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CITY OF LONG BEACH, MISSISSIPPI

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2011

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CITY OF LONG BEACH, MISSISSIPPI
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SEPTEMBER 30, 2011

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INTRODUCTORY SECTION

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CITY OF LONG BEACH, MISSISSIPPI
LISTING OF CITY OFFICIALS
SEPTEMBER 30, 2011

Mayor	William Skellie, Jr.
Alderman – Ward 1	Gary J. Ponthieux
Alderman – Ward 2	Bernie Parker
Alderman – Ward 3	Kaye H. Couvillon
Alderman – Ward 4	Ronald Hammons
Alderman – Ward 5	Mark Lishen
Alderman – Ward 6	Carolyn Anderson
Alderman – At Large	Leonard G. Carrubba
City Clerk	Rebecca E. Schruff

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT

January 11, 2013

Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
Long Beach, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Long Beach, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Long Beach, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Long Beach, Mississippi, as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013, on our consideration of the City of Long Beach, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the management's discussion and analysis and budgetary comparison schedule that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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Members, American Institute of CPA's, Mississippi Society of CPA's, The AICPA Alliance for CPA Firms-
Partnering for CPA Practice Success, National Association of Certified Valuation Analysts

Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
January 11, 2013

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Long Beach, Mississippi's financial statements as a whole. The introductory section and accompanying financial information listed as pages 1, and 39 through 45 in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 50 through 51 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements as a whole. The introductory section 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.

Alexander, Van Loon, Sloan, Levens & Favre

ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

CITY OF LONG BEACH
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 624,123	$ 20,803	$ 644,926
Pooled cash and cash equivalents	2,265,107	1,728,784	3,993,891
Receivables, net	373,890	605,699	979,589
Due from other governments	5,385,046	3,301,019	8,686,065
Inventories	-	958	958
Other receivables	69	-	69
Prepaid expenses	113,148	-	113,148
Restricted assets			
Cash and cash equivalents	1,364,498	-	1,364,498
Pooled cash and cash equivalents	76,225	330,326	406,551
Certificates of deposit	167,218	277,436	444,654
Other assets, net	22,782	-	22,782
Capital assets			
Land, improvements, and construction in progress	27,214,532	5,553,086	32,767,618
Other capital assets, net of depreciation	16,153,918	36,352,110	52,506,028
Total capital assets	43,368,450	41,905,196	85,273,646
Total assets	53,760,556	48,170,221	101,930,777
LIABILITIES			
Accounts payable	592,811	624,381	1,217,192
Interest payable	24,352	3,548	27,900
Other accrued liabilities	28,374	-	28,374
Due to other governmental agencies	-	2,952	2,952
Deferred revenues	221,586	42,158	263,744
Compensated absences, current	41,873	2,537	44,410
Capital leases payable, current	87,689	-	87,689
Bonds and notes payable, current	220,000	340,866	560,866
Payable from restricted assets:			
Customer deposits	-	330,326	330,326
Compensated absences, noncurrent	249,116	516	249,632
Capital leases payable, noncurrent	181,759	-	181,759
Bonds and notes payable, noncurrent	1,343,000	1,835,211	3,178,211
	2,990,560	3,182,495	6,173,055
NET ASSETS			
Invested in capital assets, net of related debt	41,087,151	39,434,046	80,521,197
Restricted for:			
Debt service	253,777	-	253,777
Other purposes	1,356,976	277,436	1,634,412
Unrestricted	8,072,092	5,276,244	13,348,336
Total net assets	$ 50,769,996	$ 44,987,726	$ 95,757,722

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The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net Revenue (Expenses) and Changes in Net Assets: Governmental Activities	Net Revenue (Expenses) and Changes in Net Assets: Business-type Activities	Net Revenue (Expenses) and Changes in Net Assets: Total
Primary government							
Governmental activities							
General government	$ 4,005,890	$ 352,697	$ 1,212,260	$ 355,805	$ (2,085,128)	$ -	$ (2,085,128)
Public safety	5,080,633	383,222	85,538	1,645	(4,610,228)	-	(4,610,228)
Public works	137,544	-	39,196	7,343,261	7,244,913	-	7,244,913
Culture and recreation	639,586	34,881	261,953	-	(342,752)	-	(342,752)
Interest on long-term debt	86,214	-	-	-	(86,214)	-	(86,214)
Total governmental activities	9,949,867	770,800	1,598,947	7,700,711	120,591	-	120,591
Business-type activities:							
Water and Sewer	5,332,104	5,760,082	133	1,598,525	-	2,026,636	2,026,636
Port and Harbor	454,697	329,702	267,195	97,570	-	239,770	239,770
Total business-type activities	5,786,801	6,089,784	267,328	1,696,095	-	2,266,406	2,266,406
Total	$ 15,736,668	$ 6,860,584	$ 1,866,275	$ 9,396,806	120,591	2,266,406	2,386,997
General revenues:							
Taxes:							
Property taxes, levied for general purposes					5,084,568	-	5,084,568
Franchise taxes					622,932	-	622,932
Other					115,720	-	115,720
Intergovernmental revenues - sales tax					1,323,636	-	1,323,636
Grants and contributions not restricted to specific programs					49,210	5,575	54,785
Interest earnings					31,657	49	31,706
Insurance proceeds					5,956	-	5,956
Miscellaneous					132,571	-	132,571
Total general revenues					7,366,250	5,624	7,371,874
Change in net assets before transfers					7,486,841	2,272,030	9,758,871
Transfers					(2,085,101)	2,085,101	-
Change in net assets					5,401,740	4,357,131	9,758,871
Net assets - beginning, restated					45,368,256	40,630,595	85,998,851
Net assets - ending					$ 50,769,996	$ 44,987,726	$ 95,757,722

The accompanying notes are an integral part of these financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

CITY OF LONG BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 622,801	$ 1,322	$ 624,123
Pooled cash and cash equivalents	2,265,107	-	2,265,107
Receivables	371,078	2,812	373,890
Due from other governments	5,385,046	-	5,385,046
Other receivables	45	24	69
Prepaid expenses	113,148	-	113,148
Restricted assets:			
Cash and cash equivalents	1,113,533	250,965	1,364,498
Pooled cash and cash equivalents	76,225	-	76,225
Certificates of deposit	-	167,218	167,218
Total assets	$ 9,946,983	$ 422,341	$ 10,369,324
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 461,873	$ -	$ 461,873
Accrued liabilities	28,374	-	28,374
Deferred revenue	3,763,796	-	3,763,796
Compensated absences	41,873	-	41,873
Total liabilities	4,295,916	-	4,295,916
Fund balances:			
Nonspendable:			
Prepaid expenses	113,148	-	113,148
Restricted for:			
Unemployment compensation fund	37,282	-	37,282
Hurricane Katrina repairs	1,009,058	-	1,009,058
Committed	143,418	167,218	310,636
Assigned	-	253,777	253,777
Unassigned	4,348,161	1,346	4,349,507
Total fund balances	5,651,067	422,341	6,073,408
Total liabilities and fund balances	$ 9,946,983	$ 422,341	$ 10,369,324

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Total fund balance, governmental funds	$ 6,073,408
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	43,368,450
Certain other assets (such as accounts receivable) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	3,564,991
Some liabilities (such as bonds and notes payable, capital leases payable, retainage payable, and long-term compensated absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	(2,236,853)
Net assets of governmental activities	$ 50,769,996

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	$ 4,810,494	$ 253,639	$ 5,064,133
Sales taxes	1,323,636	-	1,323,636
Franchise taxes	598,370	-	598,370
Fees and fines	692,039	-	692,039
Licenses and permits	113,583	-	113,583
Intergovernmental	8,652,635	-	8,652,635
Charges for services	271,587	-	271,587
Investment earnings	30,355	1,302	31,657
Donations	3,304	-	3,304
BP grant	11,406	-	11,406
Miscellaneous	68,663	-	68,663
Total revenues	16,576,072	254,941	16,831,013
EXPENDITURES			
Current:			
General government	4,688,898	-	4,688,898
Public safety	7,499,680	-	7,499,680
Public works	736,154	-	736,154
Culture and recreation	671,524	-	671,524
Debt Service:			
Principal	-	298,583	298,583
Interest and other charges	-	94,914	94,914
Total expenditures	13,596,256	393,497	13,989,753
Excess (deficiency) of revenues over expenditures	2,979,816	(138,556)	2,841,260
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	2,956	-	2,956
Sale of assets	22,643	-	22,643
Transfers in	2,364,948	96,542	2,461,490
Transfers out	(3,929,513)	(617,075)	(4,546,588)
Total other financing sources (uses)	(1,538,966)	(520,533)	(2,059,499)
Net change in fund balances	1,440,850	(659,089)	781,761
Fund balances - beginning	4,210,217	1,081,430	5,291,647
Fund balances - ending	$ 5,651,067	$ 422,341	$ 6,073,408

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds:	$ 781,761
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays ($4,629,340) exceeded depreciation ($885,486) in the current period.	3,743,854
Governmental funds do not present donated capital assets as contributions. In contrast, such contributions are reported in the Statement of Activities.	34,500
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the net book value of the asset sold.	(10,333)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	576,818
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds.	298,580
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(2,103)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Accrued interest not reflected on Governmental funds	8,700
Compensated absences not reflected on Governmental funds	(30,037)
Change in net assets of governmental activities	$ 5,401,740

The accompanying notes are an integral part of these financial statements.

