

CITY OF LONG BEACH, MISSISSIPPI

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2013



**CITY OF LONG BEACH, MISSISSIPPI
TABLE OF CONTENTS
SEPTEMBER 30, 2013**

	<u>Page (s)</u>
INTRODUCTORY SECTION	
Listing of City Officials	1
INDEPENDENT AUDITORS' REPORT	2 – 3
FINANCIAL SECTION	
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Governmental Funds Financial Statements:	
Balance Sheet	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Proprietary Funds Financial Statements:	
Statement of Fund Net Position	10
Statement of Revenues, Expenses, and Changes in Fund Net Position	11
Statement of Cash Flows	12 – 13
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities	14
NOTES TO FINANCIAL STATEMENTS	15 – 37

**CITY OF LONG BEACH, MISSISSIPPI
TABLE OF CONTENTS (Continued)
SEPTEMBER 30, 2013**

	<u>Page(s)</u>
SUPPLEMENTARY INFORMATION	
COMBINING FINANCIAL STATEMENTS	
Nonmajor Governmental Funds:	
Combining Balance Sheet	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	39
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	41
Nonmajor Debt Service Funds:	
Combining Balance Sheet	42
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	43
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Surety Bonds for City Officials	44
REPORTS ON COMPLIANCE AND INTERNAL CONTROL	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45 – 46
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	47 – 48
Schedule of Expenditures of Federal Awards	49 – 50
Notes to the Schedule of Expenditures of Federal Awards	51
Schedule of Findings and Questioned Costs	52 – 54
Corrective Action Plan	55
Summary Schedule of Prior Audit Findings	56 – 57
Independent Auditors' Report on Compliance with Mississippi State Laws and Regulations	58

INTRODUCTORY SECTION

**CITY OF LONG BEACH, MISSISSIPPI
LISTING OF CITY OFFICIALS
SEPTEMBER 30, 2013**

ELECTED OFFICIALS

Mayor	William Skellie, Jr.
Alderman – Ward 1	Gary J. Ponthieux
Alderman – Ward 2	Bernie Parker
Alderwoman – Ward 3	Kelly Griffin (July 1, 2013 to present) Kaye Couvillion (through June 30, 2013)
Alderman – Ward 4	Ronald Hammons
Alderman – Ward 5	Mark Lishen
Alderman – Ward 6	Alan Young (July 1, 2013 to present) Carolyn Anderson (through June 30, 2013)
Alderman – At Large	Leonard G. Carrubba

APPOINTED OFFICIAL

City Clerk	Rebecca E. Schruff
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INDEPENDENT AUDITORS' REPORT



ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC
Wealth Management

INDEPENDENT AUDITORS' REPORT

June 26, 2014

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Long Beach, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' 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 auditors' 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, and each major fund of the City of Long Beach, as of September 30, 2013, 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.

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Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement that basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Long Beach's, basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014 on our consideration of the City of Long Beach'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's internal control over financial reporting and compliance.


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

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF LONG BEACH
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 474,683	\$ 20,834	\$ 495,517
Pooled cash and cash equivalents	3,552,208	4,341,393	7,893,601
Receivables, net	833,622	579,268	1,412,890
Due from other governments	1,683,403	2,123,165	3,806,568
Inventories	-	958	958
Other receivables	271	-	271
Prepaid expenses	149,488	-	149,488
Restricted assets			
Cash and cash equivalents	1,819,639	-	1,819,639
Pooled cash and cash equivalents	479,150	360,741	839,891
Certificates of deposit	55,491	280,428	335,919
Capital assets			
Land, improvements, and construction in progress	11,315,301	2,400,971	13,716,272
Other capital assets, net of depreciation	34,077,173	40,193,793	74,270,966
Total capital assets	<u>45,392,474</u>	<u>42,594,764</u>	<u>87,987,238</u>
Total assets	<u>54,440,429</u>	<u>50,301,551</u>	<u>104,741,980</u>
LIABILITIES			
Accounts payable	537,519	617,644	1,155,163
Interest payable	22,926	3,848	26,774
Other accrued liabilities	19,865	-	19,865
Due to other governmental agencies	-	1,799	1,799
Deferred revenues	91,645	-	91,645
Compensated absences, current	54,940	3,933	58,873
Capital leases payable, current	76,168	-	76,168
Bonds and notes payable, current	232,000	290,153	522,153
Payable from restricted assets:			
Customer deposits	-	360,741	360,741
Compensated absences, noncurrent	286,493	-	286,493
Capital leases payable, noncurrent	388,225	-	388,225
Bonds and notes payable, noncurrent	1,337,000	1,398,968	2,735,968
	<u>3,046,781</u>	<u>2,677,086</u>	<u>5,723,867</u>
NET POSITION			
Invested in capital assets, net of related debt	43,570,735	40,828,089	84,398,824
Restricted for:			
Debt service	607,692	-	607,692
Other purposes	1,322,576	280,428	1,603,004
Unrestricted	<u>5,892,645</u>	<u>6,515,948</u>	<u>12,408,593</u>
Total net position	<u>\$ 51,393,648</u>	<u>\$ 47,624,465</u>	<u>\$ 99,018,113</u>

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

**CITY OF LONG BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs Primary government	Program Revenue			Net Revenue (Expenses) and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 3,249,563	\$ 433,670	\$ 872,360	\$ -	\$ (1,943,533)	\$ -	\$ (1,943,533)
Public safety	5,812,694	930,782	14,534	-	(4,867,378)	-	(4,867,378)
Public works	1,013,724	-	-	911,643	(102,081)	-	(102,081)
Culture and recreation	837,600	49,398	3,495	-	(784,707)	-	(784,707)
Interest on long-term debt	64,172	-	-	-	(64,172)	-	(64,172)
Total governmental activities	10,977,753	1,413,850	890,389	911,643	(7,761,871)	-	(7,761,871)
Business-type activities:							
Water and Sewer	5,565,237	5,838,916	898	223,160	-	497,737	497,737
Port and Harbor	966,208	248,667	322,255	754,383	-	359,097	359,097
Total business-type activities	6,531,445	6,087,583	323,153	977,543	-	856,834	856,834
Total	\$ 17,509,198	\$ 7,501,433	\$ 1,213,542	\$ 1,889,186	(7,761,871)	856,834	(6,905,037)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					4,946,057	-	4,946,057
Franchise taxes					596,159	-	596,159
Other					94,655	-	94,655
Intergovernmental revenues - sales tax					1,342,786	-	1,342,786
Grants and contributions not restricted to specific programs					98,235	-	98,235
Interest earnings					9,358	2,553	11,911
Insurance proceeds					3,776	-	3,776
Miscellaneous					61,354	-	61,354
Total general revenues					7,152,380	2,553	7,154,933
Change in net position before transfers					(609,491)	859,387	249,896
Transfers					(146,805)	146,805	-
Change in net position					(756,296)	1,006,192	249,896
Net position - beginning					51,616,003	46,618,273	98,234,276
Prior period adjustment					533,941	-	533,941
Net position - beginning, as restated					52,149,944	46,618,273	98,768,217
Net position - ending					\$ 51,393,648	\$ 47,624,465	\$ 99,018,113

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**CITY OF LONG BEACH
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 473,357	\$ 1,326	\$ 474,683
Pooled cash and cash equivalents	3,552,208	-	3,552,208
Receivables, net	831,093	2,529	833,622
Due from other governments	1,683,403	-	1,683,403
Other receivables	268	3	271
Prepaid expenses	149,488	-	149,488
Restricted assets:			
Cash and cash equivalents	1,101,686	717,953	1,819,639
Pooled cash and cash equivalents	479,150	-	479,150
Certificates of deposit	-	55,491	55,491
Total assets	<u>\$ 8,270,653</u>	<u>\$ 777,302</u>	<u>\$ 9,047,955</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 436,028	\$ -	\$ 436,028
Accrued liabilities	19,865	-	19,865
Deferred revenue	1,919,548	-	1,919,548
Compensated absences	54,940	-	54,940
Total liabilities	<u>2,430,381</u>	<u>-</u>	<u>2,430,381</u>
Fund balances:			
Nonspendable:			
Prepaid expenses	149,488	-	149,488
Restricted for:			
Unemployment compensation fund	37,257	-	37,257
Hurricane Katrina repairs	1,009,058	-	1,009,058
Committed	107,468	168,281	275,749
Assigned	-	607,692	607,692
Unassigned	4,537,001	1,329	4,538,330
Total fund balances	<u>5,840,272</u>	<u>777,302</u>	<u>6,617,574</u>
Total liabilities and fund balances	<u>\$ 8,270,653</u>	<u>\$ 777,302</u>	<u>\$ 9,047,955</u>

