

CITY OF LONG BEACH, MISSISSIPPI
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2008

**CITY OF LONG BEACH, MISSISSIPPI
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SEPTEMBER 30, 2008**

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INTRODUCTORY SECTION

**CITY OF LONG BEACH, MISSISSIPPI
LISTING OF CITY OFFICIALS
SEPTEMBER 30, 2008**

Mayor
Alderman – Ward 1
Alderman – Ward 2
Alderman – Ward 3
Alderman – Ward 4
Alderman – Ward 5
Alderman – Ward 6
Alderman – At Large

William Skellie
Charles Boggs
Richard Notter
Richard Burton
Joseph McNary
Mark Lishen
Richard Bennett
Allen D. Holder, Jr.

City Clerk/Tax Collector

Rebecca E. Schruff

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



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

Jack A. Oppie, CPA
C. Scott Rankin, CPA

Lindsey M. Henley, CPA
Jesse J. Wolfe, CPA (Retired)
Grover B. McDuff, CPA (Retired)

3103 Pascagoula Street • Pascagoula, MS 39567 • Phone: 228-762-6343 • Fax: 228-762-4498 • www.wmocpas.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of 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 the City of Long Beach, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the 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, 2008, and the respective changes in financial position, and cash flows, where applicable, 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 March 29, 2010, 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 the 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.

The management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 42 through 44, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Membership in:

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



America Counts on CPAs

Independent Auditor's Report

Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Long Beach, Mississippi's basic financial statements. The introductory section and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Long Beach, Mississippi. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wolfe McDuff & Oppie

Pascagoula, Mississippi
March 29, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2008

Introduction

The following Management's Discussion and Analysis of the City of Long Beach, Mississippi's (the "City") activities and financial performance provides an introduction to the financial statements of the City for the fiscal year ended September 30, 2008. The information contained in this Management's Discussion and Analysis has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section.

The components of the annual financial report include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Required Supplementary Information (RSI)
- Other Supplementary Information

The MD&A, a component of RSI, introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Financial Highlights

- The assets of the City exceeded its liabilities at September 30, 2008 by \$47,997,857. Of this amount, unrestricted net assets of \$12,972,001 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets increased by \$7,124,001. Of this amount, an increase of \$3,265,114 was associated with governmental activities and an increase of \$3,858,887 was associated with business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,276,903, an increase of \$2,633,516 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,836,062 or 50% of total general fund expenditures.
- The City's total debt obligations decreased by \$714,408. Additions of \$28,890 are related to accrued interest rolled into principal. Principal payments on debt obligations totaled \$743,298.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

I. Overview of the Financial Statements

The City's basic financial statements comprise the following elements:

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The major business-type activities of the City include water and sewer and port and harbor operations.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting not only to ensure and demonstrate compliance with finance-related legal requirements but also to help control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes, grants, and other money. All of the funds of the City can be divided into two categories:

- **Governmental Funds**

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered a major fund. All other governmental funds are combined in the *Other Governmental Funds* column. Combining information on these funds can be found in the combining schedules presented as supplementary information.

- **Proprietary Funds**

The City maintains two proprietary funds, one for water and sewer operations and the other for port and harbor operations. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City also maintains two enterprise funds. Information for these funds is presented in the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

I. Overview of the Financial Statements (Continued)

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Refer to Note 1 to the financial statements for more detailed information on the elements of the financial statements.

II. Government-wide Financial Analysis

Table 1 below presents the City's condensed statements of net assets as of September 30, 2008 and 2007, derived from the government-wide Statement of Net Assets.

**Table 1: Condensed Statements of Net Assets
As of September 30, 2008 and 2007**

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 13,129,146	\$ 15,851,364	\$ 5,232,346	\$ 3,158,531	\$ 18,361,492	\$ 19,009,895
Capital assets, net	22,439,043	17,982,100	19,276,862	18,161,394	41,715,905	36,143,494
Total assets	35,568,189	33,833,464	24,509,208	21,319,925	60,077,397	55,153,389
Other liabilities	2,285,293	3,583,312	1,282,921	1,388,938	3,568,214	4,972,250
Long-term liabilities	4,222,904	4,455,274	4,288,422	4,852,009	8,511,326	9,307,283
Total liabilities	6,508,197	8,038,586	5,571,343	6,240,947	12,079,540	14,279,533
Net assets:						
Invested in capital assets, net of related debt	17,603,663	13,402,489	14,404,637	12,571,001	32,008,300	25,973,490
Restricted	2,307,588	1,439,684	709,968	-	3,017,556	1,439,684
Unrestricted	9,148,741	10,952,705	3,823,260	2,507,977	12,972,001	13,460,682
Total net assets	\$ 29,059,992	\$ 25,794,878	18,937,865	\$ 15,078,978	\$ 47,997,857	\$ 40,873,856

