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CITY OF LONG BEACH, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

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CITY OF LONG BEACH, MISSISSIPPI
LISTING OF CITY OFFICIALS
September 30, 2017

CITY OFFICIALS

Mayor	George L. Bass
Alderman at Large	Donald Frazer
Alderman Ward #1	Ronald Robertson
Alderman Ward #2	Bernie Parker
Alderman Ward #3	Kelly Griffin
Alderman Ward #4	Timothy McCaffrey, Jr.
Alderman Ward #5	Mark Lishen
Alderman Ward #6	Patricia Bennett
City Clerk	Rebecca E. Schruff
Comptroller	Kini Gonsoulin

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Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
(A Professional Association)

Michelle Oppie Gist, CPA

Kyriaki Jessica Martin, CPA
Julia Whitley Johnson, CPA
Jesse J. Wolfe, CPA (1927-2009)
Grover B. McDuff, CPA (1923-2016)
Jack A. Oppie, CPA (1960-2014)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 the City of Long Beach, Mississippi, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Long Beach, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Long Beach, Mississippi, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



Independent Auditor's Report
Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension schedules on pages 11 - 18, 75 - 77, and 78 - 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Long Beach, Mississippi's basic financial statements. The introductory section and Schedule of Surety Bonds for City Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and Schedule of Surety Bonds for City Officials have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 01, 2018, 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* in considering City of Long Beach, Mississippi's internal control over financial reporting and compliance.

Wolfe, McEliff & Oppen

Pascagoula, Mississippi
June 01, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

This Discussion and Analysis of the City of Long Beach, Mississippi's (the "City") financial performance provides an overall review of the City's financial activities for the year ended September 30, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the City exceeded its liabilities and its deferred inflows of resources at the close of the current year by approximately \$83,304,468 (net position). Of this amount, approximately \$34,437,515 and \$48,866,953 were related to the City's governmental and business-type activities, respectively. In addition, the City's unrestricted net position (which may be used to meet the government's ongoing obligations to citizens and creditors) was approximately \$(7,021,826) (a deficit) for its governmental activities and approximately \$8,440,702 for its business-type activities.
- ◆ The government's total net position decreased by approximately \$2,189,123 for governmental activities and decreased by approximately \$766,142 for business-type activities compared to the prior restated net position.
- ◆ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$4,357,595, a decrease of approximately \$1,439,144 from the prior year's fund balance.
- ◆ The City's General Fund reported total fund balance of approximately 3,758,859. Approximately \$3,296,191 of this total amount, or approximately 88%, is available for spending at the government's discretion (unassigned fund balance). The unassigned fund balance for the General Fund was approximately 31% of total General Fund expenditures for the year ended September 30, 2017.
- ◆ The City's governmental activities capital assets decreased by approximately 1% (\$277,227) during the current fiscal year due to depreciation expense of \$1,343,368 and disposals of approximately \$496,982, partially offset by capital asset additions of approximately \$1,429,166. The City's business-type activities capital assets decreased by approximately 4% (\$1,689,021) during the current year primarily due to capital asset additions of approximately \$402,609, partially offset by disposals of \$288,347 and depreciation expense of approximately \$1,803,283.
- ◆ The governments's total debt (including general and special obligations) decreased approximately \$400,192 (20%) during the current year primarily due principle payments..

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

The *statement of net position* presents information on all the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements outline functions of the City that are principally supported by intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government operations, public safety, public works, culture and recreation, and debt service interest. The City's proprietary funds include Water/Sewer Fund and Port and Harbor Fund.

The City has no component units.

The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements can be found as listed in the table of contents.

Governmental Funds

Governmental funds are used to account for essentially the same activities reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of financial resources and the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may be able to better understand the long-term impact of near-term financing decisions. Reconciliations from the governmental fund statements to the government-wide statements are provided to aid in the comparison.

The City maintains one major governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Information for the other governmental funds is combined into a single, aggregated column.

The City adopts annual appropriated budgets for its general fund. Budgetary comparison schedules are provided to demonstrate compliance with budgetary requirements. These schedules can be found in the required supplementary information section of this report as listed in the table of contents.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

Proprietary Funds

The City maintains one type of proprietary funds. They are the enterprise funds. Enterprise funds are included in business-type activities since they serve the entire community. Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City has two enterprise funds. All the enterprise funds, the Water/Sewer Fund and Port and Harbor Fund are considered major funds and are reported individually throughout the report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has one fiduciary fund, which is maintained as an agency fund, with no attempt to create ongoing fund balances.

Notes to the Financial Statements

The notes provide additional information that is essential to a user's understanding of the basic financial statements. The notes to the financial statements can be found on pages 45 through 71 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process and net pension liability information. This required supplementary information can be found on pages 75 through 81 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position for September 30, 2017 as compared to September 30, 2016:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,718,697	6,210,857	9,733,809	8,986,147	14,452,506	15,197,004
Capital assets	41,888,228	42,165,455	40,763,653	42,452,674	82,651,881	84,618,129
Total assets	46,606,925	48,376,312	50,497,462	51,438,821	97,104,387	99,815,133
Deferred outflow of resources	598,319	1,879,455	32,508	92,730	630,827	1,972,185
Long-term liabilities	12,336,880	13,344,877	1,169,704	1,429,272	13,506,584	14,774,149
Other liabilities	188,674	252,588	478,343	467,622	667,017	720,210
Total liabilities	12,525,554	13,597,465	1,648,047	1,896,894	14,173,601	15,494,359
Deferred inflow of resources	242,175	31,664	14,970	1,562	257,145	33,226
Net position:						
Invested in capital assets, net of related debt	40,864,239	40,960,019	40,144,982	41,615,258	81,009,221	82,575,277
Restricted	595,102	1,638,305	281,269	281,269	876,371	1,919,574
Unrestricted	(7,021,826)	(5,971,686)	8,440,702	7,736,568	1,418,876	1,764,882
Total net position	\$34,437,515	36,626,638	48,866,953	49,633,095	83,304,468	86,259,733

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

In connection with the application of standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ 83,304,468
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>11,262,693</u>
Unrestricted net position, exclusive of the net pension liability effect	\$ <u>94,567,161</u>

By far the largest portion of the City's net position (97%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are not likely to be used to liquidate these liabilities.

A portion of the City's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$1,418,876 (2%) may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances for all of the three categories of net position, both for the government as a whole, as well as for its separate business-type activities. Governmental activities reported a negative net position for one of the three categories of net position. The same situation held true for the prior fiscal year.

Net investment in capital assets decreased by \$1,566,056 during the year. Restricted net position decreased by \$1,043,203. Unrestricted net position decreased by \$346,006 during the year with the unrestricted net position of business-type activities increasing by \$704,134 and the unrestricted net position of governmental activities decreasing by \$1,050,140.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

The following table shows the changes in the City's net position for 2017 compared to 2016.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,500,838	1,078,586	6,763,983	6,776,688	8,264,821	7,855,274
Operating grants and contributions	15,456	67,560	-	-	15,456	67,560
Capital grants and contributions	453,248	231,769	36,714	612,090	489,962	843,859
General revenues:						
Property taxes	5,022,426	5,188,142	-	-	5,022,426	5,188,142
Franchise taxes	616,948	583,951	-	-	616,948	583,951
Sales tax	1,425,201	1,379,480	-	-	1,425,201	1,379,480
Other taxes	337,427	402,979	-	-	337,427	402,979
Other general revenues	<u>72,952</u>	<u>112,535</u>	<u>282,024</u>	<u>212,156</u>	<u>354,976</u>	<u>324,691</u>
Total revenues	<u>9,444,496</u>	<u>9,045,002</u>	<u>7,082,721</u>	<u>7,600,934</u>	<u>16,527,217</u>	<u>16,645,936</u>
Program expenses						
General government	4,700,372	4,233,422	-	-	4,700,372	4,233,422
Public safety	5,465,946	5,338,551	-	-	5,465,946	5,338,551
Public works	747,504	798,328	-	-	747,504	798,328
Culture and recreation	682,610	686,933	-	-	682,610	686,933
Debt service - interest	34,845	45,295	-	-	34,845	45,295
Water and Sewer	-	-	7,070,146	6,601,746	7,070,146	6,601,746
Port and Harbor	-	-	<u>781,059</u>	<u>626,350</u>	<u>781,059</u>	<u>626,350</u>
Total expenses	<u>11,631,277</u>	<u>11,102,529</u>	<u>7,851,205</u>	<u>7,228,096</u>	<u>19,482,482</u>	<u>18,330,625</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(2,186,781)</u>	<u>(2,057,527)</u>	<u>(768,484)</u>	<u>372,838</u>	<u>(2,955,265)</u>	<u>(1,684,689)</u>
Transfers in (out)	<u>(2,342)</u>	<u>(196,785)</u>	<u>2,342</u>	<u>196,785</u>	-	-
Change in net position	<u>(2,189,123)</u>	<u>(2,254,312)</u>	<u>(766,142)</u>	<u>569,623</u>	<u>(2,955,265)</u>	<u>(1,684,689)</u>
Net position - beginning of year	<u>36,626,638</u>	<u>38,880,950</u>	<u>49,633,095</u>	<u>49,063,472</u>	<u>86,259,733</u>	<u>87,944,422</u>
Net position - end of year	<u>\$34,437,515</u>	<u>36,626,638</u>	<u>48,866,953</u>	<u>49,633,095</u>	<u>83,304,468</u>	<u>86,259,733</u>

Governmental Activities

Governmental activities decreased the City's net position by \$2,189,123. The overall decrease reflects expenses exceeding revenues for the year by \$2,186,781. This amount was partially due to \$2,342 in transfers out, of which is for various administrative activities.