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

CITY OF LONG BEACH
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Total fund balance, governmental funds	\$ 6,617,574
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	45,392,474
Certain other assets (such as accounts receivable) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. Such amounts are reported as deferred revenue.	1,827,901
Some liabilities (such as bonds and notes payable, capital leases payable, retainage payable, and long-term compensated absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	<u>(2,444,301)</u>
Net position of governmental activities	<u><u>\$ 51,393,648</u></u>

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

CITY OF LONG BEACH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 4,691,069	\$ 247,658	\$ 4,938,727
Sales taxes	1,342,786	-	1,342,786
Franchise taxes	555,936	-	555,936
Fees and fines	740,828	-	740,828
Licenses and permits	92,508	-	92,508
Intergovernmental	2,104,359	-	2,104,359
Charges for services	387,625	-	387,625
Investment earnings	8,886	847	9,733
Donations	450	-	450
BP grant	9,000	-	9,000
Miscellaneous	46,839	-	46,839
	<u>9,980,286</u>	<u>248,505</u>	<u>10,228,791</u>
Total revenues			
EXPENDITURES			
Current:			
General government	3,875,338	-	3,875,338
Public safety	5,838,728	-	5,838,728
Public works	232,024	-	232,024
Culture and recreation	708,493	-	708,493
Transfer to School District	-	111,860	
Debt Service:			
Principal	-	324,874	324,874
Interest and other charges	-	56,608	56,608
	<u>10,654,583</u>	<u>493,342</u>	<u>11,036,065</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(674,297)</u>	<u>(244,837)</u>	<u>(807,274)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt, net	835,785	-	835,785
Insurance proceeds	3,776	-	3,776
Sale of assets	10,719	-	10,719
Transfers in	124,154	96,541	220,695
Transfers out	(317,149)	(50,351)	(367,500)
	<u>657,285</u>	<u>46,190</u>	<u>703,475</u>
Total other financing sources (uses)			
Net change in fund balances	(17,012)	(198,647)	(215,659)
Fund balances - beginning	5,323,343	975,949	6,299,292
Prior period adjustment	533,941	-	533,941
	<u>5,857,284</u>	<u>975,949</u>	<u>6,833,233</u>
Fund balances - beginning, as restated			
Fund balances - ending	<u>\$ 5,840,272</u>	<u>\$ 777,302</u>	<u>\$ 6,617,574</u>

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

CITY OF LONG BEACH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances - total governmental funds: \$ (215,659)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation (\$1,531,069) exceeded capital outlay (\$1,454,332) in the current period. (76,737)

Governmental funds do not present donated capital assets as contributions. In contrast, such contributions are reported in the Statement of Activities. 307,000

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the net book value of the asset sold. (21,285)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. In the current year, revenues were recognized at the fund level that were deferred in prior years. (164,278)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds (\$835,785) exceeded repayments (\$324,874) in the current period. (510,911)

Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. In the current year, the City implemented new standards and expensed all unamortized bond issue costs in the Statement of Activities. (20,679)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected on Governmental funds (7,534)
 Compensated absences not reflected on Governmental funds (46,213)

Change in net position of governmental activities \$ (756,296)

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

**CITY OF LONG BEACH
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	Enterprise Funds		
	Water and Sewer	Port and Harbor	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 20,481	\$ 353	\$ 20,834
Pooled cash and cash equivalents	2,174,227	2,167,166	4,341,393
Accounts receivable, net	569,945	9,323	579,268
Due from other governments	1,158,955	964,210	2,123,165
Inventories	-	958	958
Total current assets	3,923,608	3,142,010	7,065,618
Non-current assets:			
Restricted assets:			
Pooled cash and cash equivalents	360,741	-	360,741
Certificates of deposit	280,428	-	280,428
Capital assets:			
Land and construction in progress	376,923	2,024,048	2,400,971
Other capital assets, net of accumulated depreciation	36,429,796	3,763,997	40,193,793
Total non-current assets	37,447,888	5,788,045	43,235,933
Total assets	41,371,496	8,930,055	50,301,551
LIABILITIES			
Current liabilities:			
Accounts payable	302,831	314,813	617,644
Accrued interest payable	3,848	-	3,848
Payable to other governments	670	1,129	1,799
Compensated absences	402	3,531	3,933
Bonds and notes payable	290,153	-	290,153
Payable from restricted assets:			
Customer deposits	360,741	-	360,741
Total current liabilities	958,645	319,473	1,278,118
Non-current liabilities:			
Bonds and notes payable	1,398,968	-	1,398,968
Total liabilities	2,357,613	319,473	2,677,086
NET POSITION			
Invested in capital assets, net of related debt	35,117,598	5,710,491	40,828,089
Restricted for other purposes	280,428	-	280,428
Unrestricted	3,615,857	2,900,091	6,515,948
Total net assets	\$ 39,013,883	\$ 8,610,582	\$ 47,624,465

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

CITY OF LONG BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Port and Harbor</u>	<u>Total</u>
REVENUES			
Charges for services	\$ 5,803,963	\$ 246,795	\$ 6,050,758
Miscellaneous	34,953	1,872	36,825
Total operating revenues	<u>5,838,916</u>	<u>248,667</u>	<u>6,087,583</u>
OPERATING EXPENSES			
Personal services	82,423	235,109	317,532
Materials and supplies	1,582,431	12,737	1,595,168
Contractual services	2,144,631	32,802	2,177,433
Other services and charges	406,096	490,251	896,347
Impairment loss - Hurricane Isaac	-	66,242	66,242
Depreciation and amortization	1,282,135	129,067	1,411,202
Total operating expenses	<u>5,497,716</u>	<u>966,208</u>	<u>6,463,924</u>
Operating income (loss)	<u>341,200</u>	<u>(717,541)</u>	<u>(376,341)</u>
NON-OPERATING REVENUE (EXPENSES)			
Interest and investment revenue	2,553	-	2,553
Operating grants and contributions	898	322,255	323,153
Interest expense	(67,521)	-	(67,521)
Total non-operating revenue (expenses)	<u>(64,070)</u>	<u>322,255</u>	<u>258,185</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS			
	<u>277,130</u>	<u>(395,286)</u>	<u>(118,156)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	223,160	754,383	977,543
Transfers in	14,487	229,847	244,334
Transfers out	(97,529)	-	(97,529)
Total capital contributions and transfers	<u>140,118</u>	<u>984,230</u>	<u>1,124,348</u>
CHANGE IN NET POSITION	417,248	588,944	1,006,192
TOTAL NET POSITION - BEGINNING	<u>38,596,635</u>	<u>8,021,638</u>	<u>46,618,273</u>
TOTAL NET POSITION - ENDING	<u>\$ 39,013,883</u>	<u>\$ 8,610,582</u>	<u>\$ 47,624,465</u>

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

**CITY OF LONG BEACH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Enterprise Funds		
	Water and Sewer	Port and Harbor	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 5,862,936	\$ 245,540	\$ 6,108,476
Payments to suppliers	(3,597,484)	(379,700)	(3,977,184)
Payments to employees	(82,129)	(235,087)	(317,216)
Net cash provided by (used in) operating activities	<u>2,183,323</u>	<u>(369,247)</u>	<u>1,814,076</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from operating grants and contributions	898	322,255	323,153
Operating subsidies and transfers from (to) other funds	(82,407)	230,829	148,422
Net cash provided by (used in) noncapital financing activities	<u>(81,509)</u>	<u>553,084</u>	<u>471,575</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases and construction of capital assets	(230,891)	(630,414)	(861,305)
Proceeds from capital grants	(103,640)	752,750	649,110
Proceeds from debt	-	-	-
Principal paid on capital debt	(338,630)	-	(338,630)
Interest paid on capital debt	(69,038)	-	(69,038)
Net cash provided by (used in) capital and related financing activities	<u>(742,199)</u>	<u>122,336</u>	<u>(619,863)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted customer deposits	16,600	-	16,600
Purchase of certificates of deposit	(280,428)	-	(280,428)
Proceeds of certificates of deposit	277,717	-	277,717
Interest received	1,167	-	1,167
Net cash provided by investing activities	<u>15,056</u>	<u>-</u>	<u>15,056</u>
Net increase in cash and cash equivalents	1,374,671	306,173	1,680,844
Balances-beginning of the year	<u>1,180,778</u>	<u>1,861,346</u>	<u>3,042,124</u>
Balances-end of the year	<u>\$ 2,555,449</u>	<u>\$ 2,167,519</u>	<u>\$ 4,722,968</u>
NONCASH FINANCING ACTIVITIES			
Infrastructure donated by developers	<u>\$ 268,095</u>	<u>\$ -</u>	<u>\$ 268,095</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Unrestricted:			
Cash and cash equivalents	\$ 20,481	\$ 353	\$ 20,834
Pooled cash and cash equivalents	2,174,227	2,167,166	4,341,393
Restricted:			
Pooled cash and cash equivalents	<u>360,741</u>	<u>-</u>	<u>360,741</u>
	<u>\$ 2,555,449</u>	<u>\$ 2,167,519</u>	<u>\$ 4,722,968</u>

