,473	1,826,930	9,803,793
Total Liabilities and Fund Balances	\$ 6,712,396	\$ 2,127,498	\$ 1,225,473	\$ 2,174,322	\$ 12,239,689

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 Position
June 30, 2013**

Exhibit C-1

Total fund balances for governmental funds \$ 9,803,793

Amounts reported for governmental activities in the statement of net position 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	
Buildings	28,770,159	
Improvements other than buildings	2,419,920	
Mobile equipment	2,007,083	
Furniture and equipment	2,533,556	
Accumulated depreciation	<u>(10,598,308)</u>	27,802,119

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	(2,240,000)	
Three mill notes payable	(2,855,000)	
Shortfall notes payable	(2,128,587)	
Qualified school construction bonds	(570,000)	
Compensated absences payable	(185,295)	
Unamortized premiums	(19,696)	
Accrued interest payable	<u>(349,260)</u>	(8,347,838)

3. In situations where current and advance refunding result in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources.

34,432

Net position of governmental activities

\$ 29,292,506

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, 2013

Exhibit D

	Major Funds				
	General Fund	FEMA/MEMA Grant Fund	Ad Valorem Shortfall Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 6,535,220	\$ 446	\$ 186,368	\$ 703,770	\$ 7,425,804
Intermediate sources	-	-	-	9,189	9,189
State sources	12,638,279	-	-	1,006,915	13,645,194
Federal sources	154,635	-	-	2,525,947	2,680,582
Sixteenth section sources	-	-	-	25,100	25,100
Total Revenues	19,328,134	446	186,368	4,270,921	23,785,869
Expenditures:					
Instruction	11,950,874	-	-	1,438,989	13,389,863
Support services	7,273,816	-	-	563,121	7,836,937
Noninstructional services	2,465	-	-	1,181,130	1,183,595
Debt service:					
Principal	-	-	-	620,000	620,000
Interest	-	-	-	198,507	198,507
Other	-	-	-	1,035	1,035
Total Expenditures	19,227,155	-	-	4,002,782	23,229,937
Excess (Deficiency) of Revenues over (under) Expenditures	100,979	446	186,368	268,139	555,932
Other Financing Sources (Uses):					
Transfer from QSCB debt service agent	-	-	-	46,000	46,000
Payment to QSCB escrow agent	-	-	-	(46,000)	(46,000)
Operating transfers in	132,711	-	-	112,072	244,783
Operating transfers out	(40,000)	-	-	(204,783)	(244,783)
Other financing uses	-	-	-	(1,640)	(1,640)
Total Other Financing Sources (Uses)	92,711	-	-	(94,351)	(1,640)
Net Change in Fund Balances	193,690	446	186,368	173,788	554,292
Fund Balances:					
July 1, 2012, as previously reported	6,449,628	107,626	540,964	1,663,353	8,761,571
Prior period adjustments	-	-	498,141	-	498,141
July 1, 2012, as restated	6,449,628	107,626	1,039,105	1,663,353	9,259,712
Increase in reserve for inventory	-	-	-	(10,211)	(10,211)
June 30, 2013	\$ 6,643,318	\$ 108,072	\$ 1,225,473	\$ 1,826,930	\$ 9,803,793

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, 2013**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 554,292

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	\$ 24,477	
Depreciation expense	<u>(954,201)</u>	(929,724)

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.

(1,049)

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 position. Also, governmental funds report the effect of 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	620,000	
Amortization of the deferred amount on refunding	(8,432)	
Accrued interest payable	<u>(58,154)</u>	553,414

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	(4,791)	
Amortization of premiums	4,823	
Change in inventory reserve	<u>(10,211)</u>	(10,179)

Change in net position of governmental activities \$ 166,754

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

LONG BEACH SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position

Exhibit E

June 30, 2013

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 1,792	\$ 1,980,085
Total Assets	<u>1,792</u>	<u>\$ 1,980,085</u>
Liabilities		
Accounts payable and accrued liabilities	-	\$ 920,035
Due to student clubs	-	62,762
Due to other funds	-	997,288
Total Liabilities	<u>-</u>	<u>\$ 1,980,085</u>
Net Position		
Reserved for endowments	<u>1,792</u>	
Total Net Assets	<u>\$ 1,792</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 Position
For the Year Ended June 30, 2013