At September 30, 2008 and 2007, the City's assets exceeded liabilities by approximately \$48 million and \$40.9 million, respectively. In 2008 and 2007, 67% and 64%, respectively, reflected its investment in capital assets, less any related debt used to acquire or construct those assets. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, these net assets are not available for future spending. In 2008 and 2007, 27% and 33%, respectively, of net assets is unrestricted, which can be used to finance government operations. The restricted amounts pertain to funds to be used for future debt service and drug seizure funds collected by the City to be used to purchase law enforcement equipment.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

II. Government-wide Financial Analysis (Continued)

Table 2 below presents the City's condensed statements of activities for the fiscal year ended September 30, 2008 and 2007, as derived from the government-wide Statement of Activities.

**Table 2: Condensed Statements of Activities
For the Years Ended September 30, 2008 and 2007**

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 1,736,471	\$ 2,146,046	\$ 4,707,998	\$ 3,681,467	\$ 6,444,469	\$ 5,827,513
Operating grants and contributions	2,331,727	3,538,411	246,068	107,892	2,577,795	3,646,303
Capital grants and contributions	4,029,401	1,510,450	1,613,317	7,647,628	5,642,718	9,158,078
Total program revenues	8,097,599	7,194,907	6,567,383	11,436,987	14,664,982	18,631,894
General revenues						
Property taxes	3,911,104	3,782,771	-	-	3,911,104	3,782,771
Other taxes	99,960	92,218	-	-	99,960	92,218
Sales taxes	1,617,517	1,640,607	-	-	1,617,517	1,640,607
Grants and contributions not restricted to specific programs	827,425	127,752	149,958	-	977,383	127,752
Interest earnings	201,974	247,247	24,882	30,351	226,856	277,598
Impairment gain (loss)	-	51,375	-	-	-	51,375
Other	87,567	118,718	-	-	87,567	118,718
Loss on disposal of assets	-	(500)	-	-	-	(500)
Total general revenues	6,745,547	6,060,188	174,840	30,351	6,920,387	6,090,539
Total revenues	14,843,146	13,255,095	6,742,223	11,467,338	21,585,369	24,722,433
Program expenses						
General government	3,321,386	2,491,885	-	-	3,321,386	2,491,885
Public safety	4,865,571	4,424,477	-	-	4,865,571	4,424,477
Public works	933,770	1,946,546	-	-	933,770	1,946,546
Culture and recreation	692,588	454,014	-	-	692,588	454,014
Interest and fiscal charges	154,748	218,592	-	-	154,748	218,592
Water and sewer	-	-	4,089,240	3,700,998	4,089,240	3,700,998
Port and harbor	-	-	404,065	233,339	404,065	233,339
Total program expenses	9,968,063	9,535,514	4,493,305	3,934,337	14,461,368	13,469,851
Change in net assets before transfers	4,875,083	3,719,581	2,248,918	7,533,001	7,124,001	11,252,582
Transfers	(1,609,969)	-	1,609,969	-	-	-
Change in net assets	3,265,114	3,719,581	3,858,887	7,533,001	7,124,001	11,252,582
Beginning net assets	25,794,878	13,727,849	15,078,978	3,261,595	40,873,856	16,989,444
Prior period adjustment	-	8,347,448	-	4,284,382	-	12,631,830
Beginning net assets, restated	25,794,878	22,075,297	15,078,978	7,545,977	40,873,856	29,621,274
Ending net assets	\$ 29,059,992	\$ 25,794,878	\$ 18,937,865	\$ 15,078,978	\$ 47,997,857	\$ 40,873,856

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

II. Government-wide Financial Analysis (Continued)

Governmental Activities

Governmental activities increased the City's net assets by approximately \$3.3 million and \$3.7 million in 2008 and 2007, respectively. Key elements of this increase are as follows:

- At the government-wide level, the City reclassified capital outlay (net of depreciation expense) of approximately \$4 million in 2008 and \$1.2 million in 2007 to the statement of net assets.
- Also on the government-wide statements, the City reduced its long-term debt obligations by approximately \$230,000 in 2008 and \$410,000 in 2007 and these expenditures were reclassified to the statement of net assets.
- Grants and contributions related to Hurricane Katrina and the related disbursements contributed to a decrease of approximately \$1 million in 2008 and an increase of \$1.4 million in 2007.