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF LONG BEACH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Enterprise Funds		
	Water and Sewer	Port and Harbor	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 20,450	$ 353	$ 20,803
Pooled cash and cash equivalents	68,682	1,660,102	1,728,784
Accounts receivable, net	597,781	7,918	605,699
Due from other governments	2,534,951	766,068	3,301,019
Inventories	-	958	958
Total current assets	3,221,864	2,435,399	5,657,263
Non-current assets:			
Restricted assets:			
Pooled cash and cash equivalents	330,326	-	330,326
Certificates of deposit	277,436	-	277,436
Capital assets:			
Land and construction in progress	5,175,035	378,051	5,553,086
Other capital assets, net of accumulated depreciation	32,783,503	3,568,607	36,352,110
Total non-current assets	38,566,300	3,946,658	42,512,958
Total assets	41,788,164	6,382,057	48,170,221
LIABILITIES			
Current liabilities:			
Accounts payable	595,866	28,515	624,381
Accrued interest payable	3,548	-	3,548
Payable to other governments	665	2,287	2,952
Deferred revenue	42,158	-	42,158
Compensated absences	-	2,537	2,537
Bonds and notes payable	340,866	-	340,866
Payable from restricted assets:			
Customer deposits	330,326	-	330,326
Total current liabilities	1,313,429	33,339	1,346,768
Non-current liabilities:			
Compensated absences	-	516	516
Bonds and notes payable	1,835,211	-	1,835,211
Total liabilities	3,148,640	33,855	3,182,495
NET ASSETS			
Invested in capital assets, net of related debt	35,509,890	3,924,156	39,434,046
Restricted for other purposes	277,436	-	277,436
Unrestricted	2,852,198	2,424,046	5,276,244
Total net assets	$ 38,639,524	$ 6,348,202	$ 44,987,726

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The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Enterprise Funds		
	Water and Sewer	Port and Harbor	Total
REVENUES			
Charges for services	$ 5,725,092	$ 326,312	$ 6,051,404
Miscellaneous	34,990	3,390	38,380
Total operating revenues	5,760,082	329,702	6,089,784
OPERATING EXPENSES			
Personal services	73,573	218,291	291,864
Materials and supplies	135,124	1,686	136,810
Contractual services	3,695,440	47,187	3,742,627
Other services and charges	434,177	72,631	506,808
Depreciation and amortization	896,979	114,902	1,011,881
Total operating expenses	5,235,293	454,697	5,689,990
Operating income (loss)	524,789	(124,995)	399,794
NON-OPERATING REVENUE (EXPENSES)			
Interest and investment revenue	49	-	49
Operating grants and contributions	133	272,770	272,903
Interest expense	(96,811)	-	(96,811)
Total non-operating revenue (expenses)	(96,629)	272,770	176,141
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	428,160	147,775	575,935
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	1,598,525	97,570	1,696,095
Transfers in	7,939,781	760,346	8,700,127
Transfers out	(6,585,649)	(29,377)	(6,615,026)
Total capital contributions and transfers	2,952,657	828,539	3,781,196
CHANGE IN NET ASSETS	3,380,817	976,314	4,357,131
TOTAL NET ASSETS - BEGINNING, RESTATED	35,258,707	5,371,888	40,630,595
TOTAL NET ASSETS - ENDING	$38,639,524	$ 6,348,202	$44,987,726

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Enterprise Funds		
	Water and Sewer	Port and Harbor	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 5,725,248	$ 330,148	$ 6,055,396
Payments to suppliers	(5,353,148)	(141,129)	(5,494,277)
Payments to employees	(73,850)	(217,498)	(291,348)
Net cash provided by (used in) operating activities	298,250	(28,479)	269,771
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from operating grants and contributions	133	272,770	272,903
Operating subsidies and transfers from other funds	1,434,180	753,839	2,188,019
Net cash provided by noncapital financing activities	1,434,313	1,026,609	2,460,922
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases and construction of capital assets	(6,480,249)	(105,319)	(6,585,568)
Proceeds from capital grants	3,495,375	517,070	4,012,445
Principal paid on capital debt	(596,247)	-	(596,247)
Interest paid on capital debt	(95,763)	-	(95,763)
Net cash provided by (used in) capital and related financing activities	(3,676,884)	411,751	(3,265,133)
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted customer deposits	10,409	-	10,409
Purchase of certificates of deposit	(573)	-	(573)
Interest received	690	-	690
Net cash provided by investing activities	10,526	-	10,526
Net increase (decrease) in cash and cash equivalents	(1,933,795)	1,409,881	(523,914)
Balances-beginning of the year	2,353,253	250,574	2,603,827
Balances-end of the year	$ 419,458	$ 1,660,455	$ 2,079,913
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Unrestricted:			
Cash and cash equivalents	$ 20,450	$ 353	$ 20,803
Pooled cash and cash equivalents	68,682	1,660,102	1,728,784
Restricted:			
Pooled cash and cash equivalents	330,326	-	330,326
	$ 419,458	$ 1,660,455	$ 2,079,913

CITY OF LONG BEACH
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Enterprise Funds		
	Water and Sewer	Port and Harbor	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	$ 524,789	$ (124,995)	$ 399,794
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	896,979	114,902	1,011,881
Bad debt expense	55,666	467	56,133
Increase in current assets			
Accounts receivable	(90,500)	(21)	(90,521)
Increase (decrease) in current liabilities			
Accounts payable	(1,088,407)	(19,625)	(1,108,032)
Compensated absences	(277)	793	516
Net cash provided by (used in) operating activities	$ 298,250	$ (28,479)	$ 269,771

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUND FINANCIAL STATEMENT

CITY OF LONG BEACH
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2011

	Tax Collector Clearing Fund
ASSETS	
Cash and cash equivalents	$ 45
Property tax receivables	70,165
Total assets	$ 70,210
LIABILITIES	
Other liabilities	$ 45
Due to other governments	70,165
Total liabilities	$ 70,210

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Introduction

The City of Long Beach, Mississippi (City), was incorporated on August 10, 1905, under the laws of the State of Mississippi. The City operates under a Mayor-Board form of government. The following services are provided by the City: Public Safety (Police, Fire and Protection/Inspection), Street Maintenance, Garbage Collection, Water and Sewer, Port and Harbor, Social and Recreational, Public Improvements, Planning and Zoning, and General Administrative Services.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2011.

II. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units of the City consist of oversight responsibility, special financing relationships and scope of public services. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the City has no component units.

III. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes 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 activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

IV. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(A) Basis of Accounting

The City complies with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities, and as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IV. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(A) Basis of Accounting (Continued)

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied. 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 report 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. The City considers revenues to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within 90 days if received from FEMA. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes, licenses, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received by the City.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

(B) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental fund:

General Fund – The general fund is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary Funds

The City reports the following major proprietary funds:

Water and Sewer Fund – The utility fund accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing water, sewer, gas, and garbage services to the general public on a continuing basis be financed or recovered primarily through user charges.

Port and Harbor Fund – The port and harbor fund accounts for the activities and operations of the City-operated harbor.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IV. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(B) Fund Types and Major Funds (Continued)

Other Fund Types

The City also reports the following fund types:

Special Revenue Funds – The special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds – The debt service funds are used to account for the servicing of long-term general obligation debt of the governmental funds.

Capital Projects Fund – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital improvements and facilities (other than those financed by proprietary funds). However, capital projects related to the recovery from Hurricane Katrina are accounted for in the general fund.

Fiduciary Fund – The tax collector fund is used to account for assets held by the City in a trustee capacity or as an agent for other governmental units.

(C) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

V. Assets, Liabilities, and Net Assets or Equity

(A) Deposits and Investments

The City's cash and cash equivalents are primarily considered to be cash on hand and amounts held in demand deposits. For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, if any, are considered to be cash equivalents.

The City maintains and controls a major cash pool in which the majority of the City's funds share. Each fund's portion of the pool is displayed on their respective balance sheet as "pooled cash and cash equivalents," some of which are restricted assets. In addition, non-pooled cash is separately held and reflected in their respective funds as "cash and cash equivalents," some of which are restricted assets.

State statutes authorize the City to invest in (1) direct obligations of the United States government, the payment of which the full faith and credit of the United States government is pledged, (2) certificates of deposit when insured or secured by acceptable collateral and (3) obligations of the State of Mississippi, or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court. Investments are recorded at cost, which approximates fair value.

See Note 2 for information regarding collateral pledged against the City's deposits.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Assets, Liabilities, and Net Assets or Equity (Continued)

(B) 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" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds (if any), 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.

All trade receivables are shown net of an allowance for uncollectibles. An allowance has been provided in the Water and Sewer fund for estimated uncollectible utility charges and in the Port and Harbor fund for uncollectible dockage fees. The allowance amounts are estimated based on the aging of the receivables, historical collection experience and other relevant circumstances. As of September 30, 2011, the allowances for uncollectible water and sewer charges and for dockage fees are $581,055 and $90,242, respectively.

(C) Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2011, are recorded as prepaid items.