Revenues for the year experienced an decrease of \$165,716 in ad valorem taxes as well as an increase of \$812,075 in capital outlay expenditures from the previous year, which resulted in a substantial portion of the decrease in net position in the governmental funds.

Business-type Activities

Business-type activities decreased the City's total net position by \$766,142 during the year. Revenues for the business-type activities decreased by \$518,213 ((7)%). Expenses for the business-type activities increased \$623,109 (9%). Expenses increased by \$154,709 in the Port and Harbor fund. Expenses increased by \$478,406 in the Water and Sewer fund.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

The overall increase in revenues in the Port and Harbor fund is due to an increase in grant funds received. Charges for services increased slightly due to new accounts added during the year.

Water and Sewer fund experienced an increase in expenditures primarily related to an increase in the cost of solid waste disposal and wastewater debt service.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing City's financing requirements.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,357,595, a decrease of \$1,439,144 in comparison with the prior year. This overall decrease was primarily due to the \$1,402,324 decrease in the General fund. The balance in this fund decreased primarily due the increase in capital outlay expenditures.

Of the combined \$4,357,595 governmental fund balances at year end \$595,102 (14%) is classified as restricted by grantors, state or federal laws, or enabling legislation; \$168,389 is classified as committed; and \$297,913 is classified as assigned. The remaining \$3,296,191 is classified as unassigned (76%). By definition unassigned balances include all deficit balances. There were no unassigned fund balance deficits at year-end.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,296,191, while the total fund balance was \$3,758,859. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned and total general fund balances at the end of the fiscal year represent 31% and 35%, respectively, of total general fund expenditures. These percentages decreased from the prior year computation of unassigned and total fund balances of 39% and 55%, respectively. The City's general fund balance decreased by \$1,402,324 during the current fiscal year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail.

Total net position for the City's enterprise funds as of September 30, 2017 was \$48,866,953, an decrease of \$766,142 from the previous fiscal year's restated net position. Of the net position of the enterprise funds, \$40,144,982 is the net investment in capital assets of the enterprise funds. Unrestricted net position totaled \$8,440,702, an increase of \$704,134 compared to the previous year.

Unrestricted net position of the Enterprise Funds at the end of the fiscal year were \$6,402,971 for the Water and Sewer Fund and \$2,037,731 for the Port and Harbor Fund. Port and Harbor Fund showed an increase in fund balance while the Water and Sewer Fund showed a decrease. Other factors concerning the finances of these funds are addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's budget is prepared according to Mississippi Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report on pages 75 through 77 as required supplemental information.

During the year there was a \$354,605 increase in appropriations between the original budget and the final amended budget. Budgeted revenues increased by \$21,508 from the original to the amended budget.

Following is the main component of the overall budget appropriations increase during the year:

- ◆ Increase in Police Dept capital of \$268,620 to purchase new CAD/RMS/FMS equipment and software for dispatch (purchase not made until 2018).
- ◆ Increase in Waste water treatment \$101,000 for unexpected increase in expenditures
- ◆ Increase in Water/Sewer Contingency \$500,000 for projects (funded from fund balance)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$82,651,881 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings and improvements, vehicle, equipment, and library materials. The City's investment in capital assets for the current fiscal year decreased by \$277,227 and \$1,689,021 for governmental activities and business-type activities, respectively, compared to the prior year.

Major capital asset events during the current fiscal year included the following:

- ◆ Additions to capital assets (net of asset retirements) totaled \$1,046,446.
- ◆ Major asset additions included \$692,385 in construction in progress for various community projects.

Depreciation expense totaled \$3,146,651 for the year with \$1,343,368 in the governmental activities and \$1,803,283 in the business-type activities.

The following table presents a summary of the City's capital assets (net of depreciation) for the current and prior fiscal year.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 6,414,122	6,414,122	387,425	387,425	6,801,547	6,801,547
Construction in progress	997,589	372,121	35,332	282,560	1,032,921	654,681
Buildings	16,700,361	17,078,699	21,687,071	21,696,360	38,387,432	38,775,059
Improvements - other	402,601	416,087	-	-	402,601	416,087
Infrastructure	16,060,451	16,391,346	18,346,974	19,752,053	34,407,425	36,143,399
Equipment	399,132	488,009	182,704	220,137	581,836	708,146
Vehicles	848,181	929,076	124,147	114,139	972,328	1,043,215
Library materials	65,791	75,995	-	-	65,791	75,995
Total	\$41,888,228	42,165,455	40,763,653	42,452,674	82,651,881	84,618,129

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

CITY OF LONG BEACH, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017

Debt Administration

At September 30, 2017 and 2016, the City had \$1,642,660 and \$2,042,852, respectively, in long-term debt outstanding. As of September 30, 2017, principal payments in the amount of \$392,245 were due within one year.

The following table summarizes debt outstanding as of September 30, 2017 and 2016.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds (backed by the City)	\$ 715,000	838,000	-	-	715,000	838,000
Notes payable	-	-	618,671	837,416	618,671	837,416
Capital leases	308,989	367,436	-	-	308,989	367,436
Total	\$ 1,023,989	1,205,436	618,671	837,416	1,642,660	2,042,852

More detailed information about the City's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's fiscal year 2018 budget is very similar to the one passed for fiscal year 2017. The only major change was using approximately one million dollars from fund balance (donated funds) to pave streets that were in dire need of attention. Our local economy is seeing some growth. The City has experienced small increases in building permits and sales tax revenues over what was received in 2017. The City has plans in the works for new developments that would potentially add new businesses and residences.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Comptroller's Office at 201 Jeff Davis Avenue, Long Beach, Mississippi.

BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

- ◆ Government-wide financial statements
 - Statement of Net Position
 - Statement of Activities
- ◆ Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) funds
 - Fiduciary funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,912,285	7,317,464	10,229,749
Receivables, net	681,741	1,200,254	1,881,995
Due from other governments	360,997	518,334	879,331
Prepaid expenses	165,326	-	165,326
Other assets	-	958	958
Restricted cash and cash equivalents	429,959	415,530	845,489
Noncurrent assets:			
Certificates of deposit - restricted	168,389	281,269	449,658
Capital assets:			
Land, improvements, and construction in progress	7,411,711	422,757	7,834,468
Other capital assets, net of depreciation	34,476,517	40,340,896	74,817,413
Total capital assets, net	41,888,228	40,763,653	82,651,881
Total assets	<u>46,606,925</u>	<u>50,497,462</u>	<u>97,104,387</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	598,319	32,508	630,827
Total deferred outflows of resources	<u>598,319</u>	<u>32,508</u>	<u>630,827</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	171,183	61,014	232,197
Due to other governments	-	1,799	1,799
Customer deposits	-	415,530	415,530
Unearned revenues	17,491	-	17,491
Long-term liabilities:			
Due within one year			
Bonds and notes payable	125,000	207,256	332,256
Capital lease payable	59,989	-	59,989
Compensated absences	53,742	3,933	57,675
Due in more than one year			
Bonds and notes payable	590,000	411,415	1,001,415
Capital lease payable	249,000	-	249,000
Compensated absences	169,874	-	169,874
Net pension liability	11,089,275	547,100	11,636,375
Total liabilities	<u>12,525,554</u>	<u>1,648,047</u>	<u>14,173,601</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	242,175	14,970	257,145
Total deferred inflows of resources	<u>242,175</u>	<u>14,970</u>	<u>257,145</u>
NET POSITION			
Investment in capital assets (net of related debt)	40,864,239	40,144,982	81,009,221
Restricted for:			
Debt Service	430,347	-	430,347
Unemployment compensation	38,142	-	38,142
Other purposes	126,613	281,269	407,882
Unrestricted net position	(7,021,826)	8,440,702	1,418,876
Total net position	<u>\$ 34,437,515</u>	<u>48,866,953</u>	<u>83,304,468</u>