Business-Type Activities

Business-type activities increased the City's net assets by \$3.9 million and \$7.5 million in 2008 and 2007, respectively. (Key elements of this increase are as follows:

- On the proprietary fund statements, the City reduced its long-term debt obligations by \$563,000 in 2008 and increased its obligation by \$50,000 in 2007.
- Grants and contributions related to Hurricane Katrina and the related disbursements contributed to an increase of approximately \$2.3 million in 2008 and an increase of \$50,000 in 2007.

III. Financial Analysis of the City's Funds

Funds that experienced significant changes during fiscal year 2008 are as follows:

Governmental Funds

As of the close of the 2008 fiscal year, the City's governmental funds reported a combined ending fund balance of approximately \$9.3 million.

General Fund

Fund balance at September 30, 2008 totaled approximately \$8.7 million, an increase of \$2 million during the fiscal year. The increase is the result of the following:

- Grants and contributions related to Hurricane Katrina and the related disbursements contributed to an increase of \$8.7 million in 2008.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

III. Financial Analysis of the City's Funds (Continued)

Governmental Funds (Continued)

Debt Service Funds

Fund balance at September 30, 2008, totaled \$461,059 for an increase of \$182,541 from the prior year. This increase is due primarily to current year transfers between funds to pay for future debt service.

Special Revenue Funds

Fund balance at September 30, 2008, totaled \$142,579 for an increase of \$4,887 from the prior year. The increase was related primarily to interest earnings.

Capital Projects Fund

The City's capital projects fund which related to the 1996 bond issue was closed out in 2008. The fund deficit of \$25,420 was transferred to the general fund.

Proprietary Funds

The City's proprietary funds, the water and sewer and port and harbor funds, reported net assets of approximately \$18.9 million, an increase of \$3.8 million during the fiscal year. The City's intention for these funds are for them to be self sufficient but not to accumulate an excessive amount of assets as a result of their operations. In the current year, the water and sewer fund had an increase of net assets of \$2.6 million, which is primarily due to the items described earlier. The port and harbor fund had an increase of net assets in the amount of \$1.2 million, which is also described above.

IV. Capital Asset and Long-Term Debt Activity

Capital Asset Activity

At September 30, 2008, the City reported approximately \$22.4 million in net capital assets for governmental activities and \$19.3 million in capital assets for business-types activities. Re-construction of assets damaged and/or destroyed as a result of Hurricane Katrina in August 2005 continued in 2008. Major projects in the governmental activities included the city hall annex, police department, senior center, fire stations, and the downtown revitalization project resulted in approximately \$3.4 million in construction costs. Major projects in the business-type activities included water and sewer and harbor projects resulted in a total of approximately \$1.4 million in construction costs.

Additional information on the City's capital assets can be found in Note 5 to the financial statements.

Long-Term Debt Activity

At the end of the current fiscal year, the City had approximately \$4.2 and \$4.9 million in outstanding governmental and proprietary debt, respectively. Refer to Note 6 to the financial statements for additional information on the City's long-term debt and other liabilities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

V. Economic Conditions and Outlook

The City of Long Beach was devastated by Hurricane Katrina on August 29, 2005, which led to a loss of approximately 25% of the City's tax base. While the City should be able to recover revenue, the City has experienced a decline in revenues and is certain to incur additional expenses and losses as it recovers from the storm. The City's future finances are uncertain in the wake of Hurricane Katrina and the City's management expects it will take many years to fully recover.

