CITY OF LONG BEACH, MISSISSIPPI

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2012

CITY OF LONG BEACH, MISSISSIPPI
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INTRODUCTORY SECTION

CITY OF LONG BEACH, MISSISSIPPI
LISTING OF CITY OFFICIALS
SEPTEMBER 30, 2012

Mayor	William Skellie, Jr.
Alderman – Ward 1	Gary J. Ponthieux
Alderman – Ward 2	Bernie Parker
Alderman – 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
City Clerk	Rebecca E. Schruff

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

October 14, 2013

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Long Beach, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Long Beach, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Long Beach, Mississippi, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, on our consideration of the City of Long Beach, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
October 14, 2013

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Long Beach, Mississippi's financial statements as a whole. The introductory section and accompanying financial information listed as pages 1, and 38 through 44 in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 49 through 50 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Alexander, Van Loon, Sloan, Levens & Favre

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

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LONG BEACH
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 525,185	$ 20,824	$ 546,009
Pooled cash and cash equivalents	3,825,526	2,677,159	6,502,685
Receivables, net	622,398	592,354	1,214,752
Due from other governments	1,817,883	2,705,187	4,523,070
Inventories	-	958	958
Other receivables	162	-	162
Prepaid expenses	132,813	-	132,813
Restricted assets			
Cash and cash equivalents	2,031,390	-	2,031,390
Pooled cash and cash equivalents	102,960	344,141	447,101
Certificates of deposit	55,274	277,717	332,991
Other assets, net	20,679	-	20,679
Capital assets			
Land, improvements, and construction in progress	12,445,827	1,956,316	14,402,143
Other capital assets, net of depreciation	32,732,293	40,943,787	73,676,080
Total capital assets	45,178,120	42,900,103	88,078,223
Total assets	54,312,390	49,518,443	103,830,833
LIABILITIES			
Accounts payable	596,438	415,474	1,011,912
Interest payable	8,057	5,365	13,422
Other accrued liabilities	26,027	-	26,027
Due to other governmental agencies	-	182	182
Deferred revenues	224,298	103,640	327,938
Compensated absences, current	76,519	3,617	80,136
Capital leases payable, current	91,873	-	91,873
Bonds and notes payable, current	233,000	338,556	571,556
Payable from restricted assets:			
Customer deposits	-	344,141	344,141
Compensated absences, noncurrent	240,280	-	240,280
Capital leases payable, noncurrent	89,895	-	89,895
Bonds and notes payable, noncurrent	1,110,000	1,689,195	2,799,195
	2,696,387	2,900,170	5,596,557
NET ASSETS			
Invested in capital assets, net of related debt	43,332,354	40,804,876	84,137,230
Restricted for:			
Debt service	806,555	-	806,555
Other purposes	1,385,999	277,717	1,663,716
Unrestricted	6,091,095	5,535,680	11,626,775
Total net assets	$ 51,616,003	$ 46,618,273	$ 98,234,276

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

CITY OF LONG BEACH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net Revenue (Expenses) and Changes in Net Assets: Governmental Activities	Net Revenue (Expenses) and Changes in Net Assets: Business-type Activities	Net Revenue (Expenses) and Changes in Net Assets: Total
Primary government							
Governmental activities							
General government	$ 3,272,530	$ 399,262	$ 693,504	$ 876,842	$ (1,302,922)	$ -	$ (1,302,922)
Public safety	5,612,388	1,001,529	48,931	-	(4,561,928)	-	(4,561,928)
Public works	747,498	-	-	1,206,378	458,880	-	458,880
Culture and recreation	691,222	43,545	7,509	34,600	(605,568)	-	(605,568)
Interest on long-term debt	78,276	-	-	-	(78,276)	-	(78,276)
Total governmental activities	10,401,914	1,444,336	749,944	2,117,820	(6,089,814)	-	(6,089,814)
Business-type activities:							
Water and Sewer	6,154,250	5,820,990	162,377	218,619	-	47,736	47,736
Port and Harbor	483,107	309,861	8,951	1,401,891	-	1,237,596	1,237,596
Total business-type activities	6,637,357	6,130,851	171,328	1,620,510	-	1,285,332	1,285,332
Total	$ 17,039,271	$ 7,575,187	$ 921,272	$ 3,738,330	(6,089,814)	1,285,332	(4,804,482)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					5,044,648	-	5,044,648
Franchise taxes					572,353	-	572,353
Other					102,696	-	102,696
Intergovernmental revenues - sales tax					1,292,439	-	1,292,439
Grants and contributions not restricted to specific programs					43,500	-	43,500
Interest earnings					13,041	523	13,564
Insurance proceeds					1,054	-	1,054
Miscellaneous					210,782	-	210,782
Total general revenues					7,280,513	523	7,281,036
Change in net assets before transfers					1,190,699	1,285,855	2,476,554
Transfers					(541,430)	541,430	-
Change in net assets					649,269	1,827,285	2,476,554
Net assets - beginning					50,966,734	44,790,988	95,757,722
Net assets - ending					$ 51,616,003	$ 46,618,273	$ 98,234,276

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, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 523,860	$ 1,325	$ 525,185
Pooled cash and cash equivalents	3,825,526	-	3,825,526
Receivables, net	619,468	2,930	622,398
Due from other governments	1,817,883	-	1,817,883
Other receivables	157	5	162
Prepaid expenses	132,813	-	132,813
Restricted assets:			
Cash and cash equivalents	1,114,975	916,415	2,031,390
Pooled cash and cash equivalents	102,960	-	102,960
Certificates of deposit	-	55,274	55,274
Total assets	$ 8,137,642	$ 975,949	$ 9,113,591
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 488,340	$ -	$ 488,340
Accrued liabilities	26,027	-	26,027
Deferred revenue	2,223,413	-	2,223,413
Compensated absences	76,519	-	76,519
Total liabilities	2,814,299	-	2,814,299
Fund balances:			
Nonspendable:			
Prepaid expenses	132,813	-	132,813
Restricted for:			
Unemployment compensation fund	37,606	-	37,606
Hurricane Katrina repairs	1,009,058	-	1,009,058
Committed	171,271	168,064	339,335
Assigned	-	806,555	806,555
Unassigned	3,972,595	1,330	3,973,925
Total fund balances	5,323,343	975,949	6,299,292
Total liabilities and fund balances	$ 8,137,642	$ 975,949	$ 9,113,591

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

CITY OF LONG BEACH
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total fund balance, governmental funds	$ 6,299,292
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	45,178,120
Certain other assets (such as accounts receivable) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. Such amounts are reported as deferred revenue.	2,019,793
Some liabilities (such as bonds and notes payable, capital leases payable, retainage payable, and long-term compensated absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	(1,881,202)
Net assets of governmental activities	$ 51,616,003