(D) Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

(E) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), net of depreciation, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City generally capitalizes assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest cost was capitalized during the current fiscal year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Assets, Liabilities, and Net Assets or Equity (Continued)

(E) Capital Assets (Continued)

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Asset	Useful Life
Buildings	50 years
Building improvements	20 years
Public domain infrastructure	20 – 50 years
Utility system infrastructure	10 – 50 years
Machinery and equipment	3 – 15 years
Vehicles	5 years

(F) Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs and bond premiums and discounts are capitalized and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

(G) Compensated Absences

The City's policy requires employees to take vacation time earned in the calendar year following the calendar year in which the leave was earned. All unused vacation time is forfeited. Employees may accumulate up to ninety days of sick leave. It is the City's policy that all unused sick leave is forfeited upon termination, retirement, lay-off or cause. Retiring and terminating employees are paid for all unused vacation and unused comp time. All accumulated vacation and comp time pay is accrued when incurred in the government-wide and proprietary fund financial statements. In the fund financial statements, a liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours is multiplied by the employee's hourly rate at September 30, 2011. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

(H) Fund Balance

As of September 30, 2011, the City adopted the GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by ordinance or resolution. This includes the budget reserve account.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(H) Fund Balance (continued)

Assigned – Amounts that are designated by the City for a specific purpose but are not spendable until a budget ordinance is passed by the City. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned – All amounts not included in other spendable classifications

The details of the fund balances are included in the Governmental Funds Balance Sheet. As discussed previously in this note, Restricted Funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Board or the Assignment has been changed by the mayor. Decreases to fund balance first reduce Unassigned Fund Balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

(I) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

NOTE 2: DEPOSITS AND INVESTMENTS

(A) Deposits

The City deposits funds in financial institutions selected by the City's Board of Alderpersons in accordance with Mississippi statutes. Mississippi statutes allow municipalities to select depositories on the basis of competitive bid. A summary of cash (including restricted cash) as of September 30, 2011, follows:

	Cash on Hand	Cash Deposits	Pooled Cash Deposits	Total
Governmental Activities				
General Fund	$ 210	$ 1,736,124	$ 2,341,332	$ 4,077,666
Other Governmental Funds	-	252,287	-	252,287
Total governmental activities	210	1,988,411	2,341,332	4,329,953
Business-Type Activities				
Enterprise Funds:				
Water and Sewer Fund	225	20,225	399,008	419,458
Port and Harbor Fund	353	-	1,660,102	1,660,455
Total business-type activities	578	20,225	2,059,110	2,079,913
Fiduciary Fund	-	45	-	45
Total cash and cash equivalents	$ 788	$ 2,008,681	$ 4,400,442	$ 6,409,911

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NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

(A) Deposits (Continued)

The City maintained the following restricted assets as of September 30, 2011:

Governmental Activities	
Cash and cash equivalents	
Drug seizure funds	$ 67,193
Debt service funds	250,965
Fire rebate funds	76,225
Restricted donations - Mittal Steel USA	1,009,058
Unemployment funds	37,282
Certificates of deposit - capital asset	167,218
Total restricted assets - governmental activities	1,607,941
Business-Type Activities	
Cash and cash equivalents	
Utility customer deposits	330,326
Certificates of deposit - escrow funds from developers	277,436
Total restricted assets - business-type activities	607,762
Total restricted assets	$ 2,215,703

From January 2006 through September 30, 2011, Mittal Steel USA has donated a total $1,750,000 in financial support to assist the City in its efforts to restore and rebuild the City's public buildings and infrastructure damaged or destroyed by Hurricane Katrina. The funds are held in an escrow account and are disbursed as costs are incurred.

Custodial Credit Risk – Deposits

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Depositories must be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in an amount equal to 105% of the uninsured deposit. The collateral 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 of the Mississippi Code. Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. By using this multiple financial institution collateral pool, none of the City's deposits at September 30, 2011, were exposed to custodial credit risk.

At September 30, 2011, deposits (including restricted deposits) are as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	$ 6,733,206	$ 6,409,911

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

(B) Investments

At September 30, 2011, the City held the following certificates of deposit with maturity dates of longer than three months:

	Balance October 1, 2010	Purchases	Maturities	Balance September 30, 2011
Governmental Activities:				
Peoples Bank, 0.35% interest, matured March 22, 2011	$ 111,480	$ 635	$ (112,115)	$ -
Peoples Bank, 0.35% interest, matures March 22, 2012	54,788	315	-	55,103
Peoples Bank, 0.60% interest, matures September 19, 2012	-	112,115	-	112,115
Total governmental activities	166,268	113,065	(112,115)	167,218
Business-type Activities:				
The First Bank, 0.20% matures July 27, 2012	276,863	573	-	277,436
Total business-type activities	276,863	573	-	277,436
Total	$ 443,131	$ 113,638	$ (112,115)	$ 444,654

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, since the City only invests in certificates of deposit with maturities of one year or less from qualified depositories, the City does not believe it is exposed to interest rate risk.

Credit Risk – Investments

Credit risk is generally the risk that issues of an investment will not fulfill its obligation to the holder of the investment. The City has no investment policy that would limit its investment choices due to credit risk. However, Mississippi State Code limits investment of surplus funds to certificates of deposit with qualified depositories and in bonds and direct obligations of the United States of America; or the State of Mississippi; or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court. The City invests its surplus funds in certificates of deposit and does not believe that it is exposed to credit risk.

NOTE 3: RECEIVABLES

Receivables at September 30, 2011 consist of the following:

	Governmental Activities		Business-Type Activities		
	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	Total
Property taxes	$ 55,776	$ 2,812	$ -	$ -	$ 58,588
Franchise taxes	165,352	-	-	-	165,352
Accounts, gross	-	-	1,178,836	98,160	1,276,996
Court fines, gross	5,166,571	-	-	-	5,166,571
Total receivables, gross	5,387,699	2,812	1,178,836	98,160	6,667,507
Less allowance for doubtful receivables	(5,016,621)	-	(581,055)	(90,242)	(5,687,918)
Total receivables, net	$ 371,078	$ 2,812	$ 597,781	$ 7,918	$ 979,589
Due from fiduciary fund	$ 45	$ -	$ -	$ -	$ 45
Interest receivable	-	24	-	-	24
Total other receivables	$ 45	$ 24	$ -	$ -	$ 69

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Deferred revenue at September 30, 2011, consists primarily of grant awards received but not earned.

Property Taxes

Harrison County bills and collects the real, personal, and auto ad valorem taxes for the City. Taxes on real and personal property are levied by the Board at the first regular meeting in September for the ensuing fiscal year, which begins on October 1. Restrictions associated with property tax levies vary with the statutory authority. State law limits the amount of increase in certain property taxes. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount that resulted from the assessments of the previous year plus new construction.

Real property taxes become a lien on January 1 and personal property taxes become a lien on March 1 of the current calendar year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All taxes are remitted monthly to the City. In addition, Harrison County also remits to the City a pro-rata share of road and bridge taxes collected by the County. Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue when received. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling real property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year. The remaining amount of real property not sold for taxes at the tax sale is considered immaterial; therefore, no end of year delinquent taxes receivable is recorded. The amount of delinquent personal property taxes unpaid at year-end is also considered immaterial.

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2011, was 48.98 mills or $48.98 per $1,000 of assessed valuation. A summary of the assessed valuations and tax levies of the City for the year ended September 30, 2011, has been provided on the next page.

NOTE 3: RECEIVABLES (Continued)

Property Taxes (continued)

State law requires the municipality to exercise its taxing authority for the benefit of other governing authorities, which are not a part of the reporting entity. As provided, the municipality must levy specified ad valorem taxes as directed by the other governing authority and turn all proceeds over to it. Accordingly, taxes for the Long Beach School District are also billed and collected by the County and remitted to the City for disbursement to the School District.

Ad valorem taxes collected and settled in accordance with this legal requirement are not recognized as revenues and expenditures of the municipality. The tax levies noted below with respect to the school funds were made in accordance with this legal requirement.

The assessed valuations of the City and the School District for the year ended September 30, 2011, are as follows:

CITY		SCHOOL DISTRICT	
Real property	$ 85,168,879	Real property	$ 92,219,627
Personal property	3,851,890	Personal property	7,768,815
Public utilities	3,374,749	Public utilities	3,567,036
Automobiles	15,923,374	Automobiles	17,357,104
Mobile homes	7,862	Mobile homes	44,180
Total - City	$ 108,326,754	Total - School District	$ 120,956,762

The tax levies for the City and the School District for the years ended September 30, 2011, 2010, and 2009, are as follows:

	2011	2010	2009
CITY			
General fund	46.48	44.63	44.63
City bond and interest fund	2.50	4.35	4.35
Total city administered funds	48.98	48.98	48.98
SCHOOL DISTRICT			
Shortfall notes	1.75	1.75	1.75
School building program	3.00	3.00	3.00
District maintenance funds	55.00	55.00	55.00
Total school administered funds	59.75	59.75	59.75
Total tax levy	108.73	108.73	108.73

NOTE 4: DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2011, consists of the following:

	Governmental Activities		Business-Type Activities		
	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	Total
Due from other governments					
Harrison County Utility Authority	$ -	$ -	$ 312,999	$ -	$ 312,999
Sales tax	223,106	-	-	-	223,106
Grants	5,161,940	-	2,221,952	766,068	8,149,960
Total due from other governments	$ 5,385,046	$ -	$ 2,534,951	$ 766,068	$ 8,686,065

Sales Taxes

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Long Beach) back to the City monthly. Sales tax revenue was $1,323,636 for the year ended September 30, 2011 and is included in intergovernmental revenues – sales tax on the Statement of Activities. Sales taxes receivable consists of taxes collected by the State for August and September 2011 not received by the City until October and November 2011.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2011, is as follows:

	Balance October 1, 2010	Additions	Disposals / Transfers	Balance September 30, 2011
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 5,373,918	$ 330,000	$ -	$ 5,703,918
Construction in progress	18,511,879	3,474,698	(475,963)	21,510,614
Total capital assets, not being depreciated	23,885,797	3,804,698	(475,963)	27,214,532
Capital assets, being depreciated:				
Buildings and improvements	3,738,643	-	-	3,738,643
Improvements other than buildings	476,074	-	-	476,074
Machinery and equipment	2,022,267	668,221	-	2,690,488
Infrastructure	19,509,996	34,500	475,963	20,020,459
Vehicles	2,774,007	25,929	(141,525)	2,658,411
Total capital assets, being depreciated	28,520,987	728,650	334,438	29,584,075
Less accumulated depreciation for:				
Buildings and improvements	(571,211)	(76,530)	-	(647,741)
Improvements other than buildings	(87,219)	(9,105)	-	(96,324)
Machinery and equipment	(794,415)	(289,833)	-	(1,084,248)
Infrastructure	(9,741,606)	(278,722)	-	(10,020,328)
Vehicles	(1,481,412)	(231,296)	131,192	(1,581,516)
Total accumulated depreciation	(12,675,863)	(885,486)	131,192	(13,430,157)
Total capital assets, being depreciated, net	15,845,124	(156,836)	465,630	16,153,918
Total governmental activities capital assets, net	$ 39,730,921	$ 3,647,862	$ (10,333)	$ 43,368,450

NOTE 5: CAPITAL ASSETS (Continued)

	Balance October 1, 2010	Additions	Disposals / Transfers	Balance September 30, 2011
Business-Type Activities				
Capital assets, not being depreciated:				
Land	$ 387,425	$ -	$ -	$ 387,425
Construction in progress	12,693,477	6,578,538	(14,106,354)	5,165,661
Total capital assets, not being depreciated	13,080,902	6,578,538	(14,106,354)	5,553,086
Capital assets, being depreciated:				
Buildings and improvements	7,095,915	-	14,106,354	21,202,269
Harbor structures and improvements	4,033,133	-	-	4,033,133
Water and sewer system	21,266,239	-	-	21,266,239
Machinery and equipment	187,445	11,406	(17,760)	181,091
Vehicles	59,323	-	-	59,323
Total capital assets, being depreciated	32,642,055	11,406	14,088,594	46,742,055
Less accumulated depreciation for:				
Buildings and improvements	(327,625)	(434,501)	-	(762,126)
Harbor structures and improvements	(371,276)	(110,636)	-	(481,912)
Water and sewer system	(8,534,268)	(452,231)	-	(8,986,499)
Machinery and equipment	(99,786)	(11,301)	-	(111,087)
Vehicles	(45,109)	(3,212)	-	(48,321)
Total accumulated depreciation	(9,378,064)	(1,011,881)	-	(10,389,945)
Total capital assets, being depreciated, net	23,263,991	(1,000,475)	14,088,594	36,352,110
Total business-type activities capital assets, net	$ 36,344,893	$ 5,578,063	$ (17,760)	$ 41,905,196

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities	
General government	$ 3,125
Public safety	387,510
Public works	455,663
Culture and recreation	39,188
Total governmental activities depreciation expense	$ 885,486
Business-Type Activities	
Water and Sewer	$ 896,979
Port and Harbor	114,902
Total business-type activities depreciation expense	$ 1,011,881

NOTE 6: LONG-TERM DEBT

Changes in long-term debt during the year ended September 30, 2011, are as follows:

	Balance October 1, 2010	Additions	Principal Payments/ Reductions	Balance September 30, 2011	Due within One Year
Governmental Activities					
General obligation bonds	$ 1,776,000	$ -	$ (213,000)	$ 1,563,000	$ 220,000
Capital leases	251,118	103,913	(85,583)	269,448	87,689
Compensated absences	244,287	333,383	(286,681)	290,989	41,873
Total governmental activities	$ 2,271,405	$ 437,296	$ (585,264)	$ 2,123,437	$ 349,562
Business-Type Activities					
General obligation bonds	$ 120,000	$ -	$ (40,000)	$ 80,000	$ 40,000
Notes	2,652,324	-	(556,247)	2,096,077	300,866
Compensated absences	2,537	3,807	(3,291)	3,053	2,537
Total business-type activities	$ 2,774,861	$ 3,807	$ (599,538)	$ 2,179,130	$ 343,403

(A) Bonds Payable

At September 30, 2011, the City's outstanding bonds payable are described as follows:

	Date of Issue	Final Maturity Date	Rates	Original Issue	Balance September 30, 2011
Governmental Activities:					
General obligation bonds:					
Public Improvement 1992A	12/1/1992	12/1/2012	5.0% - 7.1%	$ 592,000	$ 95,000
Public Improvement 1996	5/1/1996	5/16/2016	4.8% - 6.5%	1,700,000	610,000
Refunding Bonds 2010	7/30/2010	8/1/2022	3.5%	921,000	858,000
Total bonds - governmental activities				3,213,000	1,563,000
Business-Type Activities:					
General obligation bonds:					
Water and Sewer 1992B	12/1/1992	2/1/2012	5.0% - 6.25%	530,000	80,000
Total bonds payable				$ 3,743,000	$ 1,643,000

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The governmental activities bonds are generally repaid from ad valorem taxes through the debt service funds. The water and sewer general obligation bonds are repaid from resources generated by the water and sewer enterprise fund.

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NOTE 6: LONG-TERM DEBT (Continued)

(A) Bonds Payable (Continued)

General Obligation Bonds (Continued)

General obligation bonds generally are issued as serial bonds with certain amounts of principal maturing each year. The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending	Governmental Activities		Business-Type Activities		Total
September 30,	Principal	Interest	Principal	Interest	Requirements
2012	$ 220,000	68,721	$ 40,000	$ 3,750	$ 332,471
2013	233,000	57,318	40,000	1,250	331,568
2014	190,000	46,935	-	-	236,935
2015	202,000	37,765	-	-	239,765
2016	210,000	27,965	-	-	237,965
2017-2022	508,000	63,980	-	-	571,980
Total	$ 1,563,000	$ 302,684	$ 80,000	$ 5,000	$ 1,950,684

(B) Notes Payable

At September 30, 2011, the City's outstanding notes payable are described as follows:

	Date Issued	Maturity Date	Interes Rate	Original Amount	Balance September 30, 2011
Business-Type Activities:					
State of Mississippi, State Revolving Fund Loan	3/6/1992	11/1/2011	3.00%	$ 3,015,150	$ 53,987
State of Mississippi, State Revolving Fund Loan	5/16/1994	3/1/2014	4.50%	369,228	88,788
State of Missisippi, Drinking Water Improvement (Main) Revolving Fund Loan	10/24/1997	1/1/2021	4.50%	900,271	521,458
State of Mississippi, State Revolving Fund Loan	4/1/1999	1/27/2019	4.50%	807,429	454,360
State of Missisippi, Drinking Water Improvement Revolving Fund Loan	1/5/2000	3/1/2023	3.00%	274,823	179,902
State of Mississppi, State Revolving Fund Loan	5/23/2001	1/1/2019	3.00%	520,336	333,211
State of Mississippi, Drinking Water Improvement (SE Long Beach) Revolving Fund Loan	1/30/2007	2/1/2017	2.00%	500,000	254,757
State of Missisippi, Drinking Water Improvement (Well) Revolving Fund Loan	9/1/2007	1/1/2021	4.50%	358,123	209,614
Total notes payable				$ 6,745,360	$ 2,096,077

Principal and interest maturities will be as follows:

Year Ending	Business-Type Activities		Total
September 30,	Principal	Interest	Requirements
2012	300,866	73,963	$ 374,829
2013	256,243	64,383	320,626
2014	246,995	55,129	302,124
2015	236,845	46,161	283,006
2016	237,580	37,196	274,776
2017-2021	790,452	70,327	860,779
2022-2023	27,096	648	27,744
Total	$ 2,096,077	$ 347,807	$ 2,443,884

NOTE 6: LONG-TERM DEBT (Continued)

(C) Capital Leases

At September 30, 2011, the City had the following outstanding capital leases:

	Original Amount	Balance September 30, 2011
Governmental Activities:		
Capital lease payable to bank, dated September 5, 2000, secured by a fire truck, bearing an interest rate of 5.69%, payable in annual installments of $50,351 through September 5, 2012	$ 427,525	$ 100,227
Capital lease payable to bank, dated January 19, 2010, secured by excavator, bearing an interest rate of 3.2%, payable in annual installments of $23,726 through February 11, 2015	108,041	87,772
Capital lease payable to AT&T Capital Services, dated May, 3 2011, secured by E911CAD Equipment, bearing an interest rate of 4.05%, payable in annual installments of $22,464 through May 3, 2016	103,913	81,449
Total capital leases	$ 639,479	$ 269,448

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2011, were as follows:

Year Ending September 30,	Total
2012	$ 96,541
2013	98,819
2014	46,190
2015	46,191
Total minimum lease payments	287,741
Less amount representing interest	(18,293)
Present value of minimum payments	$ 269,448

As of September 30, 2011, the cost of the vehicles and equipment under capital leases in the governmental fund was $639,479 and accumulated depreciation for those assets was $218,859. Depreciation expense associated with the assets under capital leases in the governmental activities in fiscal year 2011 totaled $45,659 and is included in the statement of activities, public safety expenses.