The City is actively pursuing other retailers and economic developments to supplement the decline in revenues. Several developments have received preliminary approval and are currently in the design phase. The City is in the midst of a downtown revitalization program which includes a newly constructed streetscape, city hall, fire department, town green, and fully refurbished and rebuilt smallcraft harbor all in the central business district and funded through Community Development Grants Funds (CDBG), FEMA, Hazard Mitigation Grant Program (HMGP), Tideland Funds and insurance proceeds. It is the City's expectation that the downtown revitalization will enhance the central business district and attract future development and businesses. The City is actively seeking the professional services of an Economic Development Director to pursue those endeavors.

VI. Contact the City's Financial Management

This financial report is designed to provide a general overview of the City of Long Beach's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Clerk, Rebecca Schruoff, at 201 Jeff Davis Avenue, Long Beach, Mississippi 39560.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and equivalents	\$ 1,210,633	\$ 15,202	\$ 1,225,835
Pooled cash and cash equivalents	5,043,404	1,954,605	6,998,009
Receivables, net	507,682	484,558	992,240
Internal balances	(24,740)	24,740	-
Due from other governments	3,533,365	1,740,744	5,274,109
Inventories	-	958	958
Other receivables	295,789	-	295,789
Prepaid expenses	114,265	-	114,265
Restricted assets			
Cash and cash equivalents	2,164,921	5,049	2,169,970
Pooled cash and cash equivalents	115,292	296,522	411,814
Certificates of deposit	158,117	709,968	868,085
Other assets, net	10,418	-	10,418
Capital assets			
Land, improvements, and construction in progress	7,934,718	754,055	8,688,773
Other capital assets, net of depreciation	14,504,325	18,522,807	33,027,132
Total capital assets	<u>22,439,043</u>	<u>19,276,862</u>	<u>41,715,905</u>
Total assets	<u>35,568,189</u>	<u>24,509,208</u>	<u>60,077,397</u>
LIABILITIES			
Accounts payable	1,384,481	181,313	1,565,794
Interest payable	172,187	69,236	241,423
Other accrued liabilities	37,644	-	37,644
Due to other governmental agencies	8,083	105,016	113,099
Deferred revenues	452,328	42,158	494,486
Compensated absences, current	31,285	5,343	36,628
Capital leases payable, current	49,664	-	49,664
Bonds and notes payable, current	149,621	578,284	727,905
Payable from restricted assets:			
Customer deposits	-	296,522	296,522
Escrow account	-	5,049	5,049
Compensated absences, noncurrent	236,025	-	236,025
Capital leases payable, noncurrent	183,033	-	183,033
Bonds and notes payable, noncurrent	3,803,846	4,288,422	8,092,268
Total liabilities	<u>6,508,197</u>	<u>5,571,343</u>	<u>12,079,540</u>
NET ASSETS			
Invested in capital assets, net of related debt	17,603,663	14,404,637	32,008,300
Restricted for:			
Debt service	461,059	-	461,059
Other purposes	1,846,529	709,968	2,556,497
Unrestricted	9,148,741	3,823,260	12,972,001
Total net assets	<u>\$ 29,059,992</u>	<u>\$ 18,937,865</u>	<u>\$ 47,997,857</u>