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

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the year ended September 30, 2017

	Expenses	Program revenue			Net (expense) revenue and changes in net position		
		Charges for service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
General government	\$ 4,700,372	1,500,838	-	345,590	(2,853,944)	-	(2,853,944)
Public safety	5,465,946	-	13,956	27,709	(5,424,281)	-	(5,424,281)
Public works	747,504	-	-	79,949	(667,555)	-	(667,555)
Culture and recreation	682,610	-	1,500	-	(681,110)	-	(681,110)
Debt service - interest	34,845	-	-	-	(34,845)	-	(34,845)
Total governmental activities	<u>11,631,277</u>	<u>1,500,838</u>	<u>15,456</u>	<u>453,248</u>	<u>(9,661,735)</u>	<u>-</u>	<u>(9,661,735)</u>
Business-type activities:							
Water, sewer and gas fund	7,070,146	6,442,388	-	-	-	(627,758)	(627,758)
Port and Harbor	781,059	321,595	-	36,714	-	(422,750)	(422,750)
Total business-type activities	<u>7,851,205</u>	<u>6,763,983</u>	<u>-</u>	<u>36,714</u>	<u>-</u>	<u>(1,050,508)</u>	<u>(1,050,508)</u>
Total primary	<u>\$ 19,482,482</u>	<u>8,264,821</u>	<u>15,456</u>	<u>489,962</u>	<u>(9,661,735)</u>	<u>(1,050,508)</u>	<u>(10,712,243)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					5,022,426	-	5,022,426
Franchise taxes					616,948	-	616,948
Sales tax					1,425,201	-	1,425,201
Other taxes					337,427	-	337,427
Unrestricted investment earnings					35,003	32	35,035
Gain (loss) on the sale of capital assets					1,181	-	1,181
Miscellaneous					36,768	281,992	318,760
Transfers in (out)					(2,342)	2,342	-
Total general revenues and transfers					<u>7,472,612</u>	<u>284,366</u>	<u>7,756,978</u>
CHANGES IN NET POSITION					(2,189,123)	(766,142)	(2,955,265)
Net position - beginning as previously reported					36,626,638	49,198,095	85,824,733
Prior period adjustments, Note 16					-	435,000	435,000
Net position - beginning as restated					<u>36,626,638</u>	<u>49,633,095</u>	<u>86,259,733</u>
Net position - ending					<u>\$ 34,437,515</u>	<u>48,866,953</u>	<u>83,304,468</u>

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

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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CITY OF LONG BEACH, MISSISSIPPI
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,483,586	428,699	2,912,285
Receivables, net	681,741	-	681,741
Due from other governments	359,349	1,648	360,997
Restricted assets:			
Cash and cash equivalents	429,959	-	429,959
Certificates of deposit	-	168,389	168,389
Total assets	<u>\$ 3,954,635</u>	<u>598,736</u>	<u>4,553,371</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 132,558	-	132,558
Other accrued liabilities	15,699	-	15,699
Unearned revenue	17,491	-	17,491
Total liabilities	<u>165,748</u>	<u>-</u>	<u>165,748</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	30,028	-	30,028
Total deferred inflows of resources	<u>30,028</u>	<u>-</u>	<u>30,028</u>
FUND BALANCES			
Nonspendable:			
Restricted for:			
Debt service	-	430,347	430,347
Unemployment compensation	38,142	-	38,142
Other purposes	126,613	-	126,613
Committed for:			
Capital outlay	-	168,389	168,389
Assigned for:			
Hurricane recovery	289,188	-	289,188
Unemployment compensation	8,725	-	8,725
Unassigned	3,296,191	-	3,296,191
Total fund balances	<u>3,758,859</u>	<u>598,736</u>	<u>4,357,595</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,954,635</u>	<u>598,736</u>	<u>4,553,371</u>

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

CITY OF LONG BEACH, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2017

Total governmental funds balance **\$ 4,357,595**

Amounts reported for governmental activities in the statement of net position are different than those reported in the fund financial statements because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense.

Governmental capital assets	62,827,598	
less: accumulated depreciation	(20,939,370)	41,888,228

A portion of the City's receivables are collected after year-end; but they are not collected soon enough to be available as financial resources for the current year. The revenues related to these receivables are deferred and not reported in the governmental funds.

30,028

Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.

165,326

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	598,319	
Deferred inflows of resources related to pensions	(242,175)	356,144

Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued interest payable	(22,926)	
Bonds and notes payable	(715,000)	
Capital lease payable	(308,989)	
Compensated absences	(223,616)	
Net pension liability	(11,089,275)	(12,359,806)

Net position of governmental activities **\$ 34,437,515**

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

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 4,888,365	134,061	5,022,426
Sales taxes	1,425,201	-	1,425,201
Franchise fees	607,210	-	607,210
Fees and fines	919,119	-	919,119
Licenses and permits	163,771	-	163,771
Intergovernmental	337,427	-	337,427
Charges for services	384,715	-	384,715
Investment earnings	33,358	1,645	35,003
Grants	467,543	-	467,543
Miscellaneous	25,696	-	25,696
Total revenues	<u>9,252,405</u>	<u>135,706</u>	<u>9,388,111</u>
EXPENDITURES			
Current:			
General government	2,691,906	-	2,691,906
Public safety	5,465,946	-	5,465,946
Public works	747,504	-	747,504
Culture and recreation	682,610	-	682,610
Debt service:			
Principal payments	-	181,447	181,447
Interest and fiscal charges	-	34,845	34,845
Capital outlay	1,079,790	-	1,079,790
Total expenditures	<u>10,667,756</u>	<u>216,292</u>	<u>10,884,048</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,415,351)</u>	<u>(80,586)</u>	<u>(1,495,937)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	14,830	-	14,830
Proceeds from sale of other equipment	11,072	-	11,072
Proceeds from sale of cemetery lots	21,500	-	21,500
Insurance recoveries	11,733	-	11,733
Transfers in (out)	(46,108)	43,766	(2,342)
Total other financing sources (uses)	<u>13,027</u>	<u>43,766</u>	<u>56,793</u>
Net changes in fund balances	(1,402,324)	(36,820)	(1,439,144)
Fund balance - beginning of year	<u>5,161,183</u>	<u>635,556</u>	<u>5,796,739</u>
Fund balance - end of year	<u>\$ 3,758,859</u>	<u>598,736</u>	<u>4,357,595</u>

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

CITY OF LONG BEACH, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds **\$ (1,439,144)**

Amounts reported for governmental activities in the statement of activities are different than those reported in the fund financial statements because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period:

Capital outlay	1,079,790	
Depreciation expense	<u>(1,343,368)</u>	(263,578)

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue. However, the statement of activities reports only the gain or loss on the sale. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold. (13,649)

Receivables that do not meet the "measurable and available" criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities they are recognized as revenue when levied or earned. 10,899

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 181,447

Pension expense recorded in the Statement of Activities does not require the use of current financial resources. (665,098)

Changes in net position of governmental activities **\$ (2,189,123)**

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

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CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2017

	Enterprise Funds		
	Major Funds		Total Enterprise Funds
	Water and Sewer Fund	Port and Harbor Fund	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,910,816	2,406,648	7,317,464
Accounts receivable, net	1,191,550	8,704	1,200,254
Due from other governments	518,334	-	518,334
Other assets	-	958	958
Restricted cash and cash equivalents	415,530	-	415,530
Total current assets	<u>7,036,230</u>	<u>2,416,310</u>	<u>9,452,540</u>
Noncurrent assets:			
Certificates of deposit	281,269	-	281,269
Capital assets:			
Land and construction in progress	141,627	281,130	422,757
Other capital assets, net of accumulated depreciation	<u>31,725,549</u>	<u>8,615,347</u>	<u>40,340,896</u>
Total noncurrent assets	<u>32,148,445</u>	<u>8,896,477</u>	<u>41,044,922</u>
Total assets	<u>39,184,675</u>	<u>11,312,787</u>	<u>50,497,462</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	<u>3,120</u>	<u>29,388</u>	<u>32,508</u>
Total deferred outflows of resources	<u>3,120</u>	<u>29,388</u>	<u>32,508</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	54,151	6,863	61,014
Due to other governments	670	1,129	1,799
Customer deposits	415,530	-	415,530
Bonds and notes payable	207,256	-	207,256
Compensated absences	402	3,531	3,933
Total current liabilities	<u>678,009</u>	<u>11,523</u>	<u>689,532</u>
Noncurrent liabilities:			
Bonds and notes payable	411,415	-	411,415
Net pension liability	<u>157,640</u>	<u>389,460</u>	<u>547,100</u>
Total noncurrent liabilities:	<u>569,055</u>	<u>389,460</u>	<u>958,515</u>
Total liabilities	<u>1,247,064</u>	<u>400,983</u>	<u>1,648,047</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	<u>7,986</u>	<u>6,984</u>	<u>14,970</u>
Total deferred inflows of resources	<u>7,986</u>	<u>6,984</u>	<u>14,970</u>
NET POSITION			
Invested in capital assets, net of related debt	31,248,505	8,896,477	40,144,982
Restricted for:			
Other purposes	281,269	-	281,269
Unrestricted	<u>6,402,971</u>	<u>2,037,731</u>	<u>8,440,702</u>
Total net position	<u>\$ 37,932,745</u>	<u>10,934,208</u>	<u>48,866,953</u>