CITY OF LONG BEACH
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Enterprise Funds		
	<u>Water and Sewer</u>	<u>Port and Harbor</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 341,200	\$ (717,541)	\$ (376,341)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	1,282,135	129,067	1,411,202
Bad debt expense	59,524	6,087	65,611
Impairment loss - Hurricane Isaac	-	66,242	66,242
(Increase) decrease in current assets			
Accounts receivable	(41,925)	(9,214)	(51,139)
Inventory	-	-	-
Increase (decrease) in current liabilities			
Accounts payable	3,375	156,090	159,465
Payable to other governments	538,720	-	538,720
Accrued liabilities	-	-	-
Compensated absences	294	22	316
Net cash provided by (used in) operating activities	<u>\$ 2,183,323</u>	<u>\$ (369,247)</u>	<u>\$ 1,814,076</u>

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

FIDUCIARY FUND FINANCIAL STATEMENT

**CITY OF LONG BEACH
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2013**

	<u>Tax Collector Clearing Fund</u>
ASSETS	
Cash and cash equivalents	\$ 268
Property tax receivables	<u>68,557</u>
Total assets	<u>\$ 68,825</u>
LIABILITIES	
Other liabilities	\$ 268
Due to other governments	<u>68,557</u>
Total liabilities	<u>\$ 68,825</u>

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

NOTES TO FINANCIAL STATEMENTS

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Introduction

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2013.

II. Financial Reporting Entity

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

III. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

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

(A) Basis of Accounting

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

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(A) Basis of Accounting (Continued)

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers revenues to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within 90 days if received from FEMA. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

(B) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental fund:

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

Proprietary Funds

The City reports the following major proprietary funds:

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

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

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(B) Fund Types and Major Funds (Continued)

Other Fund Types

The City also reports the following fund types:

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

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

Capital Projects Fund – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital improvements and facilities (other than those financed by proprietary funds). However, capital projects related to the recovery from Hurricanes Katrina and Isaac are accounted for in the general fund. There are currently no capital projects funds.

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

(C) Use of Estimates

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

V. Assets, Liabilities, and Net Position or Equity

(A) Deposits and Investments

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

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

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

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

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(B) Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All trade receivables are shown net of an allowance for uncollectibles. An allowance has been provided in the Water and Sewer fund for estimated uncollectible utility charges and in the Port and Harbor fund for uncollectible dockage fees. The allowance amounts are estimated based on the aging of the receivables, historical collection experience and other relevant circumstances. As of September 30, 2013, the allowances for uncollectible water and sewer charges and for port and harbor dockage fees are \$691,445 and \$100,572, respectively.

(C) Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2013 are recorded as prepaid items.

(D) Restricted Assets

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

(E) Capital Assets

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

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

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

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(E) Capital Assets (Continued)

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

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

(F) Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net position. Bond issuance costs and bond premiums and discounts are reported as expenditures. Bonds payable are reported net of the applicable bond premium or discount.

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

(G) Compensated Absences

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

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours is multiplied by the employee's hourly rate at September 30, 2013. The resulting liability is then increased to include social security and retirement contributions that the City is required to pay upon liquidation of the liability.

(H) Fund Balance

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

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

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

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

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(H) Fund Balance (continued)

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

Unassigned – All amounts not included in other spendable classifications

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

(I) Net Position

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

NOTE 2: DEPOSITS AND INVESTMENTS

(A) Deposits

The City deposits funds in financial institutions selected by the City’s Board of Alderpersons in accordance with Mississippi statutes. Mississippi statutes allow municipalities to select depositories on the basis of competitive bid. A summary of cash (including restricted cash) as of September 30, 2013, follows:

	Cash on Hand	Cash Deposits	Pooled Cash Deposits	Total
Governmental Activities				
General Fund	\$ 460	\$ 1,574,583	\$ 4,031,358	\$ 5,606,401
Other Governmental Funds	-	719,279	-	719,279
Total governmental activities	460	2,293,862	4,031,358	6,325,680
Business-Type Activities				
Enterprise Funds:				
Water and Sewer Fund	225	20,256	2,534,968	2,555,449
Port and Harbor Fund	353	-	2,167,166	2,167,519
Total business-type activities	578	20,256	4,702,134	4,722,968
Fiduciary Fund	-	268	-	268
Total cash and cash equivalents	\$ 1,038	\$ 2,314,386	\$ 8,733,492	\$ 11,048,916

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

(A) Deposits (Continued)

The City maintained the following restricted assets as of September 30, 2013:

Governmental Activities

Cash and cash equivalents	
Drug seizure funds	\$ 54,859
Debt service funds	605,163
Fire rebate funds	52,609
Series 2013 bond proceeds - capital projects	426,541
Restricted donations - Mittal Steel USA	1,009,570
Unemployment funds	37,257
Capital asset	112,790
Certificates of deposit - capital asset	55,491
Total restricted assets - governmental activities	<u>2,354,280</u>

Business-Type Activities

Cash and cash equivalents	
Utility customer deposits	360,741
Certificates of deposit - escrow funds from developers	280,428
Total restricted assets - business-type activities	<u>641,169</u>
Total restricted assets	<u>\$ 2,995,449</u>

From January 2006 through September 30, 2013, Mittal Steel USA has donated a total \$1,750,000 in financial support to assist the City in its efforts to restore and rebuild the City's public buildings and infrastructure damaged or destroyed by Hurricane Katrina. The funds are held in an escrow account and are disbursed as costs are incurred.

Custodial Credit Risk – Deposits

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Depositories must be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in an amount equal to 105% of the uninsured deposit. The collateral is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code. Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. By using this multiple financial institution collateral pool, none of the City's deposits at September 30, 2013, were exposed to custodial credit risk.

At September 30, 2013, deposits (including restricted deposits) are as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	<u>\$ 11,613,378</u>	<u>\$ 11,048,916</u>

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

(B) Investments

At September 30, 2013, the City held the following certificates of deposit with maturity dates of longer than three months:

	Balance October 1, 2012	Purchases	Maturities	Balance September 30, 2013
Governmental Activities:				
Peoples Bank, 0.23% interest, matures September 22, 2014	\$ 55,297	\$ 55,491	\$ (55,297)	\$ 55,491
Total governmental activities	55,297	55,491	(55,297)	55,491
Business-type Activities:				
The First Bank, 0.30% interest, matures January 27, 2015	277,717	280,428	(277,717)	280,428
Total business-type activities	277,717	280,428	(277,717)	280,428
Total	<u>\$ 333,014</u>	<u>\$ 335,919</u>	<u>\$ (333,014)</u>	<u>\$ 335,919</u>

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 Code limits investment of surplus funds to certificates of deposit with qualified depositories and in bonds and direct obligations of the United States of America; or the State of Mississippi; or any county, municipality or school district of the State of Mississippi which have been approved by a reputable bond attorney or have been validated by the decree of the chancery court. The City invests its surplus funds in certificates of deposit and does not believe that it is exposed to credit risk.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 3: RECEIVABLES

Receivables at September 30, 2013 consist of the following:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total
	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	
Property taxes	\$ 55,208	\$ 2,529	\$ -	\$ -	\$ 57,737
Payments in lieu of taxes (PILOT)	10,422	-	-	-	10,422
Franchise taxes	218,713	-	-	-	218,713
Accounts, gross	-	-	1,261,390	109,895	1,371,285
Court fines, gross	7,444,036	-	-	-	7,444,036
Total receivables, gross	7,728,379	2,529	1,261,390	109,895	9,102,193
Less allowance for doubtful receivables	<u>(6,897,286)</u>	<u>-</u>	<u>(691,445)</u>	<u>(100,572)</u>	<u>(7,689,303)</u>
Total receivables, net	<u>\$ 831,093</u>	<u>\$ 2,529</u>	<u>\$ 569,945</u>	<u>\$ 9,323</u>	<u>\$ 1,412,890</u>
Due from fiduciary fund	\$ 268	\$ -	\$ -	\$ -	\$ 268
Interest receivable	-	3	152	-	155
Total other receivables	<u>\$ 268</u>	<u>\$ 3</u>	<u>\$ 152</u>	<u>\$ -</u>	<u>\$ 423</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenue at September 30, 2013 consists primarily of grant awards received but not earned.