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, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	$ 4,765,795	$ 248,125	$ 5,013,920
Sales taxes	1,292,439	-	1,292,439
Franchise taxes	577,480	-	577,480
Fees and fines	773,903	-	773,903
Licenses and permits	69,995	-	69,995
Intergovernmental	3,939,369	-	3,939,369
Charges for services	384,481	-	384,481
Investment earnings	11,924	1,117	13,041
Donations	43,500	-	43,500
Miscellaneous	106,133	-	106,133
Total revenues	11,965,019	249,242	12,214,261
EXPENDITURES			
Current:			
General government	3,757,272	-	3,757,272
Public safety	5,509,172	-	5,509,172
Public works	990,434	-	990,434
Culture and recreation	1,004,401	-	1,004,401
Debt Service:			
Principal	-	307,689	307,689
Interest and other charges	-	94,563	94,563
Total expenditures	11,261,279	402,252	11,663,531
Excess (deficiency) of revenues over expenditures	703,740	(153,010)	550,730
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	1,054	-	1,054
Sale of assets	18,792	-	18,792
Transfers in	477,467	706,618	1,184,085
Transfers out	(1,725,515)	-	(1,725,515)
Total other financing sources (uses)	(1,228,202)	706,618	(521,584)
Net change in fund balances	(524,462)	553,608	29,146
Fund balances - beginning	5,847,805	422,341	6,270,146
Fund balances - ending	$ 5,323,343	$ 975,949	$ 6,299,292

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, 2012

Net change in fund balances - total governmental funds:	$ 29,146
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays ($2,240,639) exceeded depreciation ($1,189,354) in the current period.	1,051,285
Governmental funds do not present donated capital assets as contributions. In contrast, such contributions are reported in the Statement of Activities.	920,360
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.	(139,135)
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.	(1,543,095)
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 of repayments. There were no new proceeds.	307,689
Governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(2,103)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Accrued interest not reflected on Governmental funds	16,286
Compensated absences not reflected on Governmental funds	8,836
Change in net assets of governmental activities	$ 649,269

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF LONG BEACH
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Enterprise Funds		
	Water and Sewer	Port and Harbor	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 20,471	$ 353	$ 20,824
Pooled cash and cash equivalents	816,166	1,860,993	2,677,159
Accounts receivable, net	586,158	6,196	592,354
Due from other governments	1,742,610	962,577	2,705,187
Inventories	-	958	958
Total current assets	3,165,405	2,831,077	5,996,482
Non-current assets:			
Restricted assets:			
Pooled cash and cash equivalents	344,141	-	344,141
Certificates of deposit	277,717	-	277,717
Capital assets:			
Land and construction in progress	137,425	1,818,891	1,956,316
Other capital assets, net of accumulated depreciation	37,452,443	3,491,344	40,943,787
Total non-current assets	38,211,726	5,310,235	43,521,961
Total assets	41,377,131	8,141,312	49,518,443
LIABILITIES			
Current liabilities:			
Accounts payable	299,456	116,018	415,474
Accrued interest payable	5,365	-	5,365
Payable to other governments	35	147	182
Deferred revenue	103,640	-	103,640
Compensated absences	108	3,509	3,617
Bonds and notes payable	338,556	-	338,556
Payable from restricted assets:			
Customer deposits	344,141	-	344,141
Total current liabilities	1,091,301	119,674	1,210,975
Non-current liabilities:			
Bonds and notes payable	1,689,195	-	1,689,195
Total liabilities	2,780,496	119,674	2,900,170
NET ASSETS			
Invested in capital assets, net of related debt	35,562,117	5,242,759	40,804,876
Restricted for other purposes	277,717	-	277,717
Unrestricted	2,756,801	2,778,879	5,535,680
Total net assets	$ 38,596,635	$ 8,021,638	$ 46,618,273

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

CITY OF LONG BEACH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds		
	Water and Sewer	**Port and Harbor**	**Total**
REVENUES			
Charges for services	$ 5,785,986	$ 309,321	$ 6,095,307
Miscellaneous	35,004	540	35,544
Total operating revenues	5,820,990	309,861	6,130,851
OPERATING EXPENSES			
Personal services	80,722	245,870	326,592
Materials and supplies	1,538,406	19,158	1,557,564
Contractual services	2,764,840	46,176	2,811,016
Other services and charges	491,159	56,650	547,809
Depreciation and amortization	1,196,708	115,253	1,311,961
Total operating expenses	6,071,835	483,107	6,554,942
Operating loss	(250,845)	(173,246)	(424,091)
NON-OPERATING REVENUE (EXPENSES)			
Loss on asset disposal	(1,230)	-	(1,230)
Interest and investment revenue	523	-	523
Operating grants and contributions	162,377	8,951	171,328
Interest expense	(81,185)	-	(81,185)
Total non-operating revenue (expenses)	80,485	8,951	89,436
LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(170,360)	(164,295)	(334,655)
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	218,619	1,401,891	1,620,510
Transfers in	482,555	560,068	1,042,623
Transfers out	(376,965)	(124,228)	(501,193)
Total capital contributions and transfers	324,209	1,837,731	2,161,940
CHANGE IN NET ASSETS	153,849	1,673,436	1,827,285
TOTAL NET ASSETS - BEGINNING	38,442,786	6,348,202	44,790,988
TOTAL NET ASSETS - ENDING	$38,596,635	$ 8,021,638	$46,618,273

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, 2012

	Enterprise Funds		
	Water and Sewer	Port and Harbor	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 5,851,132	$ 311,583	$ 6,162,715
Payments to suppliers	(5,024,333)	(101,957)	(5,126,290)
Payments to employees	(80,614)	(245,414)	(326,028)
Net cash provided by (used in) operating activities	746,185	(35,788)	710,397
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from operating grants and contributions	162,377	8,951	171,328
Operating subsidies and transfers from other funds	104,960	433,700	538,660
Net cash provided by noncapital financing activities	267,337	442,651	709,988
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases and construction of capital assets	(701,145)	(1,411,354)	(2,112,499)
Proceeds from capital grants	662,802	1,205,382	1,868,184
Proceeds from debt	203,880	-	203,880
Principal paid on capital debt	(352,206)	-	(352,206)
Interest paid on capital debt	(79,368)	-	(79,368)
Net cash used in capital and related financing activities	(266,037)	(205,972)	(472,009)
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted customer deposits	13,815	-	13,815
Purchase of certificates of deposit	(281)	-	(281)
Interest received	301	-	301
Net cash provided by investing activities	13,835	-	13,835
Net increase in cash and cash equivalents	761,320	200,891	962,211
Balances-beginning of the year	419,458	1,660,455	2,079,913
Balances-end of the year	$ 1,180,778	$ 1,861,346	$ 3,042,124
NONCASH FINANCING ACTIVITIES			
Infrastructure donated by developers	$ 409,640	$ -	$ 409,640
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Unrestricted:			
Cash and cash equivalents	$ 20,471	$ 353	$ 20,824
Pooled cash and cash equivalents	816,166	1,860,993	2,677,159
Restricted:			
Pooled cash and cash equivalents	344,141	-	344,141
	$ 1,180,778	$ 1,861,346	$ 3,042,124

CITY OF LONG BEACH
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds		
	Water and Sewer	Port and Harbor	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating loss	$ (250,845)	$ (173,246)	$ (424,091)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	1,196,708	115,253	1,311,961
Bad debt expense	75,584	4,243	79,827
Increase in current assets			
Accounts receivable	(63,631)	(2,521)	(66,152)
Increase (decrease) in current liabilities			
Accounts payable	(211,631)	20,027	(191,604)
Compensated absences	-	456	456
Net cash provided by (used in) operating activities	$ 746,185	$ (35,788)	$ 710,397

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, 2012

	Tax Collector Clearing Fund
ASSETS	
Cash and cash equivalents	$ 157
Property tax receivables	76,767
Total assets	$ 76,924
LIABILITIES	
Other liabilities	$ 157
Due to other governments	76,767
Total liabilities	$ 76,924

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

NOTES TO FINANCIAL STATEMENTS

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, 2012.