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

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For the Year Ended September 30, 2017

	Enterprise Funds		
	Major Funds		Total Enterprise Funds
	Water and Sewer Fund	Port and Harbor Fund	
OPERATING REVENUES			
Charges for services	\$ 6,442,388	321,595	6,763,983
Miscellaneous	260,611	21,381	281,992
Total operating revenues	<u>6,702,999</u>	<u>342,976</u>	<u>7,045,975</u>
OPERATING EXPENSES			
Personnel services	96,133	237,412	333,545
Administrative expenses	300,000	32,802	332,802
Contractual fees	1,774,330	13,938	1,788,268
Wastewater treatment	1,321,634	-	1,321,634
Wastewater debt	718,466	-	718,466
Waste disposal	827,125	-	827,125
Utilities	211,430	35,311	246,741
Supplies	249,616	31,256	280,872
Depreciation	1,404,156	399,127	1,803,283
Other services and charges	139,121	31,213	170,334
Total operating expenses	<u>7,042,011</u>	<u>781,059</u>	<u>7,823,070</u>
Operating income (loss)	<u>(339,012)</u>	<u>(438,083)</u>	<u>(777,095)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earnings	32	-	32
Interest expense	(28,135)	-	(28,135)
Grants and contributions in aid	-	36,714	36,714
Transfers in (out)	(6,200)	8,542	2,342
Total nonoperating revenues	<u>(34,303)</u>	<u>45,256</u>	<u>10,953</u>
Change in net position	<u>(373,315)</u>	<u>(392,827)</u>	<u>(766,142)</u>
Total net position - beginning as previously stated	37,871,060	11,327,035	49,198,095
Prior period adjustments, Note 16	435,000	-	435,000
Total net position - beginning as restated	<u>38,306,060</u>	<u>11,327,035</u>	<u>49,633,095</u>
Total net position - end of year	<u>\$ 37,932,745</u>	<u>10,934,208</u>	<u>48,866,953</u>

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

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2017

	Enterprise Funds		
	Major Funds		Total Enterprise Funds
	Water and Sewer Fund	Port and Harbor Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 6,367,230	322,600	6,689,830
Payments for goods and services	(5,537,666)	(151,565)	(5,689,231)
Payments to employees for services	(87,974)	(212,764)	(300,738)
Other receipts (payments)	260,611	21,381	281,992
Net cash provided (used) by operating activities	<u>1,002,201</u>	<u>(20,348)</u>	<u>981,853</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from grants and contributions in aid	334,467	62,104	396,571
Transfers to / from other funds	(6,200)	8,542	2,342
Net cash provided in noncapital financing activities	<u>328,267</u>	<u>70,646</u>	<u>398,913</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(64,560)	(49,702)	(114,262)
Principal paid on capital debt	(218,745)	-	(218,745)
Interest paid on capital debt	(28,135)	-	(28,135)
Net cash (used) in capital and related financing activities	<u>(311,440)</u>	<u>(49,702)</u>	<u>(361,142)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted customer deposits	13,710	-	13,710
Interest received	32	-	32
Net cash provided by investing activities	<u>13,742</u>	<u>-</u>	<u>13,742</u>
Net increase (decrease) in cash and cash equivalents	1,032,770	596	1,033,366
Beginning of the year	4,293,576	2,406,052	6,699,628
End of the year	<u>\$ 5,326,346</u>	<u>2,406,648</u>	<u>7,732,994</u>

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

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended September 30, 2017

	Enterprise Funds		
	Major Funds		Total Enterprise Funds
	Water and Sewer Fund	Port and Harbor Fund	
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ (339,012)	(438,083)	(777,095)
Adjustments to reconcile operating income (loss) to net cash			
Depreciation expense	1,404,156	399,127	1,803,283
(Increase) decrease in current assets:			
Accounts receivable	(75,158)	1,005	(74,153)
Increase (decrease) in current liabilities:			
Accounts payable	4,056	(7,045)	(2,989)
Other liabilities	8,159	24,648	32,807
Net cash provided (used) by operating activities	\$ 1,002,201	(20,348)	981,853

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

FIDUCIARY FUND FINANCIAL STATEMENTS

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CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF NET POSITION - FIDUCIARY FUND
September 30, 2017

	<u>Tax Collector Clearing Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 18
Property tax receivable	88,593
Total assets	<u>88,611</u>
LIABILITIES	
Due to other governments	88,611
Total liabilities	<u>\$ 88,611</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City was incorporated on August 10, 1905. The City operates under a Mayor-Board form of government and provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation and water and sewer system.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body of establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

The City does not have any component units as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows/inflows, liabilities, net position/fund equity, revenues, and expenditures/expenses. 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.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The proprietary funds are classified as enterprise funds.

Fiduciary funds are those used to account for funds held by the City in trust for others that cannot be used to support the City's programs.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least 10 percent of the corresponding total for all funds of that category or type, and
2. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is a least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or enterprise fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major funds:

Major Governmental Funds

- ◆ General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Major Enterprise Funds

- ◆ Water and Sewer fund accounts for operations of the City's water, sewer, gas, and garbage system.
- ◆ Port and Harbor fund accounts for operations of the harbor operated by the City.

Non-Major Governmental Funds

- ◆ Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes, (other than debt service or capital projects) as follows:
 - Forestry Commission Grant Fund
 - Contribution Agreement Fund
- ◆ Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest and related costs, other than enterprise debt. Currently, there is one debt service fund, the Municipal Debt Service fund.
- ◆ Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). There are currently no capital projects funds.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

- ◆ The Tax Collector Clearing fund is used to account for assets held by the City in a trustee capacity or as an agent for other governmental units.

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund: _____
Gas, Water and Sewer Fund

Required By: _____
Trust Indenture

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues 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 are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are recorded as unearned revenues.

The City reports unearned revenues on its governmental funds balance sheet. Unearned revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, unearned revenues arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board. The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances

Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. All cash and cash equivalents are reported at their carrying amounts, which reasonably approximates fair value.

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.

Receivables

All trade receivables are reported net of an allowance for uncollectible amounts, where applicable. Unbilled charges are accrued as receivables and revenue at September 30, 2017.

Allowance for Uncollectible Amounts

An allowance for uncollectible amounts relates to the estimated uncollectible balance of the revenues earned or accrued that have been included in accounts receivable at year end. An allowance is recorded on receivable balances based on historical bad debt experience related to the nature of each receivable balance.

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital position utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Water and sewer system	30-35 years
Machinery and equipment	3-15 years
Improvements	20 years
Other infrastructures	10-50 years
Vehicles	5 years

Compensated Absences

Vacation benefits and sick leave are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. All compensated absences liabilities include salary-related payments, where applicable.

The City accrues accumulated unpaid vacation leave at the end of the fiscal year. The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due". The non-current portion (the amount estimated to be used beyond the next fiscal year) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

The City's policy allows employees to accumulate unused sick leave on an unlimited basis; however, vacation leave must be used before the employee's next anniversary unless they have prior approval from their department head. Upon termination, any accumulated vacation will be paid to the employee. Any earned vacation hours in excess of 240 hours is certified and sent to the Public Employees Retirement System (PERS). Sick leave is not paid upon termination, however, any unused sick time is also certified and sent to PERS.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

Debt Premiums, Discounts and Issuance Costs

On the governmental-wide and proprietary fund type statement of activities, unamortized debt premiums and discounts, are deferred and amortized over the life of the debt using the straight-line method that approximates the effective interest method. Debt issuance costs are expenses as incurred.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

At the governmental fund reporting level, debt fund reporting level, debt premiums and discounts are reported as other financing sources and uses, separately from the face amount of the debt issued. Debt issuance costs are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Mississippi Public Employees' Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has a deferred outflow which is presented as a deferred outflow of resources related to pension obligations.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The City has a deferred inflow which is presented as a deferred inflow of resources related to pension obligations.