Exhibit F

	Private-Purpose Trust Funds
Additions	
Contributions and donations from private sources	\$ 3,045
Total Additions	<u>3,045</u>
Deductions	
Scholarships awarded	<u>5,450</u>
Total Deductions	<u>5,450</u>
Change in Net Assets	<u>(2,405)</u>
Net Position	
July 1, 2012	<u>4,197</u>
June 30, 2013	<u>\$ 1,792</u>

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, 2013

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 July 2011, the GASB issued GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for periods beginning after December 15, 2011. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

In April 2012, the GASB issued GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for periods beginning after December 15, 2012, with earlier implementation encouraged. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

Implementation of the above GASB statements resulted in a prior period adjustment of \$51,691 to remove previously deferred bond issue costs. Additionally, the deferred amount of refunding of \$34,432 is reported on the Statement of Net Position as deferred outflows of resources. In prior years, the deferred amount of refunding was netted against long-term debt, as deferred debt costs.

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 Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part,

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 Grants 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.

Ad Valorem Shortfall Fund – This fund is used to account for the debt service of the FEMA community disaster loan.

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 serves as a clearing fund for payroll type transactions.

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual 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.

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 Position 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

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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.

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 is both restricted and unrestricted net position 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 2012 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, deferred outflows/inflows, and net position/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

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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.

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.

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.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position 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 16th 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

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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 Position. 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.

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:

	<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 5 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of the deferred amount on refunding of \$34,432 at June 30, 2013.

See Note 12 for further details.

8. 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

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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.

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

In the government-wide financial statements, outstanding debt is reported as liabilities. 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. Under GASB 65, issuance costs are reported as expenditures.

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.

10. 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.

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.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

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 Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

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

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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.

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 \$6,429,114 and \$1,981,877, 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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$365,790.

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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	FEMA/MEMA fund	\$ 1,551,408
	Other governmental funds	330,989
	Fiduciary funds	1,006
Ad Valorem Shortfall fund	Fiduciary funds	996,282
	Other governmental funds	11,188
Total		<u>\$ 2,890,873</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end and amounts due from and amounts due to agency funds. Payments are made of amounts due between funds within three months. The purpose of the activity between the Ad Valorem Shortfall fund and the fiduciary funds is for FEMA/MEMA debt service transfers that never occurred.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 40,000
Other governmental funds	General Fund	132,711
	Other governmental funds	72,072
Total		<u>\$ 244,783</u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds is the indirect cost allocation from the general fund.

Note 4 – Restricted Assets

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$225,777, of the MAEP Limited Obligation Bond/Note Fund.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$140,013, of the Qualified School Construction Bond debt service fund.

Also, the restricted assets represent the cash balance totaling \$697,237 of the other debt service funds, whose revenues are derived from ad valorem receipts or pledged revenues.

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 2,669,709	\$ -	\$ -	\$ 2,669,709
Total non-depreciable capital assets	2,669,709	-	-	2,669,709
<u>Depreciable capital assets:</u>				
Buildings	28,770,159	-	-	28,770,159
Improvements other than buildings	2,419,920	-	-	2,419,920
Mobile equipment	2,007,083	-	-	2,007,083
Furniture and equipment	2,613,944	24,477	(104,865)	2,533,556
Total depreciable capital assets	35,811,106	24,477	(104,865)	35,730,718
<u>Less accumulated depreciation for:</u>				
Buildings	5,552,993	517,991	-	6,070,984
Improvements other than buildings	647,590	85,161	-	732,751
Mobile equipment	1,366,723	100,446	-	1,467,169
Furniture and equipment	2,180,617	250,603	(103,816)	2,327,404
Total accumulated depreciation	9,747,923	954,201	(103,816)	10,598,308
Total depreciable capital assets, net	26,063,183	(929,724)	(1,049)	25,132,410
Governmental activities capital assets, net	\$ 28,732,892	\$ (929,724)	\$ (1,049)	\$ 27,802,119