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

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 3,321,386	\$ 1,079,942	\$ 432,132	\$ 1,577,549	\$ (231,763)	\$ -	\$ (231,763)
Public safety	4,865,571	630,507	1,211,931	837,660	(2,185,473)	-	(2,185,473)
Public works	933,770	-	441,261	1,612,816	1,120,307	-	1,120,307
Culture and recreation	692,588	26,022	246,403	1,376	(418,787)	-	(418,787)
Interest on long-term debt	154,748	-	-	-	(154,748)	-	(154,748)
Total governmental activities	9,968,063	1,736,471	2,331,727	4,029,401	(1,870,464)	-	(1,870,464)
Business-type activities:							
Water and sewer	4,089,240	4,453,459	378	1,190,621	-	1,555,218	1,555,218
Port and Harbor	404,065	254,539	245,690	422,696	-	518,860	518,860
Total business-type activities	4,493,305	4,707,998	246,068	1,613,317	-	2,074,078	2,074,078
Total	\$ 14,461,368	\$ 6,444,469	\$ 2,577,795	\$ 5,642,718	(1,870,464)	2,074,078	203,614
General revenues:							
Taxes:							
Property taxes, levied for general purposes					3,911,104	-	3,911,104
Other					99,960	-	99,960
Intergovernmental revenues - sales tax					1,617,517	-	1,617,517
Grants and contributions not restricted to specific programs					827,425	149,958	977,383
Interest earnings					201,974	24,882	226,856
Insurance proceeds					26,099	-	26,099
Miscellaneous					61,468	-	61,468
Total general revenues					6,745,547	174,840	6,920,387
Change in net assets before transfers					4,875,083	2,248,918	7,124,001
Transfers					(1,609,969)	1,609,969	-
Change in net assets					3,265,114	3,858,887	7,124,001
Net assets - beginning					25,794,878	15,078,978	40,873,856
Net assets - ending					<u>\$ 29,059,992</u>	<u>\$ 18,937,865</u>	<u>\$ 47,997,857</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**CITY OF LONG BEACH, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,209,380	\$ 1,253	\$ 1,210,633
Pooled cash and cash equivalents	5,043,404	-	5,043,404
Receivables	502,657	5,025	507,682
Due from other governments	3,533,365	-	3,533,365
Other receivables	274,816	20,973	295,789
Advances to other funds	148,791	-	148,791
Prepaid expenses	114,265	-	114,265
Restricted assets:			
Cash and cash equivalents	1,573,120	591,801	2,164,921
Pooled cash and cash equivalents	115,292	-	115,292
Certificates of deposit	-	158,117	158,117
Total assets	<u>\$ 12,515,090</u>	<u>\$ 777,169</u>	<u>\$ 13,292,259</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,384,481	-	\$ 1,384,481
Accrued liabilities	45,727	-	45,727
Deferred revenue	2,380,332	-	2,380,332
Compensated absences	31,285	-	31,285
Advances from other funds	-	173,531	173,531
Total liabilities	<u>3,841,825</u>	<u>173,531</u>	<u>4,015,356</u>
 Fund balances:			
Reserved for:			
Advances	148,791	-	148,791
Other purposes	1,688,412	-	1,688,412
Unreserved	6,836,062	-	6,836,062
Unreserved, reported in non-major:			
Special revenue funds	-	142,579	142,579
Reserved, reported in nonmajor:			
Debt service funds	-	461,059	461,059
Total fund balances	<u>8,673,265</u>	<u>603,638</u>	<u>9,276,903</u>
Total liabilities and fund balances	<u>\$ 12,515,090</u>	<u>\$ 777,169</u>	<u>\$ 13,292,259</u>

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

**CITY OF LONG BEACH, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

Total fund balance, governmental funds	\$ 9,276,903
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.	22,439,043
Certain other long-term assets 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.	1,938,422
Some liabilities (such as notes payable, capital lease contract payable, long-term compensated absences, and bonds and notes payable) 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.	<u>(4,594,376)</u>
Net assets of governmental activities	<u><u>\$ 29,059,992</u></u>

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

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 3,570,975	\$ 340,130	\$ 3,911,105
Sales taxes	1,617,517	-	1,617,517
Franchise taxes	573,688	-	573,688
Fees and fines	630,507	-	630,507
Licenses and permits	286,258	-	286,258
Intergovernmental	9,620,926	-	9,620,926
Charges for services	243,668	-	243,668
Investment earnings	195,947	6,027	201,974
Donations	828,925	-	828,925
Miscellaneous	134,647	-	134,647
	<u>17,703,058</u>	<u>346,157</u>	<u>18,049,215</u>
EXPENDITURES			
Current:			
General government	5,230,036	-	5,230,036
Public safety	6,551,998	-	6,551,998
Public works	1,243,241	-	1,243,241
Culture and recreation	746,390	-	746,390
Debt Service:			
Principal	-	304,500	304,500
Interest and other charges	-	135,279	135,279
	<u>13,771,665</u>	<u>439,779</u>	<u>14,211,444</u>
Excess (deficiency) of revenues over expenditures	<u>3,931,393</u>	<u>(93,622)</u>	<u>3,837,771</u>
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	26,099	-	26,099
Transfers in	359,059	338,515	697,574
Transfers out	(2,275,498)	(32,045)	(2,307,543)
	<u>(1,890,340)</u>	<u>306,470</u>	<u>(1,583,870)</u>
Net change in fund balances	2,041,053	212,848	2,253,901
Fund balances - beginning	<u>6,632,212</u>	<u>390,790</u>	<u>7,023,002</u>
Fund balances - ending	<u>\$ 8,673,265</u>	<u>\$ 603,638</u>	<u>\$ 9,276,903</u>