(D) Legal Debt Margin

The City's legal debt limit for general obligation bonds is $16,249,013. At September 30, 2011, the City's legal debt margin, after reduction for outstanding general obligation notes of $1,563,000, was $14,686,013.

NOTE 7: GULF OF MEXICO OIL LEAK

On April 20, 2010, there was a massive oil leak from a deep-sea rig explosion in the Gulf of Mexico. In June 2010, the City was awarded a grant from the BP Deepwater Horizon Response Mississippi Block Grant Program in an amount not to exceed $2,000,000 to help the City with any cost incurred related to clean up. Through September 30, 2011, the City has received amounts totaling $674,852, of which $11,406 was received in the current year that is included in grants and contributions not restricted to specific programs on the Statement of Activities and in the general fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.

NOTE 8: INTERFUND TRANSACTIONS

Interfund balances as of September 30, 2011, were comprised of the following:

(A) Interfund Transfers

	Transfers In				
	Governmental Activities		Business-Type Activities		
Transfers Out	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	Total Transfers Out
Governmental Activities:					
General	$ -	$ 72,815	$ 7,766,769	$ 738,079	$ 8,577,663
Other Nonmajor Funds	617,074	-	-	-	617,074
Business-type Activities:					
Water and Sewer	6,366,644	23,726	173,012	22,267	6,585,649
Port and Harbor	29,377	-	-	-	29,377
Total Transfers In	$ 7,013,095	$ 96,541	$ 7,939,781	$ 760,346	$15,809,763

(B) Management Fees

The City's water and sewer fund and port and harbor fund (proprietary fund types) pay a management fee to the general fund to cover various costs such as administrative salaries, occupancy costs, etc. Such fees totaled $252,187 for the year ended September 30, 2011. The fees were included in "charges for services" general government program revenue in the Statement of Activities and in the general fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. The corresponding expenditure was included in "expenses" in the water and sewer ($205,000) and port and harbor ($47,187) funds in the Statement of Activities and "contractual services" expenditures in the water and sewer and port and harbor funds in the Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.

NOTE 9: RESTRICTED NET ASSETS

(A) Governmental Activities

The restricted portions are as follows:

Restricted Assets	
Municipal debt service	$ 142,835
School debt service	110,942
Drug seizure funds	43,613
State seizure funds	23,580
Unemployment	37,282
Certificate of deposit	167,218
Mittal Steel donation	1,009,058
Fire rebate funds	76,225
Restricted net assets	$ 1,610,753

(B) Business-type Activities

The restricted portions are as follows:

Restricted Assets	
Customer deposits	$ 330,326
Certificate of deposit	277,437
Total restricted accounts	607,763
Liabilities Payable from Restricted Assets	
Customer deposits	330,326
Restricted net assets	$ 277,437

NOTE 10: JOINT VENTURE

Harrison County Utility Authority

The City is a member of the Harrison County Utility Authority (Authority), which was established by an act of the Mississippi Legislature to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Harrison County, Mississippi. The governing board is comprised of one member from each of the cities and county who are members of the Authority. Through a fifty-year contract, the City is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the Authority. Additionally, the City is jointly and severally liable for all of the liabilities of the Authority. The Authority is classified as a joint venture between the City and the other members. The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2011, a complete copy of which is on file at the administrative offices of the Authority which are located at 10271 Express Drive, Gulfport, Mississippi 39503, or may be obtained by calling (228) 868-8752.

NOTE 10: JOINT VENTURE (Continued)

Harrison County Utility Authority (Continued)

BALANCE SHEET

ASSETS	
Current assets	$ 9,337,582
Restricted assets	34,734,367
Property, plant and equipment, net	272,161,135
Deferred charges	28,287,587
Total assets	$ 344,520,671
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current, unrestricted	$ 9,703,932
Current, restricted	20,207,791
Long-term liabilities	143,312,909
Total liabilities	173,224,632
NET ASSETS	
Invested in capital assets, net of related debt	152,756,051
Restricted for debt service and reserves	20,537,492
Unrestricted	(1,997,504)
Total net assets	171,296,039
Total liabilities and net assets	$ 344,520,671

STATEMENT OF REVENUES AND EXPENSES

Operating revenues	$ 18,357,485
Operating expenses	(18,473,487)
Depreciation and amortization	(4,004,606)
Non-operating revenues	68,571,007
Net income	$ 64,450,399

The following financial information concerning transactions with the Authority has been included in the City's financial statements under the following captions:

Government-wide Financial Statements		Fund Level Financial Statements	
Statement of Net Assets		Statement of Fund Net Assets	
Business-type activities		Water and sewer	
Due from other governments	$ 312,999	Due from other governments	$ 312,999
Statement of Activities		Statement of Revenues, Expenses and	
Business-type activities		Changes in Fund Net Assets -	
Water and sewer expenses	$ 2,127,396	Proprietary Funds	
		Water and sewer	
		Contractual services	$ 2,127,396

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NOTE 11: UNEMPLOYMENT COMPENSATION

In lieu of making payments to the Mississippi Department of Employment Security (MDES), the City makes deposits into a bank account designated for unemployment compensation of an amount equal to 2% of the first $14,000 of covered employee wages paid in the preceding calendar year. The total funds designated were $54,805 and exceeded the requirement of $37,282. The amount of contingent liability, if any, the City could be obligated for cannot be determined.

NOTE 12: RETIREMENT PLANS

(A) Public Employees' Retirement System

The City participates in a retirement system administered by the Public Employees' Retirement System of Mississippi (PERS). The system is a defined benefit plan and includes a multi-employer, cost-sharing pension plan as described below:

Plan Description and Provisions

Substantially all of the City's full-time employees participate in PERS, a multi-employer, cost-sharing, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, or by calling (601) 359-3589 or 1-800-444-PERS.

Description of Funding Policy

PERS members were required to contribute 7.25% of their annual covered salary from October 1, 2009 to June 30, 2010. As of July 1, 2010, this amount increased to 9%. The City is required to contribute at an actuarially determined rate. This amount was 12% of annual covered payroll from October 1, 2009 to June 30, 2011. As of July 1, 2011, this amount increased to 12.93%. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ending September 30, 2011, 2010, and 2009, were $521,515, $503,713, and $495,955, respectively, equal to the required contributions for each year.

(B) Deferred Compensation Plan

The City, through PERS, offers its employees a voluntary deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The requirements of Internal Revenue Code Section 457(g) prescribes that the City does not own the amounts deferred by employees, including the related income on those amounts. Additionally, the City does not have fiduciary accountability for the plan. Accordingly, the assets and the liability for compensation deferred by plan participants, including earnings on plan assets, are not included in the City's financial statements.

NOTE 13: COMMITMENTS AND CONTINGENCIES

(A) Litigation

The City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City. The amount of contingent liability, if any, that the City could be obligated for cannot reasonably be determined.

NOTE 13: COMMITMENTS AND CONTINGENCIES (Continued)

(B) Grants and Awards

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally federal and state governments. Any disallowed expenses, including amounts already collected, might constitute a liability of the applicable funds.

(C) Lease Commitments

In December 2010, the City entered into a lease agreement for a copier located at the City Clerk Office. The lease agreement is for 36 months with payments of $288.98 per month

In October 2009, the City entered into a lease agreement for a copier located at the Permits Office. The lease agreement is for 36 months with payments of $270.44 per month

In October 2010, the City entered into a lease agreement for a copier located at the City Court Office. The lease agreement is for 48 months with payments of $127.34 per month.

In October 2010, the City entered into a lease agreement for a copier located at the City Court Office. The lease agreement is for 48 months with payments of $127.34 per month.

In October 2008, the City entered into a lease agreement for a copier located at the Fire Department. The lease agreement is for 36 months with payments of $168.75 per month.

In April 2011, the City entered into a lease agreement for a copier located at the Water Billing Department. The lease agreement is for 36 months with payments of $140.14 per month.

In January 2010, the City entered into a lease agreement for a postal meter located in the mail room of City Hall. The lease agreement is for 60 months with payments of $375.00 per month.

The future noncancelable lease obligation of these leases at September 30, 2011 is as follows.

Year Ending September 30,	
2012	$ 15,951
2013	12,705
2014	8,546
2015	1,380
	$ 38,582

(D) Contract Commitments

Service Contracts

The City contracts with private contractors for various services. The following represents a significant service commitment as of September 30, 2011:

NOTE 13: COMMITMENTS AND CONTINGENCIES (Continued)

(D) Contract Commitments (continued)

On November 20, 2009, the City entered into a service contract with Utility Partners, LLC dba UP Group, LLC, to provide professional utility management, operations, and maintenance services for the City's Public Works operations, consisting of the following departments: Utility Billing, Water & Sewer Operations, Street and Drainage, Vehicle Maintenance, and Parks & Recreation. The terms of the original contract are four years through November 30, 2013, with the following base fees remaining as of September 30, 2011:

2012	$ 1,712,938
2013	1,761,758
2014	294,989
	$ 3,769,685

Payment terms are $1/12^{th}$ of the base fee due by the 15^{th} of each month.