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 425,113
Support services	489,327
Non-instructional	39,761
Total depreciation expense - Governmental activities	\$ 954,201

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Adjustments	Balance 6/30/2013	Amounts due within one year
A. Limited obligation bonds payable	\$ 2,640,000	\$ -	\$ (400,000)	\$ -	\$ 2,240,000	\$ 415,000
Premium on debt issuance	24,519	-	(4,823)	-	19,696	4,823
B. Three mill notes payable	3,075,000	-	(220,000)	-	2,855,000	230,000
C. Shortfall notes payable	1,846,453	-	-	282,134	2,128,587	-
D. Qualified school construction bonds payable	570,000	-	-	-	570,000	-
E. Compensated absences payable	180,504	4,791	-	-	185,295	9,265
Total	8,336,476	4,791	(624,823)	282,134	7,998,578	659,088
Less of deferred amount on refunding	(42,864)	-	-	42,864	-	-
Total - net	\$ 8,293,612	\$ 4,791	\$ (624,823)	\$ 324,998	\$ 7,998,578	\$ 659,088

The Adjustment to the shortfall notes payable were made to properly reflect debt service activity. During June of 2012, the District issued a \$498,141 check for principal and interest on this debt, however due to ongoing negotiations with FEMA, the check was never mailed. At June 30, 2013, that check has been removed from outstanding checks and the 2012 debt service has been removed. The adjustment to the deferred amount of refunding was made in order to implement GASB 65. Those deferred costs are reported at deferred outflows of resources on Exhibit A at June 30, 2013.

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
1. State aid capital improvement refunding bonds, Series 2009	3.00%	7/1/2009	8/1/2017	\$ 3,635,000	\$ 2,240,000
Total				\$ 3,635,000	\$ 2,240,000

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 415,000	\$ 60,975	\$ 475,975
2015	435,000	48,225	483,225
2016	450,000	34,950	484,950
2017	460,000	21,300	481,300
2018	480,000	7,200	487,200
Total	<u>\$ 2,240,000</u>	<u>\$ 172,650</u>	<u>\$ 2,412,650</u>

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	\$ 2,350,000
2. Limited tax note - 2010	3.14%	11/25/2009	10/1/2019	820,000	505,000
Total				<u>\$ 3,570,000</u>	<u>\$ 2,855,000</u>

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 150,000	\$ 102,300	\$ 252,300
2015	175,000	95,462	270,462
2016	175,000	87,981	262,981
2017	200,000	79,850	279,850
2018	225,000	31,621	256,621
2019-2023	1,175,000	209,943	1,384,943
2024	250,000	5,875	255,875
Total	<u>\$ 2,350,000</u>	<u>\$ 613,032</u>	<u>\$ 2,963,032</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 80,000	\$ 14,602	\$ 94,602
2015	70,000	12,247	82,247
2016	75,000	9,970	84,970
2017	65,000	7,772	72,772
2018	75,000	5,574	80,574
2019-2020	140,000	4,554	144,554
Total	<u>\$ 505,000</u>	<u>\$ 54,719</u>	<u>\$ 559,719</u>

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 230,000	\$ 116,902	\$ 346,902
2015	245,000	107,709	352,709
2016	250,000	97,951	347,951
2017	265,000	87,622	352,622
2018	300,000	37,195	337,195
2019-2023	1,315,000	214,497	1,529,497
2024	250,000	5,875	255,875
Total	<u>\$ 2,855,000</u>	<u>\$ 667,751</u>	<u>\$ 3,522,751</u>

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, 2013

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>

Pursuant to HR 2206 – Public Law 110-28, FEMA may allow forgiveness of Community Disaster Loans, in Presidentially declared disaster areas on a case by case basis. As explained at Note 14, subsequent to year-end FEMA granted full forgiveness of this loan. As such, no schedule of payments by years is presented.