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

CITY OF LONG BEACH, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balances - total governmental funds: \$ 2,253,901

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays (\$4,555,263) exceeded depreciation (\$598,769) in the current period. 3,956,494

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. (96,705)

Governmental funds do not present donated capital assets as contributions. In contrast, such contributions are reported in the Statement of Activities. 630,765

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. (3,792,114)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which repayments exceeded proceeds. 285,031

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. (5,682)

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:

Compensated absences not reflected on Governmental funds 33,424

Change in net assets of governmental activities \$ 3,265,114

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

	<u>Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Port and Harbor</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,849	\$ 353	\$ 15,202
Pooled cash and cash equivalents	1,622,267	332,338	1,954,605
Accounts receivable, net	465,847	18,711	484,558
Due from other governments	884,787	855,957	1,740,744
Advances to other funds	25,308	-	25,308
Inventories	-	958	958
	<u>3,013,058</u>	<u>1,208,317</u>	<u>4,221,375</u>
Total current assets			
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	5,049	-	5,049
Pooled cash and cash equivalents	296,522	-	296,522
Certificates of deposit	709,968	-	709,968
Capital assets:			
Land and construction in progress	470,412	283,643	754,055
Other capital assets, net of accumulated depreciation	16,256,086	2,266,721	18,522,807
	<u>17,738,037</u>	<u>2,550,364</u>	<u>20,288,401</u>
Total non-current assets			
	<u>20,751,095</u>	<u>3,758,681</u>	<u>24,509,776</u>
Total assets			
LIABILITIES			
Current liabilities:			
Accounts payable	171,633	9,680	181,313
Accrued interest payable	69,236	-	69,236
Advances from other funds	-	568	568
Payable to other governments	105,016	-	105,016
Deferred revenue	42,158	-	42,158
Compensated absences	2,319	3,024	5,343
Bonds, notes and loans payable	578,284	-	578,284
Payable from restricted assets:			
Customer deposits	296,522	-	296,522
Escrow account	5,049	-	5,049
	<u>1,270,217</u>	<u>13,272</u>	<u>1,283,489</u>
Total current liabilities			
Non-current liabilities:			
Bonds, notes and loans payable	4,288,422	-	4,288,422
	<u>5,558,639</u>	<u>13,272</u>	<u>5,571,911</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	11,854,273	2,550,364	14,404,637
Restricted for other purposes	735,276	-	735,276
Unrestricted	2,602,907	1,195,045	3,797,952
	<u>\$ 15,192,456</u>	<u>\$ 3,745,409</u>	<u>\$ 18,937,865</u>
Total net assets			

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

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Port and Harbor</u>	<u>Total</u>
REVENUES			
Charges for services	\$ 4,433,481	\$ 254,513	\$ 4,687,994
Miscellaneous	19,978	26	20,004
Total operating revenues	<u>4,453,459</u>	<u>254,539</u>	<u>4,707,998</u>
OPERATING EXPENSES			
Personal services	42,101	187,380	229,481
Materials and supplies	108,257	16,918	125,175
Contractual services	2,639,426	85,426	2,724,852
Other services and charges	550,041	50,419	600,460
Depreciation and amortization	600,225	63,921	664,146
Total operating expenses	<u>3,940,050</u>	<u>404,064</u>	<u>4,344,114</u>
Operating income (loss)	<u>513,409</u>	<u>(149,525)</u>	<u>363,884</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	24,853	29	24,882
Operating grants and contributions	378	395,648	396,026
Interest expense	(149,191)	-	(149,191)
Total non-operating revenue (expenses)	<u>(123,960)</u>	<u>395,677</u>	<u>271,717</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS			
	<u>389,449</u>	<u>246,152</u>	<u>635,601</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	1,190,621	422,696	1,613,317
Transfers in	1,529,625	530,361	2,059,986
Transfers out	(420,236)	(29,781)	(450,017)
Total capital contributions and transfers	<u>2,300,010</u>	<u>923,276</u>	<u>3,223,286</u>
CHANGE IN NET ASSETS	2,689,459	1,169,428	3,858,887
TOTAL NET ASSETS - BEGINNING	<u>12,502,997</u>	<u>2,575,981</u>	<u>15,078,978</u>
TOTAL NET ASSETS - ENDING	<u>\$ 15,192,456</u>	<u>\$ 3,745,409</u>	<u>\$ 18,937,865</u>