Outstanding Construction Commitments

The City had the following outstanding construction commitments with respect to unfinished capital projects as of September 30, 2011, which will be paid from existing grants:

General government	$ 8,236
Culture and recreation	485,499
Public safety	62,039
Public works	91,754
Water and sewer	260,771
Port and harbor	19,892
	$ 928,191

NOTE 14: RISK MANAGEMENT

The City is covered for significant losses through commercial insurance carriers except for the following noted as (A) and (B), which are covered through self-insurance risk pools.

(A) Self-Insurance – Workers Compensation Fund

The City is a member in the Mississippi Municipal Workers' Compensation Group, Inc. This non-profit corporation is a self-insurance worker's compensation fund organized under the non-profit laws of the State of Mississippi. The group is self-insured under statutory workers compensation protection up to $1,000,000. Members are jointly and severally liable for the obligations of the group. The possibility of additional liability exists, but that amount, if any, cannot be determined.

(B) Self-Insurance – Liability Fund

The City is a member in the Mississippi Municipal Liability Plan. The Plan is a private non-profit corporation organized under the laws of the State of Mississippi. The plan provides liability and tort claims insurance for its members according to limits established by the Mississippi Tort Claims Act. The plan is totally self-insured with claims and expenses paid out of the premiums and the members are jointly and severally liable for any claims and expenditures beyond the premium base. The possibility of additional liability exists, but that amount, if any cannot be determined.

NOTE 14: RISK MANAGEMENT (Continued)

(C) Federal Grants

In the normal course of operations and as a result of the destruction from Hurricane Katrina in 2005, the City has received grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds.

NOTE 15: PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2011, a prior period adjustment was recorded for Water and Sewer grant revenues and a corresponding receivable not recorded in the prior year in error. The following financial statement line items as of and for the year ended September 30, 2011, were affected by this correction:

	As Previously Stated	As Restated	Effect of Correction - Increase (Decrease)
Government-Wide Financial Statements			
Business-Type Activities			
Statement of Net Assets at September 30, 2010:			
Due from other governments	$ 3,678,760	$ 5,617,369	$ 1,938,609
Net assets	$ 38,691,986	$ 40,630,595	$ 1,938,609
Statement of Activities			
for the year ended September 30, 2010:			
Capital grants and contributions	$ 6,091,966	$ 8,030,575	$ 1,938,609
Proprietary Funds Financial Statements			
Water and Sewer			
Statement of Net Assets at September 30, 2010:			
Due from other governments	$ 2,493,193	$ 4,431,802	$ 1,938,609
Net assets	$ 33,320,098	$ 35,258,707	$ 1,938,609
Statement of Revenues, Expenses, and Changes			
in Fund Net Assets for the year ended			
September 30, 2010:			
Capital grants and contributions	$ 5,339,259	$ 7,277,868	$ 1,938,609

NOTE 16: SUBSEQUENT EVENTS

The City has evaluated events occurring subsequent to year end through January 11, 2013, which is the date the statements were available to be issued. The following events were identified:

(A) Construction Contracts

Subsequent to year end, the City entered into approximately $1.6 million in construction and engineering contracts and change orders related to various Hurricane Katrina-related projects and equipment. These projects will be funded by grants.

NOTE 16: SUBSEQUENT EVENTS (Continued)

(B) Grants

Subsequent to year end, the City obtained three new Tidelands grants that totaled $644,200. There were no significant modifications to any existing grants.

(C) Hurricane Damage

During August 2012, Hurricane Isaac impacted the City causing significant damage to certain City-owned buildings and other properties. Cost estimates to repair or replace these buildings and properties are not known at this time, but are expected to be substantially recovered from a variety of sources, including insurance proceeds and federal and state assistance programs.

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

CITY OF LONG BEACH
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,322	$ -	$ 1,322
Taxes receivable, net	-	2,812	2,812
Other receivables	24	-	24
Restricted assets:			
Cash and cash equivalents	-	250,965	250,965
Certificates of deposit	167,218	-	167,218
Total assets	$ 168,564	$ 253,777	$ 422,341
Fund balances:			
Committed	$ 167,218	$ -	$ 167,218
Assigned	-	253,777	253,777
Unassigned	1,346	-	1,346
Total fund balances	168,564	253,777	422,341
Total fund balances	$ 168,564	$ 253,777	$ 422,341

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CITY OF LONG BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES			
Property taxes	$ -	$ 253,639	$ 253,639
Investment earnings	956	346	1,302
Total revenues	956	253,985	254,941
EXPENDITURES			
Debt Service			
Principal	-	298,583	298,583
Interest and other charges	-	94,914	94,914
Total expenditures	-	393,497	393,497
Excess (deficiency) of revenues over expenditures	956	(139,512)	(138,556)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	96,542	96,542
Transfers out	-	(617,075)	(617,075)
Total other financing sources (uses)	-	(520,533)	(520,533)
Net change in fund balances	956	(660,045)	(659,089)
Fund balances - beginning	167,608	913,822	1,081,430
Fund balances - ending	$ 168,564	$ 253,777	$ 422,341

See auditors' report.

COMBINING FINANCIAL STATEMENTS
NONMAJOR SPECIAL REVENUE FUNDS

CITY OF LONG BEACH
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2011

	Forestry Commission Grant	Contribution Agreement Fund	Totals
ASSETS			
Cash and cash equivalents	$ 1,322	$ -	$ 1,322
Other receivables	-	24	24
Restricted assets:			
Certificates of deposit	-	167,218	167,218
Total assets	$ 1,322	$ 167,242	$ 168,564
FUND BALANCES			
Fund balances:			
Committed	$ -	$ 167,218	$ 167,218
Unassigned	1,322	24	1,346
Total fund balances	1,322	167,242	168,564
Total fund balances	$ 1,322	$ 167,242	$ 168,564

See auditors' report.

CITY OF LONG BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Forestry Commission Grant	Contribution Agreement Fund	Totals
REVENUES			
Investment earnings	$ 6	$ 950	$ 956
Total revenues	6	950	956
Net change in fund balances	6	950	956
Fund balances - beginning	1,316	166,292	167,608
Fund balances - ending	$ 1,322	$ 167,242	$ 168,564

See auditors' report.

COMBINING FINANCIAL STATEMENTS
NONMAJOR DEBT SERVICE FUNDS

CITY OF LONG BEACH
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
SEPTEMBER 30, 2011

	Municipal Debt Service	School Debt Service	Total
ASSETS			
Cash and cash equivalents, restricted	$ 140,023	$ 110,942	$ 250,965
Taxes receivable, net	2,812	-	2,812
Total assets	$ 142,835	$ 110,942	$ 253,777
Fund balances:			
Assigned	$ 142,835	$ 110,942	$ 253,777
Total fund balances	142,835	110,942	253,777
Total fund balances	$ 142,835	$ 110,942	$ 253,777

See auditors' report.

CITY OF LONG BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Municipal Debt Service	School Debt Service	Total
REVENUES			
Property taxes	$ 253,639	$ -	$ 253,639
Investment earnings	-	346	346
Total revenues	253,639	346	253,985
EXPENDITURES			
Debt service			
Principal	298,583	-	298,583
Interest and other charges	94,914	-	94,914
Total expenditures	393,497	-	393,497
Excess (deficiency) of revenues over expenditures	(139,858)	346	(139,512)
OTHER FINANCING SOURCES			
Transfers in	96,542	-	96,542
Transfers out	(617,075)	-	(617,075)
Total other financing sources (uses)	(520,533)	-	(520,533)
Net change in fund balances	(660,391)	346	(660,045)
Fund balances - beginning	803,226	110,596	913,822
Fund balances - ending	$ 142,835	$ 110,942	$ 253,777

See auditors' report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LONG BEACH
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Covered	Company	Amount	Expires
Mayor	Brierfield Insurance Company	$100,000	6/1/2013
Alderpersons	Brierfield Insurance Company	$100,000	7/1/2013
Police Chief	Brierfield Insurance Company	$50,000	7/1/2013
Police	Brierfield Insurance Company	$50,000	7/1/2013
City Clerk	Brierfield Insurance Company	$50,000	7/1/2013
Deputy Clerks	Brierfield Insurance Company	$50,000	8/16/2012

See auditors' report.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

INDEPENDENT AUDITORS' 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*

January 11, 2013

Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
Long Beach, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Long Beach, Mississippi as of and for the year ended September 30, 2011, which collectively comprise the City of Long Beach, Mississippi's basic financial statements and have issued our report thereon dated January 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described as items 2011-01 through 2011-03 in the accompanying schedule of findings and questioned costs to be material weaknesses.

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Partnering for CPA Practice Success, National Association of Certified Valuation Analysts

Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
Long Beach, Mississippi
January 11, 2013

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City of Long Beach, Mississippi in a separate letter dated January 11, 2013.

The City of Long Beach, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Long Beach, Mississippi's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Alderpersons and others within the City of Long Beach, Mississippi, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Alexander, Van Loon, Sloan, Levens & Favre

ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

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

January 11, 2013

Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
Long Beach, Mississippi

Compliance

We have audited the City of Long Beach, Mississippi'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 the City of Long Beach, Mississippi's major federal programs for the year ended September 30, 2011. The City of Long Beach, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Long Beach, Mississippi's management. Our responsibility is to express an opinion on the City of Long Beach, Mississippi's compliance based on our audit.

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

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

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Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
Long Beach, Mississippi
January 11, 2013

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-04 and 2011-05 to be material weaknesses.