D. Qualified school construction bonds payable

As more fully explained in Note 11, 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)(8), 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.

Note 7 – Prior Year Defeasance of Debt

In prior years, the Long Beach Public School District defeased certain general limited tax notes payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and liabilities for the defeased bonds and notes are not included in the district's financial statements. On June 30, 2013, \$2,150,000 of limited tax notes payable is defeased.

Note 8 – 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

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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 as of June 30, 2013 was 14.26% 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, 2013, 2012 and 2011 were \$1,953,108, \$1,820,363 and \$1,752,893, respectively, which equaled the required contributions for each year.

Note 9 – 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.

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 10 – 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 90 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 11 – 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. While

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

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, 2013 was \$140,013. 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
2014	\$ 43,000
2015	41,000
2016	42,000
2017	41,000
2018	42,000
2019 – 2022	221,000
Total	<u>\$ 430,000</u>

Note 12 – Effect of Deferred Amounts on Net Position

The net of investment in capital assets component of net position amount of \$22,151,855 includes the effect of the deferred amount on refunding. The \$34,432 balance of the deferred amount on refunding at June 30, 2013 will be expensed and decrease the net of investment in capital assets component of net position over the remaining 5 years of the debt service requirement of the limited obligation bonds payable. The amount expensed in 2013 was \$8,432.

Note 13 - Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanations	Amount
1. To remove bond issuance costs deferred in a prior period due to the implementation of GASB 65.	\$ (51,691)
Total	<u>\$ (51,691)</u>

LONG BEACH SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanations	Amount
Ad Valorem Shortfall Fund	To remove 2012 community disaster loan principal payment that was never mailed to FEMA due to ongoing negotiations in regard to seeking full forgiveness of the debt:	
	Principal	\$ 282,134
	Interest	216,007
	Total	<u>\$ 498,141</u>

Note 14 - Subsequent Events

Events that occur after the Statement of Net Position 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 Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Long Beach School District evaluated the activity of the district through March 6, 2014, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

On October 15, 2013, the Long Beach School District received full forgiveness of the community disaster loan from FEMA. The amount forgiven includes \$2,128,587 of unpaid principal and \$282,783 of accrued interest at June 30, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

LONG BEACH SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,616,376	\$ 6,535,220	\$ 6,535,220	\$ (81,156)	\$ -
State sources	12,610,531	12,638,279	12,638,279	27,748	-
Federal sources	187,000	154,636	154,635	(32,364)	(1)
Total Revenues	19,413,907	19,328,135	19,328,134	(85,772)	(1)
Expenditures:					
Instruction	12,455,734	11,950,875	11,950,874	504,859	1
Support services	7,510,426	7,273,813	7,273,816	236,613	(3)
Noninstructional	4,425	2,465	2,465	1,960	-
Total Expenditures	19,970,585	19,227,153	19,227,155	743,432	(2)
Excess (Deficiency) of Revenues over (under) Expenditures	(556,678)	100,982	100,979	657,660	(3)
Other Financing Sources (Uses):					
Operating transfers in	2,479,289	2,497,271	132,711	17,982	(2,364,560)
Operating transfers out	(2,458,582)	(2,404,560)	(40,000)	54,022	2,364,560
Total Other Financing Sources (Uses)	20,707	92,711	92,711	72,004	-
Net Change in Fund Balances	(535,971)	193,693	193,690	729,664	(3)
Fund Balances:					
July 1, 2012	6,449,628	6,449,628	6,449,628	-	-
June 30, 2013	\$ 5,913,657	\$ 6,643,321	\$ 6,643,318	\$ 729,664	\$ (3)

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

LONG BEACH SCHOOL DISTRICT
 Required Supplementary Information

Budgetary Comparison Schedule
FEMA/MEMA Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ -	\$ 446	\$ -	\$ 446
Total Revenues	-	-	446	-	446
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	446	-	446
Net Change in Fund Balances	-	-	446	-	446
Fund Balances:					
July 1, 2012	107,626	107,626	107,626	-	-
June 30, 2013	\$ 107,626	\$ 107,626	\$ 108,072	\$ -	\$ 446