Net Position/Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

In the Government-Wide financial statements, the difference between the City's total assets and deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components:

- ◆ Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvement of those assets.
- ◆ Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
- ◆ Unrestricted net position - All other net position not meeting the definition of "restricted" or "invested in capital assets, net of related debt." Unrestricted net position represents the net position available for future operations.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Generally, governmental fund balances represent the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ◆ Nonspendable - Includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.
- ◆ Restricted - Includes amounts that have constraints placed upon the use of the resources either by external party or imposed by law through a constitutional provision or enabling legislation.
- ◆ Committed - Includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Aldermen as approved in the board minutes.
- ◆ Assigned - Includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. Intent can be expressed by the City's Board of Aldermen or by an official or body to which the City's Board of Aldermen delegates the authority. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed.
- ◆ Unassigned - Is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City has various restrictions placed over certain revenue sources from federal, state or local requirements. The primary restricted revenue sources include:

Revenue Source:
Gasoline Excise & Commercial Vehicle Tax
Water, Sewer and Gas Revenue
Grant Program Expenditures
Ad Valorem Tax

Legal Restrictions in Use:
Street and Road purposes
Debt Service and Utility Operations
Grant agreements
Debt Service

For the year ended September 30, 2017, the City complied, in all material respects, with these revenue restrictions.

Net position restricted through enabling legislation consists of \$430,347 for service of debt; \$38,142 for MS State Unemployment Revolving Fund (employee benefits); \$30,314 for State Seizure funds; \$40,941 for Drug Seizure funds; \$2,749 for grant purposes; and \$52,609 for Fire Rebate by the State Insurance Commission.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City does not have a minimum fund balance policy.

Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

Internal Activity

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund from which expenditures were initially made that are properly applicable to another fund are recorded as expenditures in the fund that is reimbursed. Outstanding reimbursements are recorded as due to or from other funds. Net receivables or payables from other funds are reported as internal balances in the government-wide statement of net position.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2. DEPOSITS AND INVESTMENTS

State law requires that all deposits in excess of FDIC insurance limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a fair value of not less than the principal amount of the deposits. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

At year-end, the carrying amount of the City's deposits was \$11,523,858, and the respective bank balances totaled \$11,927,978.

The City's deposits were fully insured or collateralized as required by statute at September 30, 2017.

The City's policies regarding deposits of cash are discussed in Note 1 D. The City deposits funds in financial institutions selected by the Board of Aldermen in accordance with Mississippi statutes. The approved city depositories for the 2016-2017 calendar years is Hancock Bank.

Deposits at September 30, 2017, (including restricted deposits) are as follows:

<u>Deposits</u>	<u>Bank Balances</u>	<u>Total Carrying Value</u>
Pooled deposits:		
Cash and cash equivalents	\$ 11,473,981	11,074,200
Petty cash	-	1,038
	<u>\$ 11,473,981</u>	<u>11,075,238</u>
Reconciliation to government-wide statement of net assets:		
Restricted cash		\$ 845,489
Unrestricted cash		10,229,749
		<u>\$ 11,075,238</u>

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 City's policies regarding legal requirements of deposits are discussed above.

At September 30, 2017, the City held the following certificates of deposit with maturity dates of longer than three months:

<u>Certificates of Deposit</u>	<u>Total Carrying Value</u>
Governmental activities:	
Hancock Bank, 0.15% interest, matures September, 2018	\$ 55,851
Hancock Bank, 0.15% interest, matures October, 2018	112,538
Total governmental activities	<u>\$ 168,389</u>
Business-type activities:	
Hancock Bank, 0.45% interest, matures February, 2019	\$ 281,269
Total business-type activities	<u>\$ 281,269</u>

A. Restricted Cash and Investments

The amounts reported as restricted assets are cash and accrued interest held by the trustee bank on behalf of the various public trusts (authorities) and amounts held in trust for customer utility meter deposits.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 2. DEPOSITS AND INVESTMENTS (continued)

The restricted assets as of September 30, 2017, are as follows:

Restricted Assets	Cash Including Time Deposits
Governmental activities:	
Cash and cash equivalents:	
Drug seizures	\$ 30,314
Fire rebate	52,609
Hurricane recovery	289,188
Grants	2,749
State seizures	40,941
Unemployment compensation	14,158
Certificates of deposit:	
Capital assets purchases	168,389
Total governmental activities	\$ 598,348
Business-type activities:	
Cash and cash equivalents:	
Customer deposits	\$ 415,530
Certificates of deposit:	
Condominium escrow	281,269
Total business-type activities	\$ 696,799

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 issuers 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 statute authorizes and limits investment of surplus funds to (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. The City invests its surplus funds in certificates of deposit and does not believe that it is exposed to credit risk.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2017, consisted of the following:

<u>Functions/Programs</u>	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
Governmental activities:			
Franchise taxes	\$ 177,647	-	177,647
Police court fines	8,250,966	7,746,972	503,994
Other	100	-	100
Total governmental activities	<u>\$ 8,428,713</u>	<u>7,746,972</u>	<u>681,741</u>
Business-type activities:			
Water, sewer and gas services	\$ 2,029,358	837,808	1,191,550
Port and harbor activities	136,576	127,872	8,704
Total business-type activities	<u>\$ 2,165,934</u>	<u>965,680</u>	<u>1,200,254</u>

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

Capital Assets	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,414,122	-	-	6,414,122
Construction in progress	372,121	974,844	(349,376)	997,589
Total capital assets not being depreciated	6,786,243	974,844	(349,376)	7,411,711
Capital assets being depreciated:				
Buildings	19,063,335	-	-	19,063,335
Improvements - other	570,189	-	-	570,189
Infrastructure	29,554,476	349,376	-	29,903,852
Equipment	2,737,366	36,720	(115,000)	2,659,086
Vehicles	3,061,596	53,988	(32,606)	3,082,978
Library materials	122,209	14,238	-	136,447
Total capital assets being depreciated	55,109,171	454,322	(147,606)	55,415,887
Less accumulated depreciation for:				
Buildings	1,984,636	378,338	-	2,362,974
Improvements - other	154,102	13,486	-	167,588
Infrastructure	13,163,130	680,271	-	13,843,401
Equipment	2,249,357	113,867	(103,270)	2,259,954
Vehicles	2,132,520	132,964	(30,687)	2,234,797
Library materials	46,214	24,442	-	70,656
Total accumulated depreciation	19,729,959	1,343,368	(133,957)	20,939,370
Total capital assets being depreciated, net	35,379,212	(889,046)	(13,649)	34,476,517
Total governmental activities	\$ 42,165,455	85,798	(363,025)	41,888,228
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 387,425	-	-	387,425
Construction in progress	282,560	41,119	(288,347)	35,332
Total capital assets not being depreciated	669,985	41,119	(288,347)	422,757
Capital assets being depreciated:				
Buildings	21,784,909	-	-	21,784,909
Harbor Infrastructure and improvements	9,902,889	301,132	-	10,204,021
Water/Sewer Infrastructure and improvements	27,073,261	-	-	27,073,261
Equipment	546,190	16,770	-	562,960
Vehicles	242,643	43,588	-	286,231
Total capital assets being depreciated	59,549,892	361,490	-	59,911,382
Less accumulated depreciation for:				
Buildings	88,549	9,289	-	97,838
Harbor Infrastructure and improvements - other	1,192,954	398,543	-	1,591,497
Water/sewer Infrastructure and improvements	16,031,143	1,307,668	-	17,338,811
Equipment	326,053	54,203	-	380,256
Vehicles	128,504	33,580	-	162,084
Total accumulated depreciation	17,767,203	1,803,283	-	19,570,486
Total capital assets being depreciated, net	41,782,689	(1,441,793)	-	40,340,896
Total business-type activities	\$ 42,452,674	(1,400,674)	(288,347)	40,763,653

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 4. CAPITAL ASSETS (continued)

A summary of construction-in-progress transactions for the year ended September 30, 2017, follows:

Construction In-Progress	Expended through September 30, 2017	Remaining Commitment
Governmental Activities:		
City-wide Paving Project	\$ 884,346	115,654
Pineville Road Sidewalks	113,243	335,481
Total governmental activities	<u>\$ 997,589</u>	<u>451,135</u>
Business-type Activities:		
Southeast Bulkhead Shore Protection	\$ 31,130	1,958,630
Water/Sewer Improvements	4,202	495,798
Total business-type activities	<u>\$ 35,332</u>	<u>2,454,428</u>

Depreciation expense was charged to programs for the year ended September 30, 2017 as follows:

Functions/Programs	Depreciation Expense
Governmental activities:	
General government	\$ <u>1,343,368</u>
Business-type activities:	
Water, sewer and gas fund	\$ 1,404,156
Port and Harbor fund	399,127
Total business-type activities depreciation expense	<u>\$ 1,803,283</u>

NOTE 5. LONG-TERM LIABILITIES

The City's long-term liabilities are segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Long-term liability activity for the year ended September 30, 2017, is shown below:

Long-Term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation debt	\$ 838,000	-	123,000	715,000	125,000
Capital leases	367,436	-	58,447	308,989	59,989
Compensated absences	223,616	-	-	223,616	53,742
Net pension liability	11,915,825	-	826,550	11,089,275	-
Total governmental activities	<u>\$ 13,344,877</u>	<u>-</u>	<u>1,007,997</u>	<u>12,336,880</u>	<u>238,731</u>
Business-type activities:					
Notes payable	\$ 837,416	-	218,745	618,671	207,256
Compensated absences	3,933	-	-	3,933	3,933
Net pension liability	587,923	-	40,823	547,100	-
Total business-type activities	<u>\$ 1,429,272</u>	<u>-</u>	<u>259,568</u>	<u>1,169,704</u>	<u>211,189</u>

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 5. LONG-TERM LIABILITIES (continued)

A. Bonds Payable

At September 30, 2017, the City's outstanding bonds payable are described as follows:

Bonds Payable	Date of Issue	Final Maturity Date	Rates	Original Issue	Balance September 30, 2017
Governmental activities:					
General obligation bonds:					
Refunding Bonds 2010	7/30/2010	8/1/2022	3.5%	921,000	\$ 430,000
Series 2013 Bonds	7/24/2013	7/24/2023	1.8%	459,000	285,000
Total governmental activities					\$ 715,000

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 September 30,		General Obligation Bonds	
		Principal	Interest
Governmental activities:			
	2018	\$ 125,000	20,180
	2019	129,000	16,570
	2020	133,000	12,837
	2021	137,000	8,981
	2022	141,000	5,002
	2023-2027	50,000	900
Total governmental activities		\$ 715,000	64,470

General Obligation Bonds

General obligation debt represents direct obligations issued on a pledge of the general taxing power of the City for the payment of its debt obligations

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.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 5. LONG-TERM LIABILITIES (continued)

B. Notes Payable

At September 30, 2017, the City's outstanding notes payable are described as follows:

<u>Notes Payable</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Rates</u>	<u>Original Issue</u>	<u>Balance September 30, 2017</u>
Business-type activities:					
State of Mississippi, State Revolving Fund Loan	4/1/1999	1/1/2019	4.50%	816,809	94,116
State of Mississippi, Drinking Water Improvement (Main) Revolving Fund Loan	10/24/1997	1/1/2021	4.50%	686,124	211,744
State of Mississippi, Drinking Water Improvement (Well) Revolving Fund Loan	9/1/2007	1/1/2021	4.50%	358,123	85,116
State of Mississippi, State Revolving Fund Loan	5/23/2001	3/1/2021	3.00%	524,694	133,917
State of Mississippi, Drinking Water Improvement (Main) Revolving Fund Loan	9/1/2007	3/1/2023	3.00%	229,295	93,778
Total business-type activities					<u><u>\$ 618,671</u></u>

Principal and interest maturities will be as follows:

<u>Year Ending September 30,</u>	<u>Notes</u>	
	<u>Principal</u>	<u>Interest</u>
Business-type activities:		
2018	\$ 207,256	20,543
2019	166,746	12,506
2020	148,395	6,546
2021	69,146	1,570
2022	17,948	568
2023-2027	<u>9,180</u>	<u>81</u>
Total business-type activities	<u><u>\$ 618,671</u></u>	<u><u>41,814</u></u>

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CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 5. LONG-TERM LIABILITIES (continued)

C. Capital Leases

At September 30, 2017, the City's outstanding capital leases are described as follows:

<u>Capital Leases</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Rates</u>	<u>Original Issue</u>	<u>Annual Installment</u>	<u>Balance September 30, 2017</u>
Governmental activities:						
Capital lease payable to bank, secured by SCBA air packs	7/23/2015	7/23/2020	2.35%	\$ 114,810	24,360	70,480
Capital lease payable to bank, secured by a fire truck	4/16/2013	5/1/2023	2.82%	376,785	43,766	238,509
Total governmental activities						<u>\$ 308,989</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

<u>Year Ending September 30,</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
Governmental activities:		
2018	\$ 59,989	8,136
2019	61,579	6,547
2020	63,194	4,915
2021	40,263	3,503
2022	41,398	2,368
2023-2027	42,566	1,200
Total governmental activities	<u>\$ 308,989</u>	<u>26,669</u>

As of September 30, 2017, the cost of the vehicles and equipment under capital leases for governmental activities was \$491,595 and accumulated depreciation for those assets was \$117,573. Annual amortization expense is included in depreciation expense.

D. Legal Debt Margin

Per Section 21-33-303 Miss. Code Ann. (1972), the City cannot issue bonds in an amount which, when added to the then outstanding bonded indebtedness of the City shall exceed fifteen percent of the assessed value of taxable property according to the last completed assessment for taxation. In computing bonded indebtedness, there may be deducted all bonds issued for school, water, sewage systems, gas, light and power purposes. However, in no case shall the total indebtedness exceed twenty percent of all assessed value of the property.

The City's legal debt limit for general obligation bonds is \$16,698,268. At September 30, 2017, the City's legal debt margin, after reduction for outstanding general obligation notes of \$715,000, was \$15,983,268.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 6. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2017 are as follows:

	TRANSFERS IN:				
	Governmental Activities		Business-type Activities		
		Other			
TRANSFERS OUT:	General Fund	Governmental Funds	Water and Sewer Fund	Port and Harbor Fund	Total
Governmental activities:					
General fund	\$ -	43,766	-	8,542	52,308
Business-type activities:					
Water and Sewer	6,200	-	-	-	6,200
Total	\$ 6,200	43,766	-	8,542	58,508

Transfers are used to (a) move revenues from the fund that statute or budget requires collecting to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

NOTE 7. 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 \$332,802 for the year ended September 30, 2017. 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 (\$300,000) and port and harbor (\$32,802) 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 Position - Proprietary Funds.

NOTE 8. PROPERTY TAX

Property tax is levied on the assessed (appraised) value as compiled by the Harrison County Tax Assessor for all real and business personal property located in the City. The assessment roll is approved and the levy is set before September 30 following a series of public hearings to receive citizen objections. Resulting taxes are due on or before February 1. 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. Accordingly, taxes for the Long Beach School District are also billed and collected by Harrison County and remitted to the City for disbursement to the School District.

Included in revenues are taxes for automobile tags, which are assessed and collected by Harrison County. Such taxes, less a collection fee, are remitted to the City monthly.

Property tax revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue.

Increases in taxes are generally limited by State law to 10% of the taxes collected for the prior assessment year, excluding taxes from property added to the tax assessment rolls in the current year.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 8. PROPERTY TAX (continued)

The City is required by law to assess and collect taxes necessary for operation of the Long Beach School District (LBSD) and for service of certain related debt. LBSD provides services to residents of inside and outside the geographic boundaries of the City and has a separate appointed and/or elected board. The School District is not included as a component unit of the City's financial reporting entity because the City does not have the ability to exercise control over school operations or approve budgets.