Property Taxes

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

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

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2013, was 48.98 mills or \$48.98 per \$1,000 of assessed valuation. A summary of the assessed valuations and tax levies of the City for the year ended September 30, 2013, has been provided on the next page.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 3: RECEIVABLES (Continued)

Property Taxes (continued)

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

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

The assessed valuations of the City and the School District for the year ended September 30, 2013, are as follows:

CITY		SCHOOL DISTRICT	
Real property	\$ 84,239,081	Real property	\$ 91,134,026
Personal property	3,720,543	Personal property	7,692,169
Public utilities	3,675,833	Public utilities	3,792,414
Automobiles	15,865,413	Automobiles	17,249,880
Mobile homes	8,683	Mobile homes	35,523
Total - City	\$ 107,509,553	Total - School District	\$ 119,904,012

The tax levies for the City and the School District for the years ended September 30, 2013, 2012, and 2011, are as follows:

	2013	2012	2011
CITY			
General fund	46.48	46.48	46.48
City bond and interest fund	2.50	2.50	2.50
Total city administered funds	48.98	48.98	48.98
SCHOOL DISTRICT			
Shortfall notes	1.75	1.75	1.75
School building program	3.00	3.00	3.00
District maintenance funds	55.67	55.67	55.67
Total school administered funds	60.42	60.42	60.42
Total tax levy	109.40	109.40	109.40

NOTE 4: DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2013 consists of the following:

	Governmental Activities		Business-Type Activities		Total
	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	
Due from other governments					
Harrison County Utility Authority	\$ -	\$ -	\$ 500,923	\$ -	\$ 500,923
Sales tax	214,327	-	-	-	214,327
Grants	1,469,076	-	658,032	964,210	3,091,318
Total due from other governments	\$ 1,683,403	\$ -	\$ 1,158,955	\$ 964,210	\$ 3,806,568

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 4: DUE FROM OTHER GOVERNMENTS (Continued)

Sales Taxes

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Long Beach) back to the City monthly. Sales tax revenue was \$1,342,786 for the year ended September 30, 2013, and is included in intergovernmental revenues – sales tax on the Statement of Activities. Sales taxes receivable consists of taxes collected by the State for August and September 2013 not received by the City until October and November 2013.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 is as follows:

	Balance October 1, 2012	Additions	Disposals / Transfers	Balance September 30, 2013
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 5,703,918	\$ -	\$ 710,204	\$ 6,414,122
Construction in progress	6,741,909	986,254	(2,826,984)	4,901,179
Total capital assets, not being depreciated	<u>12,445,827</u>	<u>986,254</u>	<u>(2,116,780)</u>	<u>11,315,301</u>
Capital assets, being depreciated:				
Buildings and improvements	13,485,581	13,700	1,555,824	15,055,105
Improvements other than buildings	476,074	-	17,514	493,588
Machinery and equipment	2,698,670	459,754	(67,290)	3,091,134
Infrastructure	27,611,551	307,000	543,442	28,461,993
Vehicles	2,717,982	-	(50,000)	2,667,982
Total capital assets, being depreciated	<u>46,989,858</u>	<u>780,454</u>	<u>1,999,490</u>	<u>49,769,802</u>
Less accumulated depreciation for:				
Buildings and improvements	(629,632)	(295,939)	-	(925,571)
Improvements other than buildings	(105,429)	(9,689)	-	(115,118)
Machinery and equipment	(1,377,433)	(350,033)	51,005	(1,676,461)
Infrastructure	(10,434,924)	(665,726)	-	(11,100,650)
Vehicles	(1,710,147)	(209,682)	45,000	(1,874,829)
Total accumulated depreciation	<u>(14,257,565)</u>	<u>(1,531,069)</u>	<u>96,005</u>	<u>(15,692,629)</u>
Total capital assets, being depreciated, net	<u>32,732,293</u>	<u>(750,615)</u>	<u>2,095,495</u>	<u>34,077,173</u>
Total governmental activities capital assets, net	<u>\$ 45,178,120</u>	<u>\$ 235,639</u>	<u>\$ (21,285)</u>	<u>\$ 45,392,474</u>

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 5: CAPITAL ASSETS (Continued)

	Balance October 1, 2012	Additions	Disposals / Transfers	Balance September 30, 2013
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 387,425	\$ -	\$ -	\$ 387,425
Construction in progress	1,568,891	912,617	(467,962)	2,013,546
Total capital assets, not being depreciated	<u>1,956,316</u>	<u>912,617</u>	<u>(467,962)</u>	<u>2,400,971</u>
Capital assets, being depreciated:				
Buildings and improvements	21,611,909	173,000	-	21,784,909
Harbor structures and improvements	4,065,283	-	390,335	4,455,618
Water and sewer system	26,643,560	-	-	26,643,560
Machinery and equipment	188,930	52,500	-	241,430
Vehicles	122,818	33,988	-	156,806
Total capital assets, being depreciated	<u>52,632,500</u>	<u>259,488</u>	<u>390,335</u>	<u>53,282,323</u>
Less accumulated depreciation for:				
Buildings and improvements	(51,519)	(9,162)	-	(60,681)
Harbor structures and improvements	(592,637)	(124,052)	11,385	(705,304)
Water and sewer system	(10,879,740)	(1,247,171)	-	(12,126,911)
Machinery and equipment	(108,976)	(16,973)	-	(125,949)
Vehicles	(55,841)	(13,844)	-	(69,685)
Total accumulated depreciation	<u>(11,688,713)</u>	<u>(1,411,202)</u>	<u>11,385</u>	<u>(13,088,530)</u>
Total capital assets, being depreciated, net	<u>40,943,787</u>	<u>(1,151,714)</u>	<u>401,720</u>	<u>40,193,793</u>
Total business-type activities capital assets, net	<u>\$ 42,900,103</u>	<u>\$ (239,097)</u>	<u>\$ (66,242)</u>	<u>\$ 42,594,764</u>

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

Governmental Activities	
General government	\$ 119,533
Public safety	442,477
Public works	815,680
Culture and recreation	153,379
Total governmental activities depreciation expense	<u>\$ 1,531,069</u>
Business-Type Activities	
Water and Sewer	\$ 1,282,135
Port and Harbor	129,067
Total business-type activities depreciation expense	<u>\$ 1,411,202</u>

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 6: LONG-TERM DEBT

Changes in long-term debt during the year ended September 30, 2013, are as follows:

	Balance October 1, 2012	Additions	Principal Payments/ Reductions	Balance September 30, 2013	Due within One Year
Governmental Activities					
General obligation bonds	\$ 1,343,000	\$ 459,000	\$ (233,000)	\$ 1,569,000	\$ 232,000
Capital leases	181,768	376,785	(94,160)	464,393	76,168
Compensated absences	316,799	369,622	(344,988)	341,433	54,940
Total governmental activities	<u>\$ 1,841,567</u>	<u>\$ 1,205,407</u>	<u>\$ (672,148)</u>	<u>\$ 2,374,826</u>	<u>\$ 363,108</u>
Business-Type Activities					
General obligation bonds	\$ 40,000	\$ -	\$ (40,000)	\$ -	\$ -
Notes	1,987,751	-	(298,630)	1,689,121	290,153
Compensated absences	3,617	8,065	(7,749)	3,933	3,933
Total business-type activities	<u>\$ 2,031,368</u>	<u>\$ 8,065</u>	<u>\$ (346,379)</u>	<u>\$ 1,693,054</u>	<u>\$ 294,086</u>

(A) Bonds Payable

At September 30, 2013, the City's outstanding bonds payable are described as follows:

	Date of Issue	Final Maturity Date	Rates	Original Issue	Balance September 30, 2013
Governmental Activities:					
General obligation bonds:					
Public Improvement 1996	5/1/1996	5/16/2016	4.8% - 6.5%	\$ 1,700,000	\$ 385,000
Refunding Bonds 2010	7/30/2010	8/1/2022	3.5%	921,000	725,000
Series 2013 Bonds	7/24/2013	7/24/2023	1.8%	459,000	459,000
Total bonds payable				<u>\$ 3,080,000</u>	<u>\$ 1,569,000</u>

General Obligation Bonds

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

On July 24, 2013, the City of Long Beach, Mississippi issued General Obligation Bonds, Series 2013, in the amount of \$459,000. The bonds, bearing an interest rate of 1.80%, were issued to raise money for the purpose of paying the costs of erecting, repairing, improving and equipping municipal buildings; establishing sanitary, storm, drainage or sewerage systems, and repairing, improving and extending same; constructing, improving, extending and paving streets, sidewalks, driveways, parkways, walkways or public parking facilities and purchasing land for any of the foregoing purposes; purchasing machinery and equipment having an expected useful life in excess of ten years; and making other necessary and incidental improvements for the foregoing purposes in the City, and paying the cost of such borrowing. Costs, in the amount of \$4,645, related to the issuance of the Series 2013 bonds are included as an expenditure on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 6: LONG-TERM DEBT (Continued)

(A) Bonds Payable (Continued)

General Obligation Bonds (Continued)

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

Year Ending September 30,	Governmental Activities		Total Requirements
	Principal	Interest	
2014	\$ 232,000	\$ 55,197	\$ 287,197
2015	245,000	45,271	290,271
2016	254,000	34,697	288,697
2017	123,000	23,720	146,720
2018	125,000	20,180	145,180
2019-2023	590,000	44,290	634,290
Total	<u>\$ 1,569,000</u>	<u>\$ 223,355</u>	<u>\$ 1,792,355</u>

Bond Issuance Costs

Beginning with fiscal year 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under these Statements, bond issuance costs are no longer capitalized and amortized over the life of the bonds. Accordingly, the remaining net capitalized bond issuance costs, \$20,679, were expensed in the fiscal year ended September 30, 2013.