The City of Long Beach, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and the corrective action plan on page 59. We did not audit the City of Long Beach, Mississippi's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Alderpersons and others within the City of Long Beach, Mississippi, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Alexander, Van Loon, Sloan, Levens & Favre

ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2011

Grantor Federal Agency / Passed - Through Agency / Program Title	CFDA Number	Grant No./ Pass-Through Grantor No.	Identifying No.	Federal Expenditures
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Office of Community Planning and Development				
Passed through Mississippi Development Authority				
Community Development Block Grant (CDBG)	14.228	R103-235-01-KCR		$ 619,270
	14.228	R103-235-01-KP		45,731
	14.228	R-109-235-02-KCR		554,891
	14.228	R-109-235-03-KCR		491,075
	14.228	R-109-235-04-KCR		696,277
	14.228	R-103-235-03-KP		10,000
Total US Department of Housing and Urban Development				**2,417,244**
US DEPARTMENT OF THE INTERIOR				
Passed through the State of Mississippi				
Department of Marine Resources				
Boating Infrastructure Grant Program	15.622	Y13D		54,659
Coastal Impact Assistance Program (CIAP)	15.426	M11AF00106		24,016
Total US Department of the Interior				**78,675**
US DEPARTMENT OF JUSTICE				
Passed through the State of Mississippi				
Department of Public Safety				
Violence Against Women Grants	16.588	10SL2981		6,179
	16.588	09SL2981		19,440
Total US Department of Justice				**25,619**
US DEPARTMENT OF TRANSPORTATION				
National Highway Traffic Safety Administration (NHTSA)				
Passed through the State of Mississippi				
Department of Public Safety				
Occupant Protection Incentive Grant	20.602	11OP2031		8,278
Alcohol Open Container Requirements	20.607	10TA2031		49,349
Passed through the State of Mississippi				
Department of Transportation				
Safe Routes to School Program	20.205	STP-9368-00(001) LPA/105864-401000 411000		18,238
ARRA- Highway Planning and Construction	20.205	STP-9082-00(002) LPA/105718701 ARRA		62,475
ARRA- Highway Planning and Construction	20.205	STP-9082-00(003)LPA 105719-701000 ARRA		275,093
				355,806
Total US Department of Transportation				**413,433**
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
Office of Community Planning and Development				
Passed through Mississippi Library Commission				
Library Services and Technology Act (LSTA)	45.310	FFD11-25-0		2,897
	45.310	FFD11-25-1		2,851
Total Institute of Museum and Library Services				**5,748**

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2011

Grantor Federal Agency / Passed - Through Agency / Program Title	CFDA Number	Grant No./ Pass-Through Grantor No.	Identifying No.	Federal Expenditures
US DEPARTMENT OF HOMELAND SECURITY				
Passed through Mississippi Emergency Management Agency				
Disaster Grants - Public Assistance/Hurricane Katrina	97.036	1604-DR-MS	PW2052	26,821
			PW2235	2,530
			PW2368	36,025
			PW2939	6,585
			PW3289	1,234
			PW3372	228,966
			PW4533	16,250
			PW4682	132
			PW5762	63
			PW5852	22,330
			PW6860	137,422
			PW7955	298
			PW8171	113
			PW10692	5,789
			PW10860	101,650
			PW11111	618,005
			PW11123	116,209
			PW11125	179,391
			PW11126	419,744
			PW11128	661,556
			PW11156	808,787
			PW11160	1,708,438
			PW11186	1,790,787
			PW11088	219,095
Total Disaster Grants - Public Assistance/Hurricane Katrina				7,108,220
Passed through State of Mississippi Emergency Management Agency				
Hazard Mitigation Grant Program	97.039	DR-1604-MS-007		801,667
Assistance to Firefighter Grant	97.044	EMW-2010-FO-02789		29,555
Passed through the State of Mississippi Department of Public Safety				
State Homeland Security Grant Program	97.067	09LE235		320,956
Total US Department of Homeland Security				**8,260,398**
US DEPARTMENT OF COMMERCE				
Public Works Grants	11.300	47905870		1,938,609
Total US Department of Commerce				**1,938,609**
TOTAL EXPENDITURES OF FEDERAL AWARDS				**$ 13,139,726**

The accompanying notes are an integral part of these financial statements.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is included in the federal grant activity of the City of Long Beach, Mississippi and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

NOTE 2- RECONCILIATION TO GRANT REVENUE

The following reconciles the total expenditures of federal awards to grant revenue recognized in the statement of activities for the year ended September 30, 2011:

Total expenditures of federal awards	$	13,139,726
Deobligation of federal expenditures on		
PW 4130		(3,324)
PW 4394		(807)
PW 5961		(573)
PW 8857		(17,229)
PW5079		(3,433)
Prior year expenditures not recognized		
Public works grant		(1,938,609)
Total federal revenues	$	11,175,751

Operating grants and contributions	$	1,866,275
Capital grants and contributions		9,396,806
Less: state grants		(87,330)
Total federal revenues	$	11,175,751

Federal grant revenues are included in program revenue (operating and capital grants and contributions) in the statement of activities for the year ended September 30, 2011.

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CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal Control over financial reporting:	
Material Weaknesses identified?	Yes
Significant Deficiencies identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control Over Major Programs:	
Material Weaknesses identified?	Yes
Significant Deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section_510(a) of Circular A-133?	Yes

Programs tested as major programs:

CFDA Number(s)	Name of Federal Program
11.300	Public Works Grant
14.228	Community Development Block Grant
97.036	Disaster Public Assistance Grant
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between type A and B Programs	$394,192
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2011-01 Finding

Condition

Currently, grant monitoring is performed by each department head. In addition, the City has contracts with numerous companies to administer most of its grants. As a result, the persons with financial reporting responsibilities were unaware of a $1,938,609 grant award for which expenditures were incurred in the prior year. A prior period adjustment was recorded in the current year to correct this error.

Criteria

Guidelines for nonfederal entities expending federal assistance require establishing internal controls that ensure proper reporting and monitoring for Federal single audit and program-specific audits. Although the City has contracted companies to administer many of its federal grants, this does not relieve the City of its reporting and monitoring responsibilities under the award.

Effect

Improper grant reporting and monitoring could jeopardize grant funding due to findings and/or questioned costs during the performance of future single audits.

Recommendation

We recommend that the City designate a person with financial reporting responsibilities (e.g., Comptroller) to monitor all grant awards. This person should assume the responsibility of overseeing all grant processes from the application submission through the three year records retention period. In addition, these responsibilities should include maintaining grant documentation and establishing internal controls that ensure federal guidelines and requirements are met.

Management's Response

The Administration agrees that the tracking of grants by individual departments is not effective. All grants will be run through the Comptroller's office so that she is aware of them for reporting purposes.

Section II – Financial Statement Findings (Continued)

2011-02 Finding

Condition

Persons who receive and post payments in the court department, also handle customer complaints, authorize adjustments, post adjustments to customer accounts, and prepare and make bank deposits.

Criteria

Internal controls are designed to safeguard assets and help prevent or detect losses from employee error or dishonesty. A fundamental concept in a good system of internal control is the segregation of duties. Proper internal controls over cash processes require segregation of duties.

Effect

Lack of segregation of duties could result in misappropriation of assets that would not be prevented or detected in a timely manner.

Recommendation

We recommend that the following practices be implemented to improve existing internal controls:

- Bank deposits should be made by someone other than persons receiving and posting payments.
- Customer complaint resolution and adjustment authorization should be performed by someone other than persons receiving and posting payments.
- Sequential numbered receipts should be included with validated deposit slip and court cash receipts reports used to post receipts. In addition, person receiving validated deposit slip and court cash receipts reports should review numbered receipts for missing numbers.
- A sign should be posted at the Court department receipts counter stating that a receipt should be received for all payments and instructing payee to contact the Court Clerk's office if a receipt is not received.

Management's Response

Management will put the following changes in place:

The day's work will be brought to the Comptroller for balancing and review. The Comptroller will count the day's cash and checks in front of the Deputy Court clerk. Then the Comptroller will complete the bank deposit slip and review the daily report for accuracy of sequential numbering of receipt numbers.

The only adjustments that are made are for corrections of method of payment, and write offs for deceased offenders. These corrections have always been made by the Municipal Court Clerk or the Senior Deputy Court Clerk.

All customer complaints will be handled by the Municipal Court Clerk or the Senior Deputy Court Clerk.

A sign has been in place for several months in the Court Department window instructing payees to contact the Court Clerk's office if a receipt is not received.

Section II – Financial Statement Findings (Continued)

2011-03 Finding

Condition

Utility Partners (UP), a third party, and a City employee perform the City's water and sewer and port and harbor billings and collections services using the City's facilities and software. Such outsourcing of services to a third party does not relieve the City of its responsibility for accountability and the adequacy of internal controls. Per our review of UP's internal control over such services, we determined that there is a lack of segregation of duties over such services. All employees are responsible for opening customer mail, recording payments in the billing system, preparing the deposit, and making the deposit at the bank. Water and sewer customer complaints and account adjustments are also resolved by these employees.

Criteria

Internal controls are designed to safeguard assets and help prevent or detect losses from employee error or dishonesty. A fundamental concept in a good system of internal control is the segregation of duties. Proper internal controls over cash processes require segregation of duties.

Effect

Lack of segregation of duties could result in misappropriation of assets that would not be prevented or detected in a timely manner.