For the year ended September 30, 2017, the City's 2017 tax rate was as follows:

<u>Ad Valorem Tax Levy</u>	<u>MILLS</u>
<u>For the Municipality:</u>	
General Fund	47.68
City Bonds and Interest	1.30
Total levy of taxes for municipal purposes	48.98
<u>For the Long Beach Public School District:</u>	
District maintenance funds	55.00
School building program	3.00
Costs of tax collection	0.67
Total levy of taxes for school purposes	58.67
Total levy of ad valorem taxes for municipal and school district purposes	107.65

NOTE 9. PENSIONS

A. Defined Benefit Pension Plan

Plan Description

The City of Long Beach, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 9. PENSIONS (continued)

Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions

PERS members are required to contribute 9.00% of their annual covered salary and the City of Long Beach, Mississippi is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2017 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The City of Long Beach, Mississippi's contribution to PERS for the year ended September 30, 2017, 2016, and 2015 was \$731,156, \$715,422, and \$698,259 respectively, which equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the City reported a liability of \$11,636,375 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the City's proportion was 0.07 percent, which did not change from its proportion measured as of June 30, 2016.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 9. PENSIONS (continued)

For the year ended September 30, 2017, the City recognized pension expense of \$1,429,060. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Annual Changes	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 168,006	85,735
Net difference between projected and actual earnings on pension plan investments	-	149,402
Changes of assumptions	260,812	22,008
Changes in proportion and differences between the City contributions and proportionate share of contributions	16,875	-
The City contributions subsequent to the measurement date	185,134	-
Total	\$ 630,827	257,145

\$185,134 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Pension Expense
2018	\$ 210,708
2019	189,601
2020	13,012
2021	(224,773)
2022	-
Thereafter	-
Total	\$ 188,548

Actuarial assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 9. PENSIONS (continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
U.S. Broad	27.00 %	4.60 %
International equity	18.00	4.50
Emerging markets equity	4.00	4.75
Global	12.00	4.75
Fixed income	18.00	0.75
Real assets	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	-
Total	100.00 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The City's proportionate share of the net pension liability \$	15,261,884	11,636,375	8,626,416

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 9. PENSIONS (continued)

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.

C. Unemployment Insurance

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 \$46,867 and exceeded the requirement of \$38,142. The amount of contingent liability, if any, the City could be obligated for cannot be determined.

NOTE 10. COMMITMENTS AND CONTINGENCIES

A. Contract Commitments

Construction Contracts

The City has entered into various construction contracts for infrastructure improvements with an estimated remaining commitment of \$2,905,563. The majority of these commitments are being funded by various state and federal grants. See Note 4 for more detailed information on these commitments.

Service Contracts

The City contracts with private contractors for various services. The following represents a significant service commitment as of September 30, 2017:

On January 17, 2007, 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 contract has been renewed several times with the latest renewal being on November 8, 2017. The new agreement extended the term for four years dating through November 30, 2021, with the following base fees remaining as of September 30, 2017:

<u>Year Ending September 30,</u>	<u>Base Fee</u>
2018	\$ 1,921,403
2019	1,956,949
2020	1,993,153
2021	2,030,026
2022	-
Total	\$ 7,901,531

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 10. COMMITMENTS AND CONTINGENCIES (continued)

Payment terms are 1/12th of the base fee due by the 15th of each month. Payments under the service contract totaled \$1,921,403 for the year ended September 30, 2017, and are included in water and sewer operating expenses, contractual services in the Statement of Revenues, Expenses, and Changes in Fund Net Position proprietary funds.

B. Grants and Awards

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed by management to be material.

C. Lease Commitments

Operating Leases

The City is committed under various operating leases at September 30, 2017. Lease expenditures for operating leases for the year ended September 30, 2017 amounted to approximately \$14,694.

Non-cancelable operating leases at September 30, 2017 are as follows:

- ◆ In September 2013, 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 \$408 per month.
- ◆ In May 2014, the City entered into a lease agreement for a copier located at the Police Department. The lease agreement is for 48 months with payments of \$97 per month.
- ◆ In April 2016, the City entered into a lease agreement for a copier located at the Building Official office. The lease agreement is for 36 months with payments of \$225 per month.
- ◆ In December 2016, 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 \$290 per month.
- ◆ In December 2016, the City entered into a lease agreement for a copier located at the City Court office. The lease agreement is for 36 months with payments of \$79 per month.
- ◆ In December 2016, the City entered into a lease agreement for a copier located at the City Court office. The lease agreement is for 36 months with payments of \$118 per month.

The future noncancelable lease obligations of these leases at September 30, 2017 is as follows:

Year Ending September 30,	Lease Obligation
2018	\$ 14,216
2019	7,194
2020	974
2021	-
2022	-
Total	\$ 22,384

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 10. COMMITMENTS AND CONTINGENCIES (continued)

D. Litigation

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

E. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is covered for significant losses through commercial insurance carriers except for the following self-insurance funds as noted below, which are covered through self-insurance risk pools.

Self-Insurance - Workers Compensation Fund

The City is a member of 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.

Self-Insurance - Liability Fund

The City is a member of 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 11. RELATED-PARTY TRANSACTIONS

No known transactions requiring disclosure occurred between the City and its employees or elected officials.

NOTE 12. JOINT VENTURE

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.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 12. JOINT VENTURE (continued)

The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2017, 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.

STATEMENT OF NET POSITION

ASSETS

Current assets	\$ 8,832,283
Restricted assets	16,219,458
Capital assets, net	<u>262,306,129</u>
Total assets	<u>287,357,870</u>

DEFERRED OUTFLOWS OF RESOURCES

19,316,330

LIABILITIES

Current liabilities	15,816,037
Noncurrent liabilities	<u>113,505,316</u>
Total liabilities	<u>129,321,353</u>

DEFERRED INFLOWS OF RESOURCES

36,306

NET POSITION

\$ 177,316,541

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

Operating revenues	\$ 20,247,285
Operating expenses	(20,898,517)
Depreciation expense	(14,661,657)
Non-operating revenue (expenses)	2,482,829
Capital contributions	<u>721,765</u>
Change in net position	<u>\$ (12,108,295)</u>

NOTE 13. TAX ABATEMENTS

The abatements may be granted to any business located within or promising to relocate to the City.

As permitted by the City of Long Beach, Mississippi's Economic Recovery and Redevelopment Plan, the City enters into property tax abatement agreements with local businesses under the state tax exempt provisions of Section 17-21-5(1), MCA. Under the Plan, the City may grant property tax abatements of all municipal ad valorem taxes, excluding ad valorem for school districts, for a period of not more than seven years, of businesses' property tax bills for the purpose of attracting or retaining businesses within their jurisdictions. Qualifications for exemption under the City's Economic Recovery and Redevelopment Plan are as follows:

As required by statute, only new structures with over a minimum of \$500,000 in qualifying improvements found to be aiding and implementing the promotion of business or commerce in the designated district may qualify for an exemption under this ordinance.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 13. TAX ABATEMENTS (continued)

No structures used for primarily or exclusively residential purposes shall qualify for an exemption under the terms of this ordinance. Structures which are within the boundaries of the district described by this ordinance and which are also within a zoning district which permits mixed use (meaning a commercial use and a residential use within a single structure), may qualify for an exemption under this ordinance, provided at least 50% of such investment otherwise qualifies hereunder as retail office space and consists of square footage devoted to strictly retail/office commercial use. The square footage calculation shall be based upon the methods, criteria and definitions for building area as contained in the 2006 International Building Code as adopted by the City of Long Beach. To qualify, all construction and usage be in conformity with the Economic Recovery and Redevelopment Plan.

No exemption shall be granted except upon written application to the City Clerk, and upon the adoption of a resolution by the Board of Aldermen finding that the construction, renovation or improvement of the subject property is for the promotion of business and commerce and/or historic preservation in the Economic Recovery and Redevelopment Districts. The Board of Aldermen shall have sole discretion to approve each and every qualifying and conforming application for tax exemption.

The increase in assessed value qualifying for the tax exemption shall be calculated by taking the assessed value of the improvements (if any) on the parcel for the year prior to the renovation, reconstruction, or new construction, and subtracting it from the assessed value of the completed improvements as they appear on the Harrison County Land Roll (after completion and reassessment). Also to be excluded is the proportion of the new assessed valuation attributable, in the judgment of the Board of Alderman, to non qualifying improvements, if any. The tax rate applicable to the land and the assessed value of the land shall not be affected by this program, nor shall the land be exempt from municipal taxation. As provided by the statute, the qualifying improvements shall not be exempt from school district taxes.

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with four entities as of September 30, 2017.

Purpose	Percentage of Taxes Abated During the Fiscal Year	Amount of Taxes Abated During the Fiscal Year
Restaurant located at Long Beach Harbor to help increase downtown development	100 %	\$ 7,304
Mixed use, residential/commercial development on Jeff Davis Avenue to help increase downtown development	100	4,606
Restaurant on Jeff Davis Avenue to help increase downtown development	100	3,426
Restaurant on Jeff Davis Avenue to help increase downtown development	100	2,563
Total abated taxes		\$ 17,899

NOTE 14. INSURANCE LOSS RECOVERIES

The City received \$43,966 in insurance loss recoveries related to impairment of capital assets during the year ended September 30, 2017. In the government-wide Statement of Activities, the insurance loss recoveries related to governmental activities were reported as general government charges for services. Insurance recoveries related to business-type activities were reported as miscellaneous revenues.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended September 30, 2017

NOTE 15. EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of \$1,418,876 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$630,827 balance of the deferred outflow of resources at September 30, 2017 will be recognized as expenses and decrease unrestricted net position over the next three years.