II. Financial Reporting Entity

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

III. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

(A) Basis of Accounting

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(A) Basis of Accounting (Continued)

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

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

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

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

(B) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental fund:

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

Proprietary Funds

The City reports the following major proprietary funds:

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(B) Fund Types and Major Funds (Continued)

Other Fund Types

The City also reports the following fund types:

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

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

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

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

(C) Use of Estimates

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

V. Assets, Liabilities, and Net Assets or Equity

(A) Deposits and Investments

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(B) Receivables and Payables

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

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

All trade receivables are shown net of an allowance for uncollectibles. An allowance has been provided in the Water and Sewer fund for estimated uncollectible utility charges and in the Port and Harbor fund for uncollectible dockage fees. The allowance amounts are estimated based on the aging of the receivables, historical collection experience and other relevant circumstances. As of September 30, 2012, the allowances for uncollectible water and sewer charges and for port and harbor dockage fees are $638,342 and $94,485, respectively.

(C) Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2012, are recorded as prepaid items.

(D) Restricted Assets

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

(E) Capital Assets

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(E) Capital Assets (Continued)

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

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

(F) Long-Term Obligations

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

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

(G) Compensated Absences

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

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours is multiplied by the employee's hourly rate at September 30, 2012. 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 ordinance or resolution. This includes the budget reserve account.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(H) Fund Balance (continued)

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

Unassigned – All amounts not included in other spendable classifications

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

(I) Net Assets

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

NOTE 2: DEPOSITS AND INVESTMENTS

(A) Deposits

The City deposits funds in financial institutions selected by the City's Board of Alderpersons in accordance with Mississippi statutes. Mississippi statutes allow municipalities to select depositories on the basis of competitive bid. A summary of cash (including restricted cash) as of September 30, 2012, follows:

	Cash on Hand	Cash Deposits	Pooled Cash Deposits	Total
Governmental Activities				
General Fund	$ 210	$ 1,638,625	$ 3,928,486	$ 5,567,321
Other Governmental Funds	-	917,740	-	917,740
Total governmental activities	210	2,556,365	3,928,486	6,485,061
Business-Type Activities				
Enterprise Funds:				
Water and Sewer Fund	225	20,246	1,160,307	1,180,778
Port and Harbor Fund	353	-	1,860,993	1,861,346
Total business-type activities	578	20,246	3,021,300	3,042,124
Fiduciary Fund	-	157	-	157
Total cash and cash equivalents	$ 788	$ 2,576,768	$ 6,949,786	$ 9,527,342

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

(A) Deposits (Continued)

The City maintained the following restricted assets as of September 30, 2012:

Governmental Activities	
Cash and cash equivalents	
Drug seizure funds	$ 68,311
Debt service funds	803,625
Fire rebate funds	102,960
Restricted donations - Mittal Steel USA	1,009,058
Unemployment funds	37,606
Capital asset	112,790
Certificates of deposit - capital asset	55,274
Total restricted assets - governmental activities	2,189,624
Business-Type Activities	
Cash and cash equivalents	
Utility customer deposits	344,141
Certificates of deposit - escrow funds from developers	277,717
Total restricted assets - business-type activities	621,858
Total restricted assets	$ 2,811,482

From January 2006 through September 30, 2012, 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, 2012, were exposed to custodial credit risk.

At September 30, 2012, deposits (including restricted deposits) are as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	$ 10,188,501	$ 9,527,342

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

(B) Investments

At September 30, 2012, the City held the following certificates of deposit with maturity dates of longer than three months:

	Balance October 1, 2011	Purchases	Maturities	Balance September 30, 2012
Governmental Activities:				
Peoples Bank, 0.35% interest, matures September 22, 2013	$ 55,103	$ 171	$ -	$ 55,274
Peoples Bank, 0.60% interest, matures September 19, 2012	112,115	675	(112,790)	-
Total governmental activities	167,218	846	(112,790)	55,274
Business-type Activities:				
The First Bank, 0.65% interest, matures July 27, 2013	277,437	280	-	277,717
Total business-type activities	277,437	280	-	277,717
Total	$ 444,655	$ 1,126	$ (112,790)	$ 332,991

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.

NOTE 3: RECEIVABLES

Receivables at September 30, 2012 consist of the following:

	Governmental Activities		Business-Type Activities		
	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	Total
Property taxes	$ 66,490	$ 2,930	$ -	$ -	$ 69,420
Payments in lieu of taxes (PILOT)	17,482	-	-	-	17,482
Franchise taxes	157,636	-	-	-	157,636
Accounts, gross	-	-	1,224,500	100,681	1,325,181
Court fines, gross	5,819,764	-	-	-	5,819,764
Total receivables, gross	6,061,372	2,930	1,224,500	100,681	7,389,483
Less allowance for doubtful receivables	(5,441,904)	-	(638,342)	(94,485)	(6,174,731)
Total receivables, net	$ 619,468	$ 2,930	$ 586,158	$ 6,196	$ 1,214,752
Due from fiduciary fund	$ 157	$ -	$ -	$ -	$ 157
Interest receivable	-	5	-	-	5
Total other receivables	$ 157	$ 5	$ -	$ -	$ 162

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Deferred revenue at September 30, 2012, 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, 2012, 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, 2012, has been provided on the next page.

NOTE 3: RECEIVABLES (Continued)

Property Taxes (continued)

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

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

The assessed valuations of the City and the School District for the year ended September 30, 2012, are as follows:

CITY		SCHOOL DISTRICT	
Real property	$ 85,168,879	Real property	$ 92,259,627
Personal property	3,851,890	Personal property	7,768,815
Public utilities	3,253,016	Public utilities	3,920,979
Automobiles	15,923,374	Automobiles	17,357,104
Mobile homes	7,862	Mobile homes	44,180
Total - City	$ 108,205,021	Total - School District	$ 121,350,705

The tax levies for the City and the School District for the years ended September 30, 2012, 2011, and 2010, are as follows:

	2012	2011	2010
CITY			
General fund	46.48	46.48	44.63
City bond and interest fund	2.50	2.50	4.35
Total city administered funds	48.98	48.98	48.98
SCHOOL DISTRICT			
Shortfall notes	1.75	1.75	1.75
School building program	3.00	3.00	3.00
District maintenance funds	55.00	55.00	55.00
Total school administered funds	59.75	59.75	59.75
Total tax levy	108.73	108.73	108.73

NOTE 4: DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2012, consists of the following:

	Governmental Activities		Business-Type Activities		
	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	Total
Due from other governments					
Harrison County Utility Authority	$ -	$ -	$ 37,797	$ -	$ 37,797
Sales tax	217,988	-	-	-	217,988
Grants	1,599,895	-	1,704,813	962,577	4,267,285
Total due from other governments	$ 1,817,883	$ -	$ 1,742,610	$ 962,577	$ 4,523,070

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 $1,292,439 for the year ended September 30, 2012 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 2012 not received by the City until October and November 2013.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, is as follows:

	Balance October 1, 2011	Additions	Disposals / Transfers	Balance September 30, 2012
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 5,703,918	$ -	$ -	$ 5,703,918
Construction in progress	21,510,614	1,954,363	(16,723,068)	6,741,909
Total capital assets, not being depreciated	27,214,532	1,954,363	(16,723,068)	12,445,827
Capital assets, being depreciated:				
Buildings and improvements	3,738,643	-	9,746,938	13,485,581
Improvements other than buildings	476,074	-	-	476,074
Machinery and equipment	2,690,488	113,382	(105,200)	2,698,670
Infrastructure	20,020,459	920,360	6,670,732	27,611,551
Vehicles	2,658,411	150,054	(90,483)	2,717,982
Total capital assets, being depreciated	29,584,075	1,183,796	16,221,987	46,989,858
Less accumulated depreciation for:				
Buildings and improvements	(647,741)	(221,323)	239,432	(629,632)
Improvements other than buildings	(96,324)	(9,105)	-	(105,429)
Machinery and equipment	(1,084,248)	(330,465)	37,280	(1,377,433)
Infrastructure	(10,020,328)	(414,596)	-	(10,434,924)
Vehicles	(1,581,516)	(213,865)	85,234	(1,710,147)
Total accumulated depreciation	(13,430,157)	(1,189,354)	361,946	(14,257,565)
Total capital assets, being depreciated, net	16,153,918	(5,558)	16,583,933	32,732,293
Total governmental activities capital assets, net	$ 43,368,450	$ 1,948,805	$ (139,135)	$ 45,178,120

NOTE 5: CAPITAL ASSETS (Continued)

	Balance October 1, 2011	Additions	Disposals / Transfers	Balance September 30, 2012
Business-Type Activities				
Capital assets, not being depreciated:				
Land	$ 387,425	$ -	$ -	$ 387,425
Construction in progress	5,165,661	1,780,551	(5,377,321)	1,568,891
Total capital assets, not being depreciated	5,553,086	1,780,551	(5,377,321)	1,956,316
Capital assets, being depreciated:				
Buildings and improvements	21,202,269	409,640	-	21,611,909
Harbor structures and improvements	4,033,133	32,150	-	4,065,283
Water and sewer system	21,266,239	-	5,377,321	26,643,560
Machinery and equipment	181,091	22,262	(14,423)	188,930
Vehicles	59,323	63,495	-	122,818
Total capital assets, being depreciated	46,742,055	527,547	5,362,898	52,632,500
Less accumulated depreciation for:				
Buildings and improvements	(42,357)	(9,162)	-	(51,519)
Harbor structures and improvements	(481,912)	(110,725)	-	(592,637)
Water and sewer system	(9,706,268)	(1,173,472)	-	(10,879,740)
Machinery and equipment	(111,087)	(11,082)	13,193	(108,976)
Vehicles	(48,321)	(7,520)	-	(55,841)
Total accumulated depreciation	(10,389,945)	(1,311,961)	13,193	(11,688,713)
Total capital assets, being depreciated, net	36,352,110	(784,414)	5,376,091	40,943,787
Total business-type activities capital assets, net	$ 41,905,196	$ 996,137	$ (1,230)	$ 42,900,103

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

Governmental Activities	
General government	$ 118,131
Public safety	419,281
Public works	583,354
Culture and recreation	68,588
Total governmental activities depreciation expense	$ 1,189,354
Business-Type Activities	
Water and Sewer	$ 1,196,708
Port and Harbor	115,253
Total business-type activities depreciation expense	$ 1,311,961

NOTE 6: LONG-TERM DEBT

Changes in long-term debt during the year ended September 30, 2012, are as follows:

	Balance October 1, 2011	Additions	Principal Payments/ Reductions	Balance September 30, 2012	Due within One Year
Governmental Activities					
General obligation bonds	$ 1,563,000	$ -	$ (220,000)	$ 1,343,000	$ 233,000
Capital leases	269,448	-	(87,680)	181,768	91,873
Compensated absences	290,989	287,343	(261,533)	316,799	76,519
Total governmental activities	$ 2,123,437	$ 287,343	$ (569,213)	$ 1,841,567	$ 401,392
Business-Type Activities					
General obligation bonds	$ 80,000	$ -	$ (40,000)	$ 40,000	$ 40,000
Notes	2,096,077	203,880	(312,206)	1,987,751	298,556
Compensated absences	3,053	4,472	(3,908)	3,617	3,617
Total business-type activities	$ 2,179,130	$ 208,352	$ (356,114)	$ 2,031,368	$ 342,173

(A) Bonds Payable

At September 30, 2012, the City's outstanding bonds payable are described as follows:

	Date of Issue	Final Maturity Date	Rates	Original Issue	Balance September 30, 2012
Governmental Activities:					
General obligation bonds:					
Public Improvement 1992A	12/1/1992	12/1/2012	5.0% - 7.1%	$ 592,000	$ 50,000
Public Improvement 1996	5/1/1996	5/16/2016	4.8% - 6.5%	1,700,000	500,000
Refunding Bonds 2010	7/30/2010	8/1/2022	3.5%	921,000	793,000
Total bonds - governmental activities				3,213,000	1,343,000
Business-Type Activities:					
General obligation bonds:					
Water and Sewer 1992B	12/1/1992	2/1/2012	5.0% - 6.25%	530,000	40,000
Total bonds payable				$ 3,743,000	$ 1,383,000

General Obligation Bonds

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

NOTE 6: LONG-TERM DEBT (Continued)

(A) Bonds Payable (Continued)

General Obligation Bonds (Continued)

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

Year Ending	Governmental Activities		Business-Type Activities		Total
September 30,	Principal	Interest	Principal	Interest	Requirements
2013	$ 233,000	$ 57,318	$ 40,000	$ 1,250	$ 331,568
2014	190,000	46,935	-	-	236,935
2015	202,000	37,765	-	-	239,765
2016	210,000	27,965	-	-	237,965
2017	78,000	17,780	-	-	95,780
2018-2022	430,000	46,200	-	-	476,200
Total	$ 1,343,000	$ 233,963	$ 40,000	$ 1,250	$ 1,618,213

(B) Notes Payable

At September 30, 2012, the City's outstanding notes payable are described as follows:

	Date Issued	Maturity Date	Interes Rate	Original Amount	Balance September 30, 2012
Business-Type Activities:					
State of Mississippi, State Revolving Fund Loan	5/16/1994	3/1/2014	4.50%	$ 369,228	$ 54,465
State of Missisippi, Drinking Water Improvement (Main) Revolving Fund Loan	10/24/1997	1/1/2021	4.50%	900,271	475,457
State of Mississippi, State Revolving Fund Loan	4/1/1999	1/27/2019	4.50%	807,429	400,854
State of Missisippi, Drinking Water Improvement Revolving Fund Loan	1/5/2000	3/1/2023	3.00%	274,823	166,601
State of Mississppi, State Revolving Fund Loan	5/23/2001	1/1/2019	3.00%	520,336	302,433
State of Mississippi, Drinking Water Improvement (SE Long Beach) Revolving Fund Loan	1/30/2007	2/1/2017	2.00%	500,000	203,385
State of Missisippi, Drinking Water Improvement (Well) Revolving Fund Loan	9/1/2007	1/1/2021	4.50%	358,123	191,123
State of Missisippi, Drinking Water Systems Emergency Loan Fund	5/9/2012	2/10/2017	2.00%	203,880	193,433
Total notes payable				$ 3,934,090	$ 1,987,751