(B) Notes Payable

At September 30, 2013, the City's outstanding notes payable are described as follows:

	Date Issued	Maturity Date	Interes Rate	Original Amount	Balance September 30, 2013
Business-Type Activities:					
State of Mississippi, State Revolving Fund Loan	5/16/1994	3/1/2014	4.50%	\$ 369,228	\$ 18,555
State of Mississippi, State Revolving Fund Loan	4/1/1999	1/27/2019	4.50%	807,429	344,890
State of Mississippi, State Revolving Fund Loan	5/23/2001	1/1/2019	3.00%	520,336	270,719
State of Mississippi, Drinking Water Improvement (Main) Revolving Fund Loan	10/24/1997	1/1/2021	4.50%	900,271	427,343
State of Mississippi, Drinking Water Improvement Revolving Fund Loan	1/5/2000	3/1/2023	3.00%	274,823	152,895
State of Mississippi, Drinking Water Improvement (SE Long Beach) Revolving Fund Loan	1/30/2007	2/1/2017	2.00%	500,000	151,817
State of Mississippi, Drinking Water Improvement (Well) Revolving Fund Loan	9/1/2007	1/1/2021	4.50%	358,123	171,782
State of Mississippi, Drinking Water Systems Emergency Loan Fund	5/9/2012	2/10/2017	2.00%	203,880	151,120
Total notes payable				<u>\$ 3,934,090</u>	<u>\$ 1,689,121</u>

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 6: LONG-TERM DEBT (Continued)

(B) Notes Payable (Continued)

Principal and interest maturities will be as follows:

Year Ending September 30,	Business-Type Activities		Total Requirements
	Principal	Interest	
2014	\$ 290,153	\$ 57,757	\$ 347,910
2015	280,884	47,918	328,802
2016	281,519	38,064	319,583
2017	217,899	29,281	247,180
2018	207,259	20,542	227,801
2019-2023	411,407	21,246	432,653
Total	<u>\$ 1,689,121</u>	<u>\$ 214,808</u>	<u>\$ 1,903,929</u>

(C) Capital Leases

At September 30, 2013, the City had the following outstanding capital leases:

	Original Amount	Balance September 30, 2013
Governmental Activities:		
Capital lease payable to bank, dated January 19, 2010, secured by excavator, bearing an interest rate of 3.2%, payable in annual installments of \$23,726 through February 11, 2015.	\$ 108,041	\$ 45,269
Capital lease payable to AT&T Capital Services, dated May 3, 2011, secured by E911CAD Equipment, bearing an interest rate of 4.05%, payable in annual installments of \$22,464 through May 3, 2016.	103,913	42,339
Capital lease payable to bank, dated May 5, 2013, secured by a fire truck, bearing an interest rate of 2.82%, payable in annual installments of \$43,766 through May 7, 2023.	<u>376,785</u>	<u>376,785</u>
Total capital leases	<u>\$ 588,739</u>	<u>\$ 464,393</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2013, were as follows:

Year Ending September 30,	Total
2014	\$ 89,956
2015	89,955
2016	43,766
2017	43,766
2018	43,766
2019-2023	<u>218,829</u>
Total minimum lease payments	530,038
Less amount representing interest	<u>(65,645)</u>
Present value of minimum payments	<u>\$ 464,393</u>

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 6: LONG-TERM DEBT (Continued)

(C) Capital Leases (Continued)

As of September 30, 2013, the cost of the vehicles and equipment under capital leases in the governmental fund was \$588,739 and accumulated depreciation for those assets was \$140,593. Depreciation expense associated with the assets under capital leases in the governmental activities in fiscal year 2013 totaled \$49,927 and is included in the statement of activities, public safety expenses.

(D) Legal Debt Margin

The City's legal debt limit for general obligation bonds is \$16,126,433. At September 30, 2013, the City's legal debt margin, after reduction for outstanding general obligation notes of \$1,569,000, was \$14,557,433.

(E) Interest Expense

For the year ended September 30, 2013, \$64,172 in interest was expensed related to governmental activities and is included in the statement of activities under interest on long-term debt expenses, and \$67,521 in interest was expensed related to business-type activities in the statement of activities under water and sewer expenses.

NOTE 7: GULF OF MEXICO OIL LEAK

On April 20, 2010, there was a massive oil leak from a deep-sea rig explosion in the Gulf of Mexico. In June 2010, the City was awarded a grant from the BP Deepwater Horizon Response Mississippi Block Grant Program in an amount not to exceed \$2,000,000 to help the City with any cost incurred related to clean up. Through September 30, 2013, the City has received amounts totaling \$683,852.

NOTE 8: INTERFUND TRANSACTIONS

Interfund transactions as of September 30, 2013, were comprised of the following:

(A) Interfund Transfers

For the year ended September 30, 2013, interfund transfers consisted of the following:

	Transfers In				Total Transfers Out
	Governmental Activities		Business-Type Activities		
Transfers Out	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	
Governmental Activities:					
General	\$ -	\$ 72,815	\$ 14,487	\$ 229,847	\$ 317,149
Other Nonmajor Funds	50,351	-	-	-	50,351
Business-type Activities:					
Water and Sewer	73,803	23,726	-	-	97,529
Total Transfers In	<u>\$ 124,154</u>	<u>\$ 96,541</u>	<u>\$ 14,487</u>	<u>\$ 229,847</u>	<u>\$ 465,029</u>

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 8: INTERFUND TRANSACTIONS (Continued)

(B) Management Fees

The City's water and sewer fund and port and harbor fund (proprietary fund types) pay a management fee to the general fund to cover various costs such as administrative salaries, occupancy costs, etc. Such fees totaled \$332,802 for the year ended September 30, 2013. 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 9: RESTRICTED NET POSITION

(A) Governmental Activities

The restricted portions are as follows:

Restricted Assets	
Municipal debt service	\$ 607,692
Drug seizure funds	30,292
State seizure funds	24,568
Unemployment	37,257
Cash - capital assets	112,790
Certificate of deposit - capital assets	55,490
Series 2013 bond proceeds - capital projects	426,541
Mittal Steel USA donation	1,009,570
Fire rebate funds	<u>52,609</u>
Total restricted accounts	<u>2,356,809</u>
Liabilities Payable from Restricted Assets	
Bonds payable	<u>426,541</u>
Restricted net position	<u><u>\$ 1,930,268</u></u>

(B) Business-type Activities

The restricted portions are as follows:

Restricted Assets	
Customer deposits	\$ 360,741
Certificate of deposit	<u>280,428</u>
Total restricted accounts	<u>641,169</u>
Liabilities Payable from Restricted Assets	
Customer deposits	<u>360,741</u>
Restricted net position	<u><u>\$ 280,428</u></u>

None of the net position is restricted by enabling legislation.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 10: JOINT VENTURE

Harrison County Utility Authority

The City is a member of the Harrison County Utility Authority (Authority), which was established by an act of the Mississippi Legislature to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Harrison County, Mississippi. The governing board is comprised of one member from each of the cities and county who are members of the Authority. Through a fifty-year contract, the City is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the Authority. Additionally, the City is jointly and severally liable for all of the liabilities of the Authority. The Authority is classified as a joint venture between the City and the other members. The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2013, 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	\$ 6,537,044
Restricted assets	29,214,085
Property, plant and equipment, net	284,207,835
Deferred outflow of resources	18,828,383
Total assets	<u>\$ 338,787,347</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Current, unrestricted	\$ 5,983,296
Current, restricted	15,086,480
Long-term liabilities	126,776,142
Total liabilities	<u>147,845,918</u>
NET POSITION	
Invested in capital assets, net of related debt	171,307,610
Restricted for debt service and reserves	20,628,373
Unrestricted	(994,554)
Total net position	<u>190,941,429</u>
Total liabilities and net position	<u>\$ 338,787,347</u>

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

Operating revenues	\$ 16,810,830
Operating expenses	(18,855,749)
Depreciation expense	(7,115,721)
Non-operating revenue (expenses)	17,093,477
Change in net position	<u>\$ 7,932,837</u>

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 10: JOINT VENTURE (Continued)

Harrison County Utility Authority (Continued)

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

Government-wide Financial Statements	Fund Level Financial Statements
Statement of Net Position	Statement of Fund Net Position
Business-type activities	Water and sewer
Due from other governments	Due from other governments
<u>\$ 500,923</u>	<u>\$ 500,923</u>
Statement of Activities	Statement of Revenues, Expenses and
Business-type activities	Changes in Fund Net Position -
Water and sewer expenses	Proprietary Funds
<u>\$ 1,844,631</u>	Water and sewer
	Contractual services
	<u>\$ 1,844,631</u>

NOTE 11: UNEMPLOYMENT COMPENSATION

In lieu of making payments to the Mississippi Department of Employment Security (MDES), the City makes deposits into a bank account designated for unemployment compensation of an amount equal to 2% of the first \$14,000 of covered employee wages paid in the preceding calendar year. The total funds designated were \$52,551 and exceeded the requirement of \$37,257. The amount of contingent liability, if any, the City could be obligated for cannot be determined.