Recommendation

We recommend that the City institute procedures to compensate for the lack of segregation of duties or discuss segregating duties with UP. Such procedures could include the following:

- Perform a proof of accounts receivable monthly. Any significant or unusual noncash write offs should be investigated.
- Review and reconcile the accounts receivable aging/sub-ledger monthly.
- Comptroller periodically, no less than monthly, review (initial and date) adjustment reports for unusual items. The review should include proper supporting documentation.
- Present list of adjustments that includes customer name, amount, date, and reason, to the Board of Alderpersons, monthly. The Board's review and approval should be notated in the official Board minutes.
- Request a fidelity bond on UP employees.

Management's Response

Only the Supervisor prepares the deposit and takes it to the bank. Only the Supervisor and other UP employee make adjustments in the system.

The Comptroller, on a monthly basis, will proof, review, and reconcile the accounts receivable for the water/sewer department and harbor.

According to the City Clerk, the Utility Partner's employees who work in the billing department are currently bonded.

Section III – Federal Award Findings and Questioned Costs

2011-04 Finding

Programs: U.S. Department of Housing and Urban Development; Community Development Block Grant Disaster Recovery; CFDA #14.228; R-103-235-01-KCR, R-109-235-02-KCR, R-109-235-03- KCR, R-109-235-04-KCR
U.S. Department of Commerce; Public Works Grant; CFDA # 11.300; 47905870
U. S. Department of Homeland Security; Hazard Mitigation Grant Program; CFDA #97.039; DR 1459-005-MS; DR-1604-MS-007; DR-1604-MS-88
U.S. Department of Homeland Security; CFDA #97.036; Disaster Public Assistance Grant

Condition

Capital asset listings maintained by the departments do not identify assets acquired with federal funds to ensure proper stewardship and disposal of assets purchased with federal funding.

Criteria or Specific Requirement

A-102 Common Rule requires that the grantee not dispose of or encumber the title to real property without the prior consent of the awarding agency.

Effect

Assets acquired with federal funds could be misappropriated or improperly disposed of.

Questioned Costs

There are no questioned costs associated with the finding.

Context

Assets purchased and constructed with these grants include large immovable generators and building upgrades/retrofits. Accordingly, these assets are less likely to be misappropriated or improperly disposed of.

Cause

The City does not maintain a global capital asset listing that identifies capital assets constructed or purchased with federal funds.

Recommendation

We recommend that the City take steps to record all capital assets in a proper software system that will allow for identifying assets constructed or purchased with federal awards. Such listings should be updated annually after conducting an inventory of assets as required by State law.

Views of Responsible Officials and Planned Corrective Actions

The City concurs with the finding and has provided a response in the Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs (Continued)

2011-05 Finding

Program: U.S. Department of Housing and Urban Development; Community Development Block Grant Disaster Recovery; CFDA #14.228; R-103-235-01-KCR
U.S. Department of Commerce; Public Works Grant; CFDA # 11.300; 47905870

Condition

Certified payrolls were not submitted weekly by the construction contractor and subcontractor.

Criteria or Specific Requirement

Department of Labor (DOL) regulations 29 CFR Sections 5.5 and 5.6 require that the contractor and subcontractor submit certified payrolls to the subgrantee weekly.

Effect

The contractor or subcontractor could have paid workers less than the required minimum wage rate.

Questioned Costs

There are no questioned costs associated with the finding.

Context

Subsequent receipt and review of construction contractor and subcontractor certified payrolls revealed no violations.

Cause

One contractor did not submit certified payrolls for six weeks for its main subcontractor to the grant administrator. In addition, the contractors submitted certified payroll in batches of two weeks to three months. The grant administrator was unaware that the payrolls were not submitted until the project was almost complete.

Recommendation

We recommend that the grant administrator responsible for obtaining the certified payrolls be reminded of the requirement to obtain certified payrolls on a weekly basis and that the City establish procedures (e.g., a contract bid and award checklist) to ensure that the grant administrator adheres to all grant requirements. The grant administrator should also take steps to obtain missing payrolls in a timely manner and consideration should to given to withholding payment to contractors who do not comply with requirements.

Views of Responsible Officials and Planned Corrective Actions

The City concurs with the finding and has provided a response in the Corrective Action Plan.

City of Long Beach

BOARD OF ALDERMEN
Leonard G. Carrubba, Sr. - At-Large
Gary J. Ponthieux - Ward 1
Bernie Parker - Ward 2
Kaye H. Couvillon - Ward 3
Ronnie Hammons, Jr. - Ward 4
Mark E. Lishen - Ward 5
Carolyn J. Anderson - Ward 6

WILLIAM SKELLIE, JR.
MAYOR

CITY CLERK
TAX COLLECTOR
Rebecca E. Schruff

CITY ATTORNEY
James C. Simpson, Jr.

CORRECTIVE ACTION PLAN
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
SINGLE AUDIT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2011

2011-04 Finding

Capital asset listings maintained by the departments do not identify assets acquired with federal funds to ensure proper stewardship and disposal of assets purchased with federal funding.

Management Comments and Corrective Action Plan

Management agrees with the finding and is working on a spreadsheet to track all assets including how they are funded.

2011-05 Finding

Certified payrolls were not submitted weekly by the construction contractor and subcontractor.

Management Comments and Corrective Action Plan

Management agrees with the finding and will take steps to make sure the grant administrators have obtained all certified payrolls before submitting invoices for payment.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2011
(Unaudited)

2010-06 *U.S. Department of Housing and Urban Development;* Community Development Block Grant Disaster Recovery; CFDA #14.228; R-103-235-01-KCR, R-109-235-02-KCR, R-109-235-03- KCR, R-109-235-04-KCR
U. S. Department of Homeland Security; Hazard Mitigation Grant Program; CFDA #97.039; DR 1459-005-MS; DR-1604-MS-007; DR-1604-MS-88
U.S. Department of Homeland Security; CFDA #97.036; Disaster Public Assistance Grant

Condition: Capital asset listings maintained by the departments do not identify assets acquired with federal funds to ensure proper stewardship and disposal of assets purchased with federal funding.

Recommendation: We recommend that the City take steps to record all capital assets in a proper software system that will allow for identifying assets constructed or purchased with federal awards. Such listings should be updated annually after conducting an inventory of assets as required by State law.

Current Status:

The City did not end up having the Fixed Asset module as previously thought. After checking into the purchase of the module, it was not cost effective. The Comptroller is currently working with each department to put together a spreadsheet of all Fixed Assets to include whether or not they were purchased with Federal Funds.

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www.cityoflongbeachms.com

2010-07 *U.S. Department of Housing and Urban Development;* Community Development Block Grant Disaster Recovery; CFDA #14.228; R-103-235-01-KCR

Condition: Certified payrolls were not submitted weekly by the construction contractor and subcontractor.

Recommendation: We recommend that the grant administrator responsible for obtaining the certified payrolls be reminded of the requirement to obtain certified payrolls on a weekly basis and that the City establish procedures (e.g., a contract bid and award checklist) to ensure that the grant administrator adheres to all grant requirements. The grant administrator should also take steps to obtain missing payrolls in a timely manner and consideration should to given to withholding payment to contractors who do not comply with requirements.

Current Status:

The City will continue to remind grand administrators that certified payrolls must be submitted weekly. Also, the City will periodically check to make sure this is being accomplished.

2010-08 *U. S. Department of Homeland Security;* Hazard Mitigation Grant Program; CFDA #97.039; DR 1459-005-MS; DR-1604-MS-007; DR-1604-MS-88

Condition: The City was unable to provide evidence that the suspension or debarment certification was obtained during the contract procurement and awarding process.

Recommendation: We recommend that the City develop and institute procedures to ensure that certification of suspension or debarment is obtained before contracts are awarded. Evidence of *Excluded Parties List System* (EPLS) verification should be included as part of the contract award file.

Current Status:

The City will continue to remind project administrators that these certificates must be obtained. Also, the City will obtain copies so that they will be available for inspection.

REPORT ON STATE COMPLIANCE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH MISSISSIPPI STATE LAWS AND REGULATIONS

January 11, 2013

Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
Long Beach, Mississippi

We have audited the financial statements of the City of Long Beach, Mississippi as of and for the year ended September 30, 2011, and have issued our report thereon dated January 11, 2013. We have 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.*

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 state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the basic financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding:

The City's checks do not contain the City's official seal. Section 21-39-13 of the Mississippi Code requires checks to be signed by the Mayor, attested by the City Clerk, and to have the seal of the municipality affixed. We recommend the City have the official City seal added to all check stock.

Views of Responsible Officials & Planned Corrective Actions:

The only version of the City's seal is imprinted. The Comptroller is going to contact the State to get guidance on how to incorporate this onto the City's s checks.

Finding:

For a construction contract totaling $68,166 the City did not provide electronic notification to the main office of the Mississippi Contract Procurement Center that contains the same information as that in the published notice as required by Section 31-7-13 of the Mississippi Code. We recommend all required procedures be adhered to, in accordance with state law, and sufficient evidence be maintained in the contract file.

Views of Responsible Officials & Planned Corrective Actions:

The City feels that this procedure was adhered to, but unable to produce the evidence needed. The City has notified all project managers that this evidence must be maintained in the contract file.

We will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
Long Beach, Mississippi
January 11, 2013

This report is intended for the information of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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Gulfport, Mississippi