Principal and interest maturities will be as follows:

Year Ending	Business-Type Activities		Total
September 30,	Principal	Interest	Requirements
2013	$ 298,556	$ 67,865	$ 366,421
2014	290,162	57,757	347,919
2015	280,884	47,918	328,802
2016	281,584	38,064	319,648
2017	217,899	29,281	247,180
2018-2022	618,666	41,789	660,455
Total	$ 1,987,751	$ 282,674	$ 2,270,425

NOTE 6: LONG-TERM DEBT (Continued)

(C) Capital Leases

At September 30, 2012, the City had the following outstanding capital leases:

	Original Amount	Balance September 30, 2012
Governmental Activities:		
Capital lease payable to bank, dated September 5, 2000, secured by a fire truck, bearing an interest rate of 5.69%, payable in annual installments of $50,351 through October 5, 2012	$ 427,525	$ 52,631
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	66,855
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	62,282
Total capital leases	$ 639,479	$ 181,768

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2012, were as follows:

Year Ending September 30,	Total
2013	$ 98,828
2014	46,190
2015	46,191
Total minimum lease payments	191,209
Less amount representing interest	(9,441)
Present value of minimum payments	$ 181,768

As of September 30, 2012, the cost of the vehicles and equipment under capital leases in the governmental fund was $639,479 and accumulated depreciation for those assets was $276,641. Depreciation expense associated with the assets under capital leases in the governmental activities in fiscal year 2012 totaled $57,782 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 $16,230,753. At September 30, 2012, the City's legal debt margin, after reduction for outstanding general obligation notes of $1,343,000, was $14,887,753.

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, 2012, the City has received amounts totaling $674,852.

NOTE 8: INTERFUND TRANSACTIONS

Interfund balances as of September 30, 2012, were comprised of the following:

(A) Interfund Transfers

	Transfers In				
	Governmental Activities		Business-Type Activities		
Transfers Out	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	Total Transfers Out
Governmental Activities:					
General	$ -	$ 682,892	$ 482,555	$ 560,068	$ 1,725,515
Business-type Activities:					
Water and Sewer	353,239	23,726	-	-	376,965
Port and Harbor	124,228	-	-	-	124,228
Total Transfers In	$ 477,467	$ 706,618	$ 482,555	$ 560,068	$ 2,226,708

(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, 2012. 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 Assets – Proprietary Funds.

NOTE 9: RESTRICTED NET ASSETS

(A) Governmental Activities

The restricted portions are as follows:

Restricted Assets	
Municipal debt service	$ 695,326
School debt service	111,229
Drug seizure funds	43,948
State seizure funds	24,363
Unemployment	37,606
Cash - capital assets	112,790
Certificate of deposit - capital assets	55,274
Mittal Steel USA donation	1,009,058
Fire rebate funds	102,960
Restricted net assets	$ 2,192,554

(B) Business-type Activities

The restricted portions are as follows:

Restricted Assets	
Customer deposits	$ 344,141
Certificate of deposit	277,717
Total restricted accounts	621,858
Liabilities Payable from Restricted Assets	
Customer deposits	344,141
Restricted net assets	$ 277,717

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, 2012, a complete copy of which is on file at the administrative offices of the Authority which are located at 10271 Express Drive, Gulfport, Mississippi 39503, or may be obtained by calling (228) 868-8752.

NOTE 10: JOINT VENTURE (Continued)

Harrison County Utility Authority (Continued)

BALANCE SHEET

ASSETS	
Current assets	$ 8,908,047
Restricted assets	26,590,497
Property, plant and equipment, net	280,192,251
Deferred charges	29,942,396
Total assets	$ 345,633,191
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current, unrestricted	$ 7,135,308
Current, restricted	14,124,518
Long-term liabilities	141,364,773
Total liabilities	162,624,599
NET ASSETS	
Invested in capital assets, net of related debt	163,783,005
Restricted for debt service and reserves	18,758,717
Unrestricted	466,870
Total net assets	183,008,592
Total liabilities and net assets	$ 345,633,191

STATEMENT OF REVENUES AND EXPENSES

Operating revenues	$ 20,266,659
Operating expenses	(20,145,146)
Depreciation and amortization	(4,077,123)
Non-operating revenues	18,391,417
Net income	$ 14,435,807

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

Government-wide Financial Statements		Fund Level Financial Statements	
Statement of Net Assets		Statement of Fund Net Assets	
Business-type activities		Water and sewer	
Due from other governments	$ 37,797	Due from other governments	$ 37,797
Statement of Activities		Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	
Business-type activities			
Water and sewer expenses	$ 2,464,840	Water and sewer	
		Contractual services	$ 2,464,840

NOTE 11: UNEMPLOYMENT COMPENSATION

In lieu of making payments to the Mississippi Department of Employment Security (MDES), the City makes deposits into a bank account designated for unemployment compensation of an amount equal to 2% of the first $14,000 of covered employee wages paid in the preceding calendar year. The total funds designated were $54,063 and exceeded the requirement of $37,606. The amount of contingent liability, if any, the City could be obligated for cannot be determined.

NOTE 12: RETIREMENT PLANS

(A) Public Employees' Retirement System

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

Plan Description and Provisions

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

Description of Funding Policy

PERS members were required to contribute 7.25% of their annual covered salary from October 1, 2009 to June 30, 2010. As of July 1, 2010, this amount increased to 9%. The City is required to contribute at an actuarially determined rate. This amount was 12% of annual covered payroll from October 1, 2009 to December 31, 2011. From January 1, 2012 to June 30, 2012, this amount increased to 12.93%. As of July 1, 2012, the rate increased to 14.26%. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years September 30, 2012, 2011, and 2010, were $593,267, $521,515, and $503,713, respectively, equal to the required contributions for each year.

(B) Deferred Compensation Plan

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

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

NOTE 13: COMMITMENTS AND CONTINGENCIES

(A) Litigation

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

NOTE 13: COMMITMENTS AND CONTINGENCIES (Continued)

(B) Grants and Awards

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

(C) Lease Commitments

Non-cancellable operating leases at September 30, 2012 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

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 $218.00 per month

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

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

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

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

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 $327.37 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 $69.00 per month.

Total lease payments made during the year ended September 30, 2012 totaled $27,558.

The future noncancelable lease obligation of these leases at September 30, 2012 is as follows:

Year Ending September 30,	
2013	$ 20,078
2014	15,918
2015	6,363
	$ 42,359

NOTE 13: COMMITMENTS AND CONTINGENCIES (Continued)

(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, 2012:

On November 20, 2009, the City entered into a service contract with Utility Partners, LLC dba UP Group, LLC, to provide professional utility management, operations, and maintenance services for the City's Public Works operations, consisting of the following departments: Utility Billing, Water & Sewer Operations, Street and Drainage, Vehicle Maintenance, and Parks & Recreation. The terms of the original contract are four years through November 30, 2013, with the following base fees remaining as of September 30, 2012:

2013	1,761,758
2014	294,989
	$ 2,056,747

Payment terms are 1/12th of the base fee due by the 15th of each month. Payments under the service contract totaled $1,771,183 for the year ended September 30, 2012 and are included in water and sewer operating expenses, contractual services in the statement of revenues, expenses, and changes in fund net assets proprietary funds.