NOTE 12: RETIREMENT PLANS

(A) Public Employees' Retirement System

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

Plan Description and Provisions

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

Description of Funding Policy

PERS members are required to contribute 9% of their annual covered salary. The City is required to contribute at an actuarially determined rate. This amount was 12% of annual covered payroll from October 1, 2010 to December 31, 2011. From January 1, 2012 to June 30, 2012, this amount increased to 12.93%. From July 1, 2012 to June 30, 2013 the rate increased to 14.26%. The rate increased to 15.75% as of July 1, 2013. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the year September 30, 2013, 2012, and 2011 were \$663,324, \$593,267, and \$521,515, respectively, equal to the required contributions for each year.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 12: RETIREMENT PLANS (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) Other Post Employment Benefits

Through the PERS Plan of Mississippi (State), retirees and beneficiaries have the option of maintaining health and other coverage at their own expense; the State incurs no expense for postretirement health benefits. However, since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the State has a postemployment healthcare benefit reportable under GAAP for governmental entities as a single employer defined benefit healthcare plan. The State reports the liability associated with other postemployment benefits on an accrual basis. The State does not issue a publicly available financial report on the Plan. However, the required reporting is included in the State's financial statements disclosures available on the State of Mississippi's website at www.dfa.state.ms.us.

(D) Future Standards

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

NOTE 13: COMMITMENTS AND CONTINGENCIES

(A) Litigation

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

(B) Grants and Awards

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

(C) Lease Commitments

Non-cancellable operating leases at September 30, 2013 are as follows:

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

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 13: COMMITMENTS AND CONTINGENCIES (Continued)

(C) Lease Commitments (Continued)

In September 2012, the City entered into a lease agreement for a copier located at the Permits Office. The lease agreement is for 36 months with payments of \$218 per month

In October 2010, the City entered into a lease agreement for a copier located at the City Court Office. The lease agreement is for 48 months with payments of \$127 per month.

In October 2010, the City entered into a lease agreement for a copier located at the City Court Office. The lease agreement is for 48 months with payments of \$127 per month.

In April 2011, the City entered into a lease agreement for a copier located at the Water Billing Department. The lease agreement is for 36 months with payments of \$140 per month.

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 March 2012, the City entered into a lease agreement for a copier located at the Police Department. The lease agreement is for 36 months with payments of \$327 per month.

In July 2012, the City entered into a lease agreement for a copier located in the Public Works Office. The lease agreement is for 36 months with payments of \$69 per month.

Total lease payments made during the year ended September 30, 2013 totaled \$24,155.

The future noncancelable lease obligation of these leases at September 30, 2013 is as follows:

Year Ending September 30,	
2014	\$ 16,311
2015	10,130
2016	4,892
2017	4,892
2018	4,485
	<u>\$ 40,710</u>

(D) Contract Commitments

Service Contracts

The City contracts with private contractors for various services. The following represents a significant service commitment as of September 30, 2013:

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 19, 2013. The new agreement extended the term for four years dating through November 30, 2017, with the following base fees remaining as of September 30, 2013:

Year Ending September 30,	
2014	\$ 1,810,482
2015	1,846,629
2016	1,880,791
2017	1,915,586
2018	320,234
	<u>\$ 7,773,722</u>

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 13: COMMITMENTS AND CONTINGENCIES (Continued)

(D) Contract Commitments (Continued)

Service Contracts (Continued)

Payment terms are 1/12th of the base fee due by the 15th of each month. Payments under the service contract totaled \$1,810,193 for the year ended September 30, 2013, 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.

Outstanding Construction Commitments

The City had the following outstanding construction commitments with respect to unfinished capital projects as of September 30, 2013, which will be paid from existing grants:

General government	\$	2,671
Public safety		4,328
Public works		65,937
Water and sewer		60,179
Port and harbor		493,697
		493,697
	\$	626,812

NOTE 14: PRIOR PERIOD ADJUSTMENTS

Hazard Mitigation Grant Program reimbursable grant expenditures incurred in the prior year were not recognized as federal grant revenues and receivables. The related asset and revenue accounts were adjusted accordingly. The financial statements for the year ended September 30, 2012 have been restated to reflect the adjustments related to the previous year. The effect of this restatement on balance sheet and net position was as follows:

	As Previously Stated	As Restated	Effect of Correction - Increase (Decrease)
Government-Wide Financial Statements			
Governmental Activities			
Statement of Net Position at September 30, 2012:			
Due from other governments	\$ 1,817,883	\$ 2,351,824	\$ 533,941
Net position	\$ 51,616,003	\$ 52,149,944	\$ 533,941
Statement of Activities			
for the year ended September 30, 2012:			
Capital grants and contributions	\$ 876,842	\$ 1,410,783	\$ 533,941
General Fund Financial Statements			
Governmental Fund			
Balance Sheet at September 30, 2012:			
Due from other governments	\$ 1,817,883	\$ 2,351,824	\$ 533,941
Total fund balances	\$ 5,323,343	\$ 5,857,284	\$ 533,941
Statement of Revenues, Expenses, and Changes			
in Fund Balances for the year ended			
September 30, 2012:			
Intergovernmental	\$ 3,939,369	\$ 4,473,310	\$ 533,941

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 15: RISK MANAGEMENT

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

(A) Self-Insurance – Workers Compensation Fund

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

(B) Self-Insurance – Liability Fund

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

(C) Federal Grants

In the normal course of operations and as a result of the destruction from Hurricane Katrina in 2005, Hurricane Gustav in 2008, and Hurricane Isaac in 2012, the City has received grant funds from various Federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds.

NOTE 16: SUBSEQUENT EVENTS

The City has evaluated events occurring subsequent to year end through June 26, 2014, which is the date the statements were available to be issued. The following events were identified:

(A) Construction Contracts

Subsequent to year end, the City entered into approximately \$1.74 million in construction and engineering contracts and change orders related to harbor repairs and dredging, sewer rehabilitation, and safe routes to school construction projects and equipment. These projects are funded by federal grants and city funds.

(B) Grants

Subsequent to year end, the City was awarded approximately \$103,000 in grants to be used on operating and capital projects.

SUPPLEMENTARY INFORMATION

**COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF LONG BEACH
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,326	\$ -	\$ 1,326
Taxes receivable, net	-	2,529	2,529
Other receivables	3	-	3
Restricted assets:			
Cash and cash equivalents	112,790	605,163	717,953
Certificates of deposit	55,491	-	55,491
Total assets	<u>\$ 169,610</u>	<u>\$ 607,692</u>	<u>\$ 777,302</u>
Fund balances:			
Committed	\$ 168,281	\$ -	\$ 168,281
Assigned	-	607,692	607,692
Unassigned	1,329	-	1,329
Total fund balances	<u>\$ 169,610</u>	<u>\$ 607,692</u>	<u>\$ 777,302</u>

See auditors' report.

**CITY OF LONG BEACH
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Property taxes	\$ -	\$ 247,658	\$ 247,658
Investment earnings	216	631	847
Total revenues	<u>216</u>	<u>248,289</u>	<u>248,505</u>
EXPENDITURES			
Current:			
Transfer to School District	-	111,860	111,860
Debt Service			
Principal	-	324,874	324,874
Interest and other charges	-	56,608	56,608
Total expenditures	<u>-</u>	<u>493,342</u>	<u>493,342</u>
Excess (deficiency) of revenues over expenditures	<u>216</u>	<u>(245,053)</u>	<u>(244,837)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	96,541	96,541
Transfers out	-	(50,351)	(50,351)
Total other financing sources (uses)	<u>-</u>	<u>46,190</u>	<u>46,190</u>
Net change in fund balances	216	(198,863)	(198,647)
Fund balances - beginning	<u>169,394</u>	<u>806,555</u>	<u>975,949</u>
Fund balances - ending	<u>\$ 169,610</u>	<u>\$ 607,692</u>	<u>\$ 777,302</u>

See auditors' report.