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

LONG BEACH SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

LONG BEACH SCHOOL DISTRICT

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 185,084
National school lunch program	10.555	788,295
Total child nutrition cluster		<u>973,379</u>
Total passed-through Mississippi Department of Education		<u>973,379</u>
Total U.S. Department of Agriculture		<u>973,379</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Support for K-12 Student Achievement at Military-Connected Schools	12.030	128,971
Total U.S. Department of Defense		<u>128,971</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	29,914
Total Federal Communications Commission		<u>29,914</u>
<u>U.S. Department of Education</u>		
Direct program:		
Impact Aid	84.041	103,994
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	577,327
Career and technical education - basic grants to states	84.048	20,171
Improving teacher quality-State Grants	84.367	134,110
Subtotal		<u>731,608</u>
Special education cluster:		
Special education - grants to states	84.027	543,859
Special education - preschool grants	84.173	29,150
Total special education cluster		<u>573,009</u>
Total passed-through Mississippi Department of Education		<u>1,304,617</u>
Total U.S. Department of Education		<u>1,408,611</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Health:		
Drug-free communities support	93.276	118,980
Total passed-through Mississippi Department of Health		<u>118,980</u>
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	20,727
Total passed-through Mississippi Department of Education		<u>20,727</u>
Total U.S. Department of Health and Human Services		<u>139,707</u>
Total for All Federal Awards		<u>\$ 2,680,582</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

Supplementary Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2013**

<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	\$ 18,371,048	13,927,756	754,773	1,314,000	2,374,519
Other	4,858,889	1,110,187	175,992	23,454	3,549,256
Total	\$ 23,229,937	15,037,943	930,765	1,337,454	5,923,775
 Total number of students *	 2,860				
 Cost per student	 \$ 8,122	 5,258	 325	 468	 2,071

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

OTHER INFORMATION

LONG BEACH SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 6,535,220	\$ 6,590,658	\$ 6,233,348	\$ 6,038,957
State sources	12,638,279	12,478,823	11,108,799	11,459,807
Federal sources	154,635	265,810	150,905	49,706
Total Revenues	19,328,134	19,335,291	17,493,052	17,548,470
Expenditures:				
Instruction	11,950,874	12,152,927	11,625,251	12,394,221
Support services	7,273,816	7,921,984	7,722,668	7,655,696
Noninstructional services	2,465	4,131	5,790	4,974
Facilities acquisition and construction	-	13,251	72,265	-
Debt service:				
Other	-	-	11,545	-
Total Expenditures	19,227,155	20,092,293	19,437,519	20,054,891
Excess (Deficiency) of Revenues over (under) Expenditures	100,979	(757,002)	(1,944,467)	(2,506,421)
Other Financing Sources (Uses):				
Insurance recovery	-	-	-	4,149
Sale of transportation equipment	-	-	-	2,034
Sale of other property	-	-	-	80,000
Operating transfers in	132,711	155,641	215,173	339,772
Operating transfers out	(40,000)	(498,018)	(221,415)	(186,349)
Total Other Financing Sources (Uses)	92,711	(342,377)	(6,242)	239,606
Net Change in Fund Balances	193,690	(1,099,379)	(1,950,709)	(2,266,815)
Fund Balances:				
Beginning of period	6,449,628	7,549,007	9,499,716	11,766,531
End of Period	\$ 6,643,318	\$ 6,449,628	\$ 7,549,007	\$ 9,499,716