Outstanding Construction Commitments

The City had the following outstanding construction commitments with respect to unfinished capital projects as of September 30, 2012, which will be paid from existing grants:

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

NOTE 14: RISK MANAGEMENT

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

(A) Self-Insurance – Workers Compensation Fund

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

(B) Self-Insurance – Liability Fund

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

NOTE 14: RISK MANAGEMENT (Continued)

(C) Federal Grants

In the normal course of operations and as a result of the destruction from Hurricane Katrina in 2005, 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 15: SUBSEQUENT EVENTS

The City has evaluated events occurring subsequent to year end through October 14, 2013, which is the date the statements were available to be issued. The following events were identified:

(A) Construction Contracts

Subsequent to year end, the City entered into approximately $1.8 million in construction and engineering contracts and change orders related to various construction projects and equipment. These projects are funded by federal grants.

(B) Bond Issuance

Subsequent to year end, there was a resolution declaring the intention of the Mayor and the Board of Alderman to issue General Obligation bonds in the maximum principal amount of $600,000 to raise money for the purpose of paying the costs of making capital improvements in the city and paying the costs of such borrowing.

(C) MEMA Repayment

Subsequent to year end, the city repaid MEMA $330,439 for payments received in prior years for general and proprietary funds project worksheets obligations that were deobligated or reduced at the project closeout. This amount is included in the current year as a liability in deferred revenue.

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

CITY OF LONG BEACH
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,325	$ -	$ 1,325
Taxes receivable, net	-	2,930	2,930
Other receivables	5	-	5
Restricted assets:			
Cash and cash equivalents	112,790	803,625	916,415
Certificates of deposit	55,274	-	55,274
Total assets	$ 169,394	$ 806,555	$ 975,949
Fund balances:			
Committed	$ 168,064	$ -	$ 168,064
Assigned	-	806,555	806,555
Unassigned	1,330	-	1,330
Total fund balances	169,394	806,555	975,949
Total fund balances	$ 169,394	$ 806,555	$ 975,949

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, 2012

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES			
Property taxes	$ -	$ 248,125	$ 248,125
Investment earnings	830	287	1,117
Total revenues	830	248,412	249,242
EXPENDITURES			
Debt Service			
Principal	-	307,689	307,689
Interest and other charges	-	94,563	94,563
Total expenditures	-	402,252	402,252
Excess (deficiency) of revenues over expenditures	830	(153,840)	(153,010)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	706,618	706,618
Total other financing sources (uses)	-	706,618	706,618
Net change in fund balances	830	552,778	553,608
Fund balances - beginning	168,564	253,777	422,341
Fund balances - ending	$ 169,394	$ 806,555	$ 975,949

See auditors' report.

COMBINING FINANCIAL STATEMENTS
NONMAJOR SPECIAL REVENUE FUNDS

CITY OF LONG BEACH
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2012

	Forestry Commission Grant	Contribution Agreement Fund	Totals
ASSETS			
Cash and cash equivalents	$ 1,325	$ -	$ 1,325
Other receivables	-	5	5
Restricted assets:			
Cash and cash equivalents	-	112,790	112,790
Certificates of deposit	-	55,274	55,274
Total assets	$ 1,325	$ 168,069	$ 169,394
FUND BALANCES			
Fund balances:			
Committed	$ -	$ 168,064	$ 168,064
Assigned			
Unassigned	1,325	5	1,330
Total fund balances	1,325	168,069	169,394
Total fund balances	$ 1,325	$ 168,069	$ 169,394

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, 2012

	Forestry Commission Grant	Contribution Agreement Fund	Totals
REVENUES			
Investment earnings	$ 3	$ 827	$ 830
Total revenues	3	827	830
Net change in fund balances	3	827	830
Fund balances - beginning	1,322	167,242	168,564
Fund balances - ending	$ 1,325	$ 168,069	$ 169,394

See auditors' report.

COMBINING FINANCIAL STATEMENTS
NONMAJOR DEBT SERVICE FUNDS

CITY OF LONG BEACH
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
SEPTEMBER 30, 2012

	Municipal Debt Service	School Debt Service	Total
ASSETS			
Cash and cash equivalents, restricted	$ 692,396	$ 111,229	$ 803,625
Taxes receivable, net	2,930	-	2,930
Total assets	$ 695,326	$ 111,229	$ 806,555
Fund balances:			
Assigned	$ 695,326	$ 111,229	$ 806,555
Total fund balances	695,326	111,229	806,555
Total fund balances	$ 695,326	$ 111,229	$ 806,555

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, 2012

	Municipal Debt Service	School Debt Service	Total
REVENUES			
Property taxes	$ 248,125	$ -	$ 248,125
Investment earnings	-	287	287
Total revenues	248,125	287	248,412
EXPENDITURES			
Debt service			
Principal	307,689	-	307,689
Interest and other charges	94,563	-	94,563
Total expenditures	402,252	-	402,252
Excess (deficiency) of revenues over expenditures	(154,127)	287	(153,840)
OTHER FINANCING SOURCES			
Transfers in	706,618	-	706,618
Total other financing sources (uses)	706,618	-	706,618
Net change in fund balances	552,491	287	552,778
Fund balances - beginning	142,835	110,942	253,777
Fund balances - ending	$ 695,326	$ 111,229	$ 806,555

See auditors' report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LONG BEACH
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Covered	Company	Amount	Expires
Mayor	Brierfield Insurance Company	$100,000	6/1/2014
Alderpersons	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

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*

October 14, 2013

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Long Beach, Mississippi as of and for the year ended September 30, 2012, which collectively comprise the City of Long Beach, Mississippi's basic financial statements and have issued our report thereon dated October 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2012-01 through 2012-03 in the accompanying schedule of findings and questioned costs to be material weaknesses.

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Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
Long Beach, Mississippi
October 14, 2013

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City of Long Beach, Mississippi in a separate letter dated October 14, 2013.

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

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

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

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

October 14, 2013

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

Compliance

We have audited the City of Long Beach, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Long Beach, Mississippi's major federal programs for the year ended September 30, 2012. The City of Long Beach, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Long Beach, Mississippi's management. Our responsibility is to express an opinion on the City of Long Beach, Mississippi's compliance based on our audit.

We conducted our audit of compliance in 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. Our audit does not provide a legal determination of the City of Long Beach, Mississippi's compliance with those requirements.

In our opinion, the City of Long Beach, Mississippi complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

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Honorable Mayor and Members of the
Board of Alderpersons
City of Long Beach
Long Beach, Mississippi
October 14, 2013

Internal Control Over Compliance

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

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-04 and 2012-06 to be material weaknesses.