**COMBINING FINANCIAL STATEMENTS
NONMAJOR SPECIAL REVENUE FUNDS**

**CITY OF LONG BEACH
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2013**

	Forestry Commission Grant	Contribution Agreement Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 1,326	\$ -	\$ 1,326
Other receivables	-	3	3
Restricted assets:			
Cash and cash equivalents	-	112,790	112,790
Certificates of deposit	-	55,491	55,491
Total assets	\$ 1,326	\$ 168,284	\$ 169,610
 FUND BALANCES			
Fund balances:			
Committed	\$ -	\$ 168,281	\$ 168,281
Assigned			
Unassigned	1,326	3	1,329
Total fund balances	1,326	168,284	169,610
Total fund balances	\$ 1,326	\$ 168,284	\$ 169,610

See auditors' report.

**CITY OF LONG BEACH
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Forestry Commission Grant</u>	<u>Contribution Agreement Fund</u>	<u>Totals</u>
REVENUES			
Investment earnings	\$ 1	\$ 215	\$ 216
Total revenues	<u>1</u>	<u>215</u>	<u>216</u>
Net change in fund balances	1	215	216
Fund balances - beginning	<u>1,325</u>	<u>168,069</u>	<u>169,394</u>
Fund balances - ending	<u>\$ 1,326</u>	<u>\$ 168,284</u>	<u>\$ 169,610</u>

See auditors' report.

**COMBINING FINANCIAL STATEMENTS
NONMAJOR DEBT SERVICE FUNDS**

**CITY OF LONG BEACH
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 SEPTEMBER 30, 2013**

	<u>Municipal Debt Service</u>	<u>School Debt Service</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents, restricted	\$ 605,163	\$ -	\$ 605,163
Taxes receivable, net	2,529	-	2,529
Total assets	<u>\$ 607,692</u>	<u>\$ -</u>	<u>\$ 607,692</u>
Fund balances:			
Assigned	<u>\$ 607,692</u>	<u>\$ -</u>	<u>\$ 607,692</u>
Total fund balances	<u>\$ 607,692</u>	<u>\$ -</u>	<u>\$ 607,692</u>

See auditors' report.

**CITY OF LONG BEACH
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Municipal Debt Service</u>	<u>School Debt Service</u>	<u>Total</u>
REVENUES			
Property taxes	\$ 247,658	\$ -	\$ 247,658
Investment earnings	-	631	631
	<u>247,658</u>	<u>631</u>	<u>248,289</u>
Total revenues			
EXPENDITURES			
Current:			
Transfer to School District	-	111,860	111,860
Debt service			
Principal	324,874	-	324,874
Interest and other charges	56,608	-	56,608
	<u>381,482</u>	<u>111,860</u>	<u>493,342</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>(133,824)</u>	<u>(111,229)</u>	<u>(245,053)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	96,541	-	96,541
Transfers out	<u>(50,351)</u>	<u>-</u>	<u>(50,351)</u>
Total other financing sources (uses)	<u>46,190</u>	<u>-</u>	<u>46,190</u>
Net change in fund balances	(87,634)	(111,229)	(198,863)
Fund balances - beginning	<u>695,326</u>	<u>111,229</u>	<u>806,555</u>
Fund balances - ending	<u>\$ 607,692</u>	<u>\$ -</u>	<u>\$ 607,692</u>

See auditors' report.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF LONG BEACH
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>Covered</u>	<u>Company</u>	<u>Amount</u>	<u>Expires</u>
Mayor	Brierfield Insurance Company	\$100,000	6/1/2015
Alderspersons	Brierfield Insurance Company	\$100,000	7/6/2014
Police Chief	Brierfield Insurance Company	\$50,000	7/1/2014
Police	Brierfield Insurance Company	\$25,000	7/1/2014
City Clerk	Brierfield Insurance Company	\$50,000	7/1/2014
Comptroller	Brierfield Insurance Company	\$50,000	8/16/2014
Deputy Clerks	Brierfield Insurance Company	\$50,000	8/16/2014

See auditors' report.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC
Wealth Management

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

June 26, 2014

Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
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 the City of Long Beach, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Long Beach, Mississippi's basic financial statements and have issued our report thereon dated June 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City of Long Beach, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Long Beach, Mississippi's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 2013-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

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.

Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
Long Beach, Mississippi
June 26, 2014

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City of Long Beach, Mississippi in a separate letter dated June 26, 2014.

The City of Long Beach, Mississippi's Response to Finding

The City of Long Beach, Mississippi's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Long Beach, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.


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



ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC
Wealth Management

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

June 26, 2014

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

Report on Compliance for Each Major Federal Program

We have audited the City of Long Beach, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Long Beach, Mississippi's major federal programs for the year ended September 30, 2013. The City of Long Beach, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Long Beach, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Long Beach, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Long Beach, Mississippi's compliance.

Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
Long Beach, Mississippi
June 26, 2014

Opinion on Each Major Federal Program

In our opinion, the City of Long Beach, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-2 to be a material weakness.

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

The City of Long Beach, Mississippi's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Long Beach, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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


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

**CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Grantor Federal Agency Passed - Through Agency Program Title	CFDA Number	Grant No./ Pass-Through Grantor No.	Identifying No.	Federal Expenditures
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Office of Community Planning and Development				
<i>Passed through Mississippi Development Authority</i>				
Community Development Block Grant (CDBG)	14.228	R-109-235-03-KCR		\$ 24,405
	14.228	R-109-235-04-KCR		<u>67,082</u>
Total US Department of Housing and Urban Development				<u>91,487</u>
US DEPARTMENT OF THE INTERIOR				
<i>Passed through the State of Mississippi</i>				
<i>Department of Marine Resources</i>				
Boating Infrastructure Grant Program	15.622	Y13D		283,725
Coastal Impact Assistance Program (CIAP)	15.426	M11AF00106		<u>323,409</u>
Total US Department of the Interior				<u>607,134</u>
US DEPARTMENT OF JUSTICE				
<i>Passed through the State of Mississippi</i>				
<i>Department of Public Safety</i>				
Violence Against Women Grants	16.588	11SL2981		19,811
	16.588	12SL2981		<u>7,056</u>
				26,867
Local Law Enforcement Block Grant	16.592	11LB2031		<u>4,740</u>
Total US Department of Justice				<u>31,607</u>
US DEPARTMENT OF TRANSPORTATION				
National Highway Traffic Safety Administration (NHTSA)				
<i>Passed through the State of Mississippi</i>				
<i>Department of Public Safety</i>				
Occupant Protection Incentive Grant	20.602	13OP2031		6,841
Alcohol Open Container Requirements	20.607	13TA2031		49,407
<i>Passed through the State of Mississippi</i>				
<i>Department of Transportation</i>				
Highway Planning and Construction Grant	20.205	STP-0295-00(012) LPA/105270-701000		1,485
Federal Transit Capital Investment Grant	20.500	76-0016-12-642 MS-16-X006		<u>378</u>
Total Highway Planning and Construction Grant				<u>1,863</u>
Total US Department of Transportation				<u>58,111</u>

The accompanying notes are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Grantor Federal Agency / Passed - Through Agency / Program Title	CFDA Number	Grant No./ Pass-Through Grantor No.	Identifying No.	Federal Expenditures
US DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through Mississippi Emergency Management Agency</i>				
Disaster Grants - Public Assistance/Hurricane Katrina	97.036	1604-DR-MS	PW814	107
			PW2907	133
			PW3372	19
			PW3444	3,680
			PW4273	1,688
			PW4343	4,166
			PW4682	898
			PW6588	22,956
			PW7042	165
			PW10692	386
			PW10857	114
			PW11088	93,343
			PW11111	1,582
			PW11123	10,713
			PW11125	1,056
			PW11126	91,880
			PW11128	1,878
			PW11156	4,648
			PW11160	3,035
			PW11186	583,539
			PW11288	7,386
Total Disaster Grants - Public Assistance/Hurricane Katrina				<u>833,372</u>
Disaster Grants - Public Assistance/Hurricane Isaac	97.036	1604-DR-MS	PW177	19,233
			PW626	1,528
			PW746	95,639
			PW749	18,564
			PW751	105,838
			PW763	36,578
Total Disaster Grants - Public Assistance/Hurricane Isaac				<u>277,380</u>
Total Disaster Grants				<u>1,110,752</u>
<i>Passed through State of Mississippi Emergency Management Agency</i>				
Hazard Mitigation Flood Buyout Program	97.029	FMA-PJ-04-MS-2009-005		225,758
Hazard Mitigation Grant Program	97.039	DR-1604-MS-0375		272,850
Hazard Mitigation Grant Program	97.039	DR-1604-MS-0421		703,927
Total Hazard Mitigation Grants				<u>1,202,535</u>
Total US Department of Homeland Security				<u>2,313,287</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 3,101,626</u>

The accompanying notes are an integral part of this schedule.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1- BASIS OF PRESENTATION

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

NOTE 2- RECONCILIATION TO GRANT REVENUE

The following reconciles the total expenditures of federal awards to grant revenue recognized in the statement of activities for the year ended September 30, 2013:

Total expenditures of federal awards	\$ 3,101,626
Deobligation of federal expenditures on	
PW 10	(48,488)
PW 2235	(307)
PW 5893	(37)
PW 7291	(8)
PW 7776	(26)
PW 10692	(34,291)
PW 11111	(636)
PW 11125	(27,569)
PW 11128	(124,512)
PW 11156	(3,244)
Total Deobligated	<u>(239,118)</u>
Prior year expenditures not recognized	
Hazard mitigation grant	<u>(469,750)</u>
Total federal revenues	<u><u>\$ 2,392,758</u></u>
Operating grants and contributions	\$ 1,213,542
Capital grants and contributions	1,889,186
Less: capital contributions donated by developers	(480,000)
Less: state grants	<u>(229,970)</u>
Total federal revenues	<u><u>\$ 2,392,758</u></u>

Federal grant revenues are included in program revenue (operating and capital grants and contributions) in the statement of activities for the year ended September 30, 2013.

**CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued	Unmodified
Internal Control over financial reporting: Material Weaknesses identified?	Yes
Significant Deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal Control Over Major Programs: Material Weaknesses identified?	Yes
Significant Deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditors’ report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Programs tested as major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
15.426	Coastal Impact Assistance Program
97.036	Disaster Public Assistance Grant
97.039	Hazard Mitigation Grant (HMGP)

Dollar threshold used to distinguish between type A and B Programs	\$300,000
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Auditee qualified as low-risk auditee?	No
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**CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section II – Financial Statement Findings

2013-1 Finding

Condition

Currently, grant monitoring is performed by each department head. In addition, the City has contracts with numerous companies to administer most of its grants. As a result, the persons with financial reporting responsibilities were unaware of \$1,390,106 in grant awards for which expenditures were incurred in the prior year. A prior period adjustment was recorded in the current year to correct this error.

Criteria

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

Effect

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

Recommendation

We recommend that the City designate a person with financial reporting responsibilities (e.g., Comptroller) to monitor all grant awards. This person should assume the responsibility of overseeing all grant processes from the application submission through the three year records retention period. In addition, these responsibilities should include maintaining grant files that include all supporting grant award and expenditures documentation that would be readily available when requested. In addition, to reduce the possibility of jeopardizing grant funding due to findings and/or questioned costs during the performance of future single audits, internal controls should be established that ensure federal guidelines and requirements are met.

Management's Response

The City agrees and the Comptroller is working on gathering all this data so that it is maintained in one place.

**CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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

2013-2 Finding

*Program: U.S. Department of Interior; Coastal Impact Assistance Program; CFDA # 15.426; M11AF00106
U.S. Department of Homeland Security; Hazard Mitigation Grant Program; CFDA #97.039; DR-1604-MS-0375, DR-1604-MS-0421
U.S. Department of Homeland Security; Disaster Public Assistance Grant; CFDA #97.036*

Condition

Audit reports were not prepared and filed timely with the Federal Audit Clearinghouse (FAC) for the years ended September 30, 2012 and 2011.

Criteria or Specific Requirement

OMB Circular A-133 requires the audit reports to be filed with the FAC within nine months after the end of the audit period.

Effect

The City risks losing current federal award funding and preventing eligibility for future awards.

Questioned Costs

There are no questioned costs associated with the finding.

Context

The City did not maintain records that are readily auditable and it required a considerable amount of time for preparation by the City for the audits. In 2011, the City hired a Comptroller and is working on having their audits completed and submitted by the required filing date.

Cause

The City did not submit the audit reports to the FAC for the years ended September 30, 2012 and 2011 within nine months.

Recommendation

We recommend the City to continue to work towards maintaining proper records, implementing audit recommendations, and scheduling and managing an audit in order to promote timely audit preparation and filings.

Views of Responsible Officials and Planned Corrective Actions

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

City of Long Beach

BOARD OF ALDERMEN

Leonard G. Carrubba, Sr. - At-Large
Gary J. Ponthieux - Ward 1
Bernie Parker - Ward 2
Kelly Griffin - Ward 3
Ronnie Hammons, Jr. - Ward 4
Mark E. Lishen - Ward 5
Alan Young - Ward 6



WILLIAM SKELLIE, JR.
MAYOR

CITY CLERK
TAX COLLECTOR
Rebecca E. Schruff

CITY ATTORNEY
James C. Simpson, Jr.

CORRECTIVE ACTION PLAN FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SINGLE AUDIT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2013

2013-2 Finding

Audit reports were not prepared and filed timely with the Federal Audit Clearinghouse (FAC) for years ended September 30, 2012, and 2011.

Management Comments and Corrective Action Plan

The City understands that they did not meet the requirement of submitting the audit to the FAC within nine months of year end close. The Comptroller has already worked out a schedule with auditors to make sure this is not the case for FY 2013.

City of Long Beach

BOARD OF ALDERMEN

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MAYOR

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Rebecca E. Schruff

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James C. Simpson, Jr.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS SEPTEMBER 30, 2013 (Unaudited)

2012-04 *U.S. Department of Housing and Urban Development; Community Development Block Grant; CFDA #14.228; R-103-235-01-KCR, R-109-235-02-KCR, R-109-235-03-KCR, R-109-235-04-KCR*
U.S. Department of Interior; Boating Infrastructure Grant Program; CFDA # 15.622; Y13D
U.S. Department of Interior; Coastal Impact Assistance Program; CFDA # 15.426; M11AF00106
U.S. Department of Transportation; Highway Planning and Construction Grant; CFDA # 20.205; STP-9368-00(001) LPA/105864-401000 411000, STP-9082-00(003)LPA 105719-701000 ARRA, STP-0295-00(013), ER-0295-00(011)LPA/105156-71100, STP-0295-00(012)LPA/105270-701000
U.S. Department of Homeland Security; Hazard Mitigation Flood Buyout Program; CFDA #97.029; FMA-PJ-04-MS-2009-005
U.S. Department of Homeland Security; CFDA #97.036; Disaster Public Assistance Grant
U.S. Department of Homeland Security; Hazard Mitigation Grant Program; CFDA #97.039; DR-1604-MS-007

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

Recommendation: We recommend that the City take steps to create and maintain a capital assets listing that will allow for identifying assets constructed or purchased with federal awards. Such listings should be updated annually after performing an inventory of assets as required by State law.

Current Status:

The Comptroller now keeps a master spreadsheet with the entire City inventory. The spreadsheet includes a column to notate whether the invoice was purchased with Federal Funds.

CITY OF LONG BEACH, MISSISSIPPI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, Continued
SEPTEMBER 30, 2013
(Unaudited)

2012-05 *U.S. Department of Transportation; Highway Planning and Construction Grant; CFDA # 20.205; STP-9368-00(001) LPA/105864-401000 411000, STP-9082-00(003)LPA 105719-701000 ARRA, STP-0295-00(013), ER-0295-00(011)LPA/105156-71100, STP-0295-00(012)LPA/105270-701000*

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

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

Current Status:

The City has reminded all grant administrators that they must obtain certified payrolls on a weekly basis. They have been instructed that invoices are not to be submitted until all documentation that is required, be supplied.

2012-06 *U.S. Department of Interior; Boating Infrastructure Grant Program; CFDA # 15.622; Y13D*
U.S. Department of Interior; Coastal Impact Assistance Program; CFDA # 15.426; M11AF00106
U.S. Department of Transportation; Highway Planning and Construction Grant; CFDA # 20.205; STP-9368-00(001) LPA/105864-401000 411000, STP-9082-00(003)LPA 105719-701000 ARRA, STP-0295-00(013), ER-0295-00(011)LPA/105156-71100, STP-0295-00(012)LPA/105270-701000
U.S. Department of Homeland Security; Hazard Mitigation Flood Buyout Program; CFDA #97.029; FMA-PJ-04-MS-2009-005
U.S. Department of Homeland Security; Disaster Public Assistance Grant; CFDA #97.036

Condition: Audit reports were not prepared and filed timely with the Federal Audit Clearinghouse (FAC).

Recommendation: We recommend the City to continue to work towards maintaining proper records, implementing audit recommendations, and scheduling and managing an audit in order to promote timely audit preparation and filings.

Current Status:

The audit for Fiscal Year 2013 will be completed on time. The City will continue to strive to complete all audits before the June 30 deadline.



ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC
Wealth Management

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

June 26, 2014

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

We have audited the financial statements of the City of Long Beach, Mississippi as of and for the year ended September 30, 2013, and have issued our report thereon dated June 26, 2014. 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 did not result in any 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.


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