*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

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 7,425,804	\$ 7,493,439	\$ 7,155,660	\$ 6,968,494
Intermediate sources	9,189	-	-	-
State sources	13,645,194	13,450,949	12,086,365	12,216,972
Federal sources	2,680,582	3,368,928	5,109,777	10,373,015
Sixteenth section sources	25,100	22,151	14,916	15,254
Total Revenues	23,785,869	24,335,467	24,366,718	29,573,735
Expenditures:				
Instruction	13,389,863	13,618,311	14,191,395	14,603,162
Support services	7,836,937	8,673,258	10,227,049	12,275,157
Noninstructional services	1,183,595	1,072,255	1,098,537	1,155,184
Facilities acquisition and construction	-	451,545	289,446	4,860,883
Debt service:				
Principal	620,000	887,134	590,000	270,000
Interest	198,507	434,174	246,162	179,541
Other	1,035	1,035	18,863	87,079
Total Expenditures	23,229,937	25,137,712	26,661,452	33,431,006
Excess (Deficiency) of Revenues over (under) Expenditures	555,932	(802,245)	(2,294,734)	(3,857,271)
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	1,390,000
Refunding bonds issued	-	-	-	3,635,000
Insurance recovery	-	-	-	4,149
Payment to refunded bond escrow agent	-	-	-	(3,587,458)
Sale of transportation equipment	-	-	-	2,034
Sale of other property	-	-	-	80,000
Transfer from QSCB debt service agent	46,000	46,500	-	-
Payment to QSCB escrow agent	(46,000)	(46,500)	-	-
Operating transfers in	244,783	700,159	484,088	5,935,755
Other financing sources	-	-	-	38,587
Operating transfers out	(244,783)	(700,159)	(484,088)	(5,935,755)
Other financing uses	(1,640)	-	(47,500)	-
Total Other Financing Sources (Uses)	(1,640)	-	(47,500)	1,562,312
Net Change in Fund Balances	554,292	(802,245)	(2,342,234)	(2,294,959)
Fund Balances:				
Beginning of period, as previously reported	8,761,571	9,970,436	12,314,881	14,612,339
Prior period adjustments	498,141	(405,073)	-	-
Beginning of period, as restated	<u>9,259,712</u>	<u>9,565,363</u>	<u>12,314,881</u>	<u>14,612,339</u>
Increase (Decrease) in reserve for inventory	(10,211)	(1,547)	(2,211)	(2,499)
End of Period	\$ 9,803,793	\$ 8,761,571	\$ 9,970,436	\$ 12,314,881

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

CUNNINGHAM CPAs, PLLC

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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
Long Beach, Mississippi

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Long Beach School District's basic financial statements, and have issued our report thereon dated March 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Long Beach School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Long Beach School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Long Beach School District's internal control.

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 a 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. 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.

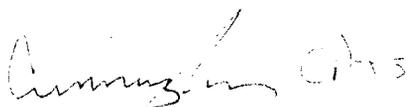
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Long Beach School District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cunningham CPAs, PLLC

Belzoni, Mississippi

March 6, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Superintendent and School Board
Long Beach School District
Long Beach, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Long Beach School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Long Beach School District's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Long Beach School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Long Beach 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Long Beach School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Long Beach School District, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

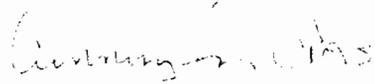
Management of Long Beach School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Long Beach School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major

federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Long Beach School District's internal control over compliance.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Cunningham CPAs, PLLC

Belzoni, Mississippi

March 6, 2014

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

CUNNINGHAM CPAs, PLLC

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

Superintendent and School Board
Long Beach School District
Long Beach, Mississippi

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, 2013, which collectively comprise Long Beach School District's basic financial statements and have issued our report thereon dated March 6, 2014. 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 \$6,676 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 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, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cunningham CPAs

Cunningham CPAs, PLLC

Belzoni, Mississippi

March 6, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LONG BEACH SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Identification of major programs: | |
| | A. Title I - Grants to local educational agencies: | |
| | CFDA # | 84.010 |
| | B. Child Nutrition Cluster: | |
| | CFDA # | 10.553 |
| | CFDA # | 10.555 |
| | C. Special Education Cluster: | |
| | CFDA # | 84.027 |
| | CFDA # | 84.173 |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

LONG BEACH SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II: Financial Statement Findings

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

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.