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

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

Alexander, Van Loon, Sloan, Levens & Favre

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

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Grantor Federal Agency Passed - Through Agency Program Title	CFDA Number	Grant No./ Pass-Through Grantor No.	Identifying No.	Federal Expenditures
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Office of Community Planning and Development				
Passed through Mississippi Development Authority				
Community Development Block Grant (CDBG)	14.228	R103-235-01-KCR		$ 10,783
	14.228	R103-235-01-KP		32,000
	14.228	R-109-235-02-KCR		2,522
	14.228	R-109-235-03-KCR		162,280
	14.228	R-109-235-04-KCR		11,208
Total US Department of Housing and Urban Development				**218,793**
US DEPARTMENT OF THE INTERIOR				
Passed through the State of Mississippi				
Department of Marine Resources				
Boating Infrastructure Grant Program	15.622	Y13D		440,596
Coastal Impact Assistance Program (CIAP)	15.426	M11AF00106		305,958
Total US Department of the Interior				**746,554**
US DEPARTMENT OF JUSTICE				
Passed through the State of Mississippi				
Department of Public Safety				
Violence Against Women Grants	16.588	10SL2981		18,427
	16.588	09SL2981		6,634
				25,061
Local Law Enforcement Block Grant	16.592	2010-DJ-BX-2031		4,894
Bulletproof Vest Partnership Program	16.607	N/A		1,828
Total US Department of Justice				**31,783**
US DEPARTMENT OF TRANSPORTATION				
National Highway Traffic Safety Administration (NHTSA)				
Passed through the State of Mississippi				
Department of Public Safety				
Occupant Protection Incentive Grant	20.602	11OP2031		6,919
Alcohol Open Container Requirements	20.607	10TA2031		40,376
Passed through the State of Mississippi				
Department of Transportation				
Highway Planning and Construction Grant	20.205	STP-9368-00(001) LPA/105864-401000 411000		3,229
	20.205	STP-9082-00(003)LPA 105719-701000 ARRA		4,220
	20.205	STP-0295-00(013)		523,187
	20.205	ER-0295-00(011) LPA/105156-711000		86,261
	20.205	STP-0295-00(012) LPA/105270-701000		268,930
Total Highway Planning and Construction Grant				885,827
Total US Department of Transportation				**933,122**

The accompanying notes are an integral part of this schedule.

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Grantor Federal Agency / Passed - Through Agency / Program Title	CFDA Number	Grant No./ Pass-Through Grantor No.	Identifying No.	Federal Expenditures
US DEPARTMENT OF HOMELAND SECURITY				
Passed through Mississippi Emergency Management Agency				
Disaster Grants - Public Assistance/Hurricane Katrina	97.036	1604-DR-MS	PW6681	69,200
			PW6	8,500
			PW4394	40
			PW9901	4,986
			PW10860	406
			PW11111	29,030
			PW11160	56,479
			PW4682	162,377
			PW11125	21,940
			PW5852	69,184
			PW6588	329,197
Total Disaster Grants - Public Assistance/Hurricane Katrina				751,339
Disaster Grants - Public Assistance/Hurricane Isaac	97.036	1604-DR-MS	PW53	25,290
			PW186	56,291
			PW343	1,918
			PW406	1,400
			PW552	37,939
			PW625	169
			PW626	328
			PW414	4,903
			PW416	2,389
			PW748	32
Total Disaster Grants - Public Assistance/Hurricane Isaac				130,659
Total Disaster Grants				881,998
Passed through State of Mississippi Emergency Management Agency				
Hazard Mitigation Flood Buyout Program	97.029	FMA-PJ-04-MS-2009-005		430,593
Hazard Mitigation Grant Program	97.039	DR-1604-MS-007		74,471
Total Hazard Mitigation Grants				505,064
Total US Department of Homeland Security				**1,387,062**
TOTAL EXPENDITURES OF FEDERAL AWARDS				**$ 3,317,314**

The accompanying notes are an integral part of this schedule.

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, 2012:

Total expenditures of federal awards	$ 3,317,314
Deobligation of federal expenditures on	
PW 2907	(21,716)
PW 3372	(14,613)
PW 7291	(1,477)
PW 7776	(18,284)
PW 2235	(158,561)
PW 3444	(54,400)
Total Deobligated	(269,051)
Total federal revenues	$ 3,048,263

Operating grants and contributions	$ 921,272
Capital grants and contributions	3,738,330
Less: capital contributions donated by developers	(1,330,000)
Less: state grants	(281,339)
Total federal revenues	$ 3,048,263

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, 2012.

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal Control over financial reporting:	
Material Weaknesses identified?	Yes
Significant Deficiencies identified that are not considered to be material weaknesses?	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	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section_510(a) of Circular A-133?	Yes

Programs tested as major programs:

CFDA Number(s)	Name of Federal Program
15.426	Coastal Impact Assistance Program
15.622	Boating Infrastructure Grant Program
20.205	Highway Planning and Construction
97.029	Hazard Mitigation Flood Buyout Program
97.036	Disaster Public Assistance Grant

Dollar threshold used to distinguish between type A and B Programs	$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2012-01 Finding

Condition

Currently, grant monitoring is performed by each department head. In addition, the City has contracts with numerous companies to administer most of its grants. As a result, the person with financial reporting responsibilities was unable to provide supporting grant expenditures documentation in a timely manner. These delays in obtaining the supporting documentation requested resulted in delays in issuing our auditors' reports.

Criteria

Guidelines for nonfederal entities expending federal assistance include establishing internal controls that ensure the retention of grant records, all documents that support the activity and/or expenditures of the recipient or sub-recipient under the award, for a period of three years from the submission of the final expenditure report. In addition, OMB Circular A-133 (Revised, June 27, 2003), *Audit of States, Local Governments, and Nonprofit Organizations*, provisions require establishing the same internal controls over 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.

Section II – Financial Statement Findings (Continued)

2012-02 Finding

Condition

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

Criteria

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

Effect

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

Recommendation

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

- Customer complaint resolution and adjustment authorization should be performed by someone other than persons receiving and posting payments.
- Sequential numbered receipts should be included with validated deposit slip and court cash receipts reports used to post receipts. In addition, person receiving validated deposit slip and court cash receipts reports should review numbered receipts for missing numbers.

Management's Response

Currently, all customer complaints and adjustments are done by the Court Clerk, who does not handle posting of fines. The City will begin including and reviewing sequential number receipts with the daily deposits.

Section II – Financial Statement Findings (Continued)

2012-03 Finding

Condition

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

Criteria

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

Effect

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

Recommendation

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

- Perform a proof of accounts receivable monthly. Any significant or unusual noncash write offs should be investigated.
- Review and reconcile the accounts receivable aging/sub-ledger monthly.
- Present list of adjustments that includes customer name, amount, date, and reason, to the Board of Alderpersons, monthly. The Board's review and approval should be notated in the official Board minutes.

Management's Response

The Comptroller will perform a proof of accounts receivable monthly, reconcile accounts receivable monthly, and review all adjustments monthly.

Section III – Federal Award Findings and Questioned Costs

2012-04 Finding

Programs: 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.

Criteria or Specific Requirement

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

Effect

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

Questioned Costs

There are no questioned costs associated with the finding.

Context

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

Cause

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

Recommendation

We recommend that the City take steps to 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.

Views of Responsible Officials and Planned Corrective Actions

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

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

2012-05 Finding

Program: 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.

Criteria or Specific Requirement

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

Effect

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

Questioned Costs

There are no questioned costs associated with the finding.

Context

Of the four contractors' certified payrolls selected for review, only one contractor was missing certified payroll weekly reports.