The unrestricted net position amount of \$1,418,876 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$257,145 balance of the deferred inflow of resources at September 30, 2017 will be recognized as revenue and increase unrestricted net position over the next four years.

NOTE 16. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$435,000 was made to correct September 30, 2016 net position related to the understatement of Harrison County Utility Authority overbillings.

Net position, September 30, 2016 as originally presented	\$ 85,824,733
To correct understatement of net position	<u>435,000</u>
Net position as restated, September 30, 2016	<u>\$ 86,259,733</u>

NOTE 17. SUBSEQUENT EVENTS

Events that occur after the statement of net assets date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events that provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the City evaluated the activity of the City through June 01, 2018, (the date the financial statements were available to be issued) and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LONG BEACH, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
For the Year Ended September 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
Resources (inflows):				
Taxes	\$ 7,013,284	7,013,284	6,009,806	(1,003,478)
Licenses and permits	744,000	744,000	593,234	(150,766)
Grants	295,304	300,049	411,954	111,905
Inter-governmental revenues	376,250	390,699	337,427	(53,272)
Charges for services	413,902	413,902	384,715	(29,187)
Fines and forfeitures	823,850	823,850	415,125	(408,725)
Interest	20,000	20,000	33,358	13,358
Miscellaneous	<u>25,000</u>	<u>27,314</u>	<u>25,696</u>	<u>(1,618)</u>
Amounts available for appropriations	\$ <u>9,711,590</u>	<u>9,733,098</u>	<u>8,211,315</u>	<u>(1,521,783)</u>

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

CITY OF LONG BEACH, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
For the Year Ended September 30, 2017

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Over (Under)</u>
Charges to appropriations (outflows):				
<i>General Government</i>				
Personnel services	\$ 421,160	425,153	412,786	(12,367)
Supplies	8,645	8,645	2,806	(5,839)
Other charges	369,409	385,082	945,029	559,947
Capital outlay	1,081,060	1,084,060	973,392	(110,668)
<i>General Administration</i>				
Personnel services	238,813	238,813	236,441	(2,372)
Supplies	23,475	33,975	30,579	(3,396)
Other charges	1,051,700	1,041,200	886,266	(154,934)
Capital outlay	-	-	52,410	52,410
<i>Police</i>				
Personnel services	2,828,024	2,828,024	2,672,248	(155,776)
Supplies	334,240	334,240	327,587	(6,653)
Other charges	220,085	220,085	151,299	(68,786)
Capital outlay	120,000	389,620	53,988	(335,632)
<i>Fire</i>				
Personnel services	2,174,129	2,174,129	2,083,081	(91,048)
Supplies	117,676	133,105	129,527	(3,578)
Other charges	62,325	62,325	44,929	(17,396)
Capital outlay	15,000	27,050	-	(27,050)
<i>Planning and Zoning</i>				
Personnel services	120,837	120,837	119,789	(1,048)
Supplies	6,300	6,300	1,564	(4,736)
Other charges	15,400	15,400	7,563	(7,837)
<i>Public works</i>				
Supplies	179,525	179,525	107,684	(71,841)
Other charge	678,058	678,058	613,340	(64,718)
Capital outlay	-	15,234	-	(15,234)
<i>Culture & Recreation</i>				
Personnel services	529,310	529,310	504,227	(25,083)
Supplies	113,282	132,888	102,352	(30,536)
Other charges	85,776	85,776	66,747	(19,029)
Total charges to appropriations	<u>10,794,229</u>	<u>11,148,834</u>	<u>10,525,634</u>	<u>(623,200)</u>
Excess (deficiency) of revenues over expenditures	(1,082,639)	(1,415,736)	(2,314,319)	(898,583)
Other Financing Sources (Uses):				
Other financing sources	15,000	29,220	65,270	36,050
Transfers (out)	<u>(67,372)</u>	<u>(55,705)</u>	<u>(46,108)</u>	<u>9,597</u>
Total other financing sources (uses)	<u>(52,372)</u>	<u>(26,485)</u>	<u>19,162</u>	<u>45,647</u>
Net change in fund balance	<u>\$ (1,135,011)</u>	<u>(1,442,221)</u>	<u>(2,295,157)</u>	<u>(852,936)</u>
Fund balance - beginning			<u>5,161,183</u>	
Fund balance - end of year			<u>\$ 2,866,026</u>	

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

CITY OF LONG BEACH, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
For the Year Ended September 30, 2017

Differences between budgetary and GAAP fund balance:

Fund Balance, end of year (Budgetary Basis)	\$ 2,866,026
Accruals for expenses incurred but not paid	(148,257)
Accruals for revenues recognized but not yet received	<u>1,041,090</u>
Fund Balance, end of year (GAAP)	<u>\$ 3,758,859</u>

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

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY*
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 4 Years Shown)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.07 %	0.07 %	0.07 %	0.07 %
City's proportionate share of the net pension liability (asset)	\$ 11,636,375	\$ 12,503,748	\$ 10,820,620	8,496,718
City's covered payroll	\$ 4,616,044	\$ 4,495,490	\$ 4,425,661	4,530,239
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	252.09 %	278.14 %	244.50 %	187.56 %
Plan fiduciary net position as a percentage of the total pension liability	57.47 %	57.47 %	67.21 %	61.02 %

*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 4 Years Shown)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 731,156	\$ 715,422	\$ 698,259	709,220
Contributions in relation to the contractually required contribution	<u>(731,156)</u>	<u>(715,422)</u>	<u>(698,259)</u>	<u>(709,220)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
City's covered payroll	\$ 4,642,258	\$ 4,542,363	\$ 4,433,393	4,502,978
Contributions as a percentage of covered payroll	15.75 %	15.75 %	15.75 %	15.75 %

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**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2017

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgets and Budgetary Accounting

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, during September, a budget is prepared by the City's management and submitted to the Board of Aldermen for approval. The completed budget for the fiscal year includes for all funds every source of revenue, each general item of expenditure, and unencumbered cash and investment balances. On a periodic basis, as required by changing conditions, the budgeted amounts are amended.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP, Cash Basis) and variance between the final budget and the actual amounts. The schedule is presented for the General Fund of the City. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) is a part of required supplemental information.

B. Excess of Expenditures over Appropriations (Budget)

There were no expenditures in excess of appropriations (budget) for the fiscal year ended September 30, 2017.

NOTE 2. PENSION SCHEDULES

A. Changes of Assumptions

2017:

- ◆ The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- ◆ The wage inflation assumption was reduced from 3.75% to 3.25%.
- ◆ Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- ◆ The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016:

- ◆ The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2015:

- ◆ The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- ◆ The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- ◆ Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- ◆ Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2017

NOTE 2. PENSION SCHEDULES (continued)

- ♦ The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

B. Changes of Benefit Provisions

2016:

- ♦ Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

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OTHER SUPPLEMENTARY INFORMATION

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CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
For the Year Ended September 30, 2017

<u>Name</u>	<u>Position</u>	<u>Amount</u>	<u>Expires</u>
George L. Bass	Mayor	\$ 100,000	6/30/2021
Various/each	Aldermen	100,000	6/30/2021
Wayne McDowell	Chief of Police	50,000	7/1/2018
Rebecca E. Schruff	City Clerk	50,000	7/1/2018
Kini Gonsoulin	Comptroller	50,000	8/16/2018
Various/each	Police	25,000	7/1/2018
Various/each	Deputy Clerks	50,000	8/16/2018

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REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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Wolfe • McDuff & Oppie

CERTIFIED PUBLIC ACCOUNTANTS

(A Professional Association)

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Kyriaki Jessica Martin, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2017, and the related notes to the financial statements, which collectively comprise City of Long Beach, Mississippi's basic financial statements and have issued our report thereon dated June 01, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



America Counts on CPAs

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***
Page 2

Purpose of this Report

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

Wolfe, McDuff & Oppel

Pascagoula, Mississippi
June 01, 2018



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

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

We have audited the accompanying financial statements of the City of Long Beach, Mississippi as of and for the year ended September 30, 2017, and have issued our report dated June 01, 2018. 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 no material instances of noncompliance with state laws and regulations.

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.

Wolfe, McDuff & Oppie

Pascagoula, Mississippi
June 01, 2018

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