Cause

One contractor did not submit certified payrolls for eight weeks to the grant administrator. The grant administrator did not require the contractor to submit certified payrolls for weeks during which no work was performed.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

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

2012-06 Finding

Program: 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

Condition

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

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 does not maintain records that are readily auditable and it takes a considerable amount of time for preparation by the City for the audit. The City has hired a Comptroller and is working towards catching up on the audits and having them prepared and submitted timely.

Cause

The City did not submit the audit reports to the FAC 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, 2012

2012-04 Finding

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

Management Comments and Corrective Action Plan

The Administration agrees that the lists of assets maintained by the departments do not identify assets acquired with Federal Funds. The Comptroller has established a master schedule of all City assets and it includes a column to notate one purchased with Federal Funds.

2012-05 Finding

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

Management Comments and Corrective Action Plan

The Administration understands that there were some missing certified payrolls. The ones that were missing were for weeks when no work was performed. We are now aware that certified payrolls must be complete for all weeks, even when no work is completed. We have already discussed this with the City Engineer to assure that they will be completed in the future.

2012-06 Finding

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

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.

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WILLIAM SKELLIE, JR.
MAYOR

CITY CLERK
TAX COLLECTOR
Rebecca E. Schruff

CITY ATTORNEY
James C. Simpson, Jr.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2012
(Unaudited)

2011-04 *U.S. Department of Housing and Urban Development;* Community Development Block Grant Disaster Recovery; CFDA #14.228; R-103-235-01-KCR, R-109-235-02-KCR, R-109-235-03- KCR, R-109-235-04-KCR
U.S. Department of Commerce; Public Works Grant; CFDA # 11.300; 47905870
U. S. Department of Homeland Security; Hazard Mitigation Grant Program; CFDA #97.039; DR 1459-005 MS; DR-1604-MS-007; DR-1604-MS-88
U.S. Department of Homeland Security; CFDA #97.036; Disaster Public Assistance Grant

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

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

Current Status:

The 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.

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2011-05 *U.S. Department of Housing and Urban Development; Community Development Block Grant Disaster Recovery; CFDA #14.228; R-103-235-01-KCR*
U.S. Department of Commerce; Public Works Grant; CFDA # 11.300; 47905870

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

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

Current Status:

The certified payrolls that were missing were for weeks when no work was completed. The City Engineer was not aware that the certified payrolls were required on weeks with no work. It had never been questioned by the granting agency in the past. The Comptroller has discussed this with our City Engineer and has been assured that certified payrolls will be completed even when no work has been done.

REPORT ON STATE COMPLIANCE

Alexander | Van Loon | Sloan | Levens | Favre, PLLC

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

October 14, 2013

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

We have audited the financial statements of the City of Long Beach, Mississippi as of and for the year ended September 30, 2012, and have issued our report thereon dated October 14, 2013. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards.*

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

Finding:

Section 21-35-31 (1) of the Mississippi Code requires that the governing authority of every municipality in the state shall have the municipal books audited annually, before the close of the next succeeding fiscal year, in accordance with procedures and requirements prescribed by the State Auditor. The City did not meet the requirements of having the municipal books audited before the close of the next succeeding fiscal year. We recommend that the City implement procedures to ensure that its financial statements audit is performed in accordance with state law.

Views of Responsible Officials & Planned Corrective Actions:

The City understands that they did not meet the requirement of having the municipal books audited before the close of the following fiscal year. The Comptroller has already worked out a schedule with auditors to make sure this is not the case for FY 2013.

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

Alexander, Van Loon, Sloan, Levens + Favre

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Gulfport, Mississippi

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ADDITIONAL INTERNAL CONTROL AND OTHER MATTERS

Alexander | Van Loon | Sloan | Levens | Favre, PLLC

ADDITIONAL INTERNAL CONTROL AND OTHER MATTERS

October 14, 2013

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

We have audited the financial statements of the City of Long Beach, Mississippi as of and for the year ended September 30, 2012 and have issued our report thereon dated October 14, 2013. In planning and performing our audit of the financial statements, we considered the City of Long Beach, Mississippi's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit we noted certain matters that are opportunities for strengthening internal controls. The pages that accompany this letter summarize our comments and suggestions regarding those matters. This letter does not affect our report dated October 14, 2013, on the financial statements of the City of Long Beach, Mississippi.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

Alexander, Van Loon, Sloan, Levens & Favre

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Fixed Assets Inventory

As noted in the prior year, Section 7-7-211 of the Mississippi Code Annotated (1972) requires each municipality to conduct an annual fixed assets inventory as prescribed in the Mississippi Municipality Fixed Assets Management Manual. Per the manual, the municipality should designate a person to maintain its master fixed assets records. This person should periodically, but no less than annually, reconcile the master fixed assets records with the physical assets. The master fixed assets records should be a complete record of each item with a cost of at least $1,000. However, per the manual certain equipment must be included regardless of the cost.

At September 30, 2012, the City did not maintain master fixed assets records. Each department is responsible for maintaining its fixed assets inventory listing. We recommend that the City's Comptroller be designated as the person to maintain its master fixed assets records. The Comptroller with the assistance of department personnel should conduct a complete inventory of fixed assets, by department. These fixed assets inventory listings should be used to prepare the master fixed assets records. Once established, the master inventory listing should be updated for additions and/or disposals as they occur. The Comptroller should reconcile annual fixed assets inventories conducted by departments to the master fixed assets listing. We also recommend that the Comptroller review the Mississippi Municipality Fixed Assets Management Manual to ensure that the City complies with all regulations. Currently, the City is in the process of implementing these recommendations.

Budgetary Reporting

As noted in the prior year, when a government has a legally adopted budget for its general fund or its major special revenue funds, GASB No. 34 requires presentation of budgetary comparison schedules for those funds. The purpose of the budgetary comparison information is to demonstrate the government's compliance in obtaining and using financial resources in accordance with its legally adopted budget. During our audit procedures, adjustments were proposed and recorded to general fund accounts. Therefore, it appears that budget to actual information presented to the Board during the year may have been incomplete. In addition, budgetary comparison schedules were not included as part of the required supplemental information to the City's financial statements. We recommend that the Comptroller implement procedures to ensure that all inflows and outflows and budget amendments are properly recorded, by department, in the City's general ledger. We also recommend that monthly budget to actual reconciliations to general fund accounts be performed to ensure proper budget amendments are approved before year-end closing.

Undisclosed Cash Accounts

Through our bank account confirmation procedures, we became aware of several cash bank accounts that were being maintained by several City departments that were not recorded in the City's general ledger, despite being City funds. Cash transactions were being processed through these accounts by department officials effectively eliminating any of the City's controls or safeguards for maintaining proper control over cash and purchasing activities. Once discovered, these bank accounts were closed and the funds were recorded in the City's general ledger. The following is a list of these bank accounts and their balances at September 30, 2012:

Long Beach MS Police Relief Fund	$ 20,160
Long Beach Police Department Santa	5,422
Long Beach Police Narcotics Seizure Fund	3,019
Long Beach Police Reserve	2,274
Long Beach Police Department Petty Cash	975
Long Beach Police Explorer Post 266	39
Long Beach Firemans Fund	868
Total	$ 32,757

We recommend that management stress to employees the need for controls over cash and purchasing activities to ensure cash receipts are adequately safeguarded against loss and properly recorded in the financial statements. In addition, we recommend that the City develop an operations manual that establishes policies and procedures for all its functions. The manual should also include the consequences of not following these established procedures.