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

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Enterprise Funds		
	Water and Sewer	Port and Harbor	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 4,398,920	\$ 248,365	\$ 4,647,285
Payments to suppliers	(3,304,331)	(146,522)	(3,450,853)
Payments to employees	(39,782)	(188,349)	(228,131)
Net cash provided by (used in) operating activities	<u>1,054,807</u>	<u>(86,506)</u>	<u>968,301</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from operating grants and contributions	377	395,647	396,024
Transfers from other funds	1,109,389	500,580	1,609,969
Net cash provided by noncapital financing activities	<u>1,109,766</u>	<u>896,227</u>	<u>2,005,993</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases and construction of capital assets	(3,674,327)	(1,661,557)	(5,335,884)
Proceeds from capital grants	2,922,532	908,570	3,831,102
Principal paid on capital debt	(409,908)	-	(409,908)
Interest paid on capital debt	(117,284)	-	(117,284)
Net cash used in capital and related financing activities	<u>(1,278,987)</u>	<u>(752,987)</u>	<u>(2,031,974)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Restricted customer deposits	14,715	-	14,715
Purchase of certificates of deposit	(20,582)	-	(20,582)
Interest received	24,853	29	24,882
Net cash provided by investing activities	<u>18,986</u>	<u>29</u>	<u>19,015</u>
Net increase in cash and cash equivalents	904,572	56,763	961,335
Balances-beginning of the year	1,034,116	275,928	1,310,044
Balances-end of the year	<u>\$ 1,938,688</u>	<u>\$ 332,691</u>	<u>\$ 2,271,379</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Infrastructure donated by developers	<u>\$ 321,072</u>	<u>\$ -</u>	<u>\$ 321,072</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS			
Unrestricted:			
Cash and cash equivalents	\$ 14,849	\$ 353	\$ 15,202
Pooled cash and cash equivalents	1,622,267	332,338	1,954,605
Restricted:			
Cash and cash equivalents	5,049	-	5,049
Pooled cash and cash equivalents	296,522	-	296,522
	<u>\$ 1,938,687</u>	<u>\$ 332,691</u>	<u>\$ 2,271,378</u>

**CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Port and Harbor</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ 513,409	\$ (149,525)	\$ 363,884
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	600,225	63,921	664,146
Bad debt expense	3,576	16,080	19,656
Increase in current assets			
Accounts receivable	(58,115)	(22,254)	(80,369)
Inventory	-	(958)	(958)
Increase (decrease) in current liabilities			
Accounts payable	(62,023)	7,199	(54,824)
Payable to other governments	55,416	-	55,416
Compensated absences	2,319	(969)	1,350
Net cash provided by (used in) operating activities	<u>\$ 1,054,807</u>	<u>\$ (86,506)</u>	<u>\$ 968,301</u>

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

FIDUCIARY FUND FINANCIAL STATEMENT

CITY OF LONG BEACH, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2008

	<u>Tax Collector Clearing Fund</u>
ASSETS	
Cash and cash equivalents	\$ 443,165
Property tax receivables	<u>82,606</u>
Total assets	<u>\$ 525,771</u>
LIABILITIES	
Other liabilities	\$ 293,001
Due to other governments	<u>232,770</u>
Total liabilities	<u>\$ 525,771</u>

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

NOTES TO FINANCIAL STATEMENTS

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Introduction

The City of Long Beach, Mississippi, (City) was incorporated 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, 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, 2008.

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 changes in net assets) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

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

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

(A) Basis of Accounting

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

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(A) Basis of Accounting (Continued)

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

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

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

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

(B) Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental fund:

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

Proprietary Funds

The City reports the following major proprietary funds:

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

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

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

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).

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) Cash 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.

(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."

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(B) Receivables and Payables (Continued)

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

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. The allowance amount is estimated based on the aging of the receivables, historical collection experience and other relevant circumstances. As of September 30, 2008, the allowances for uncollectible water and sewer charges and for dockage fees are \$470,259 and \$38,802, respectively .

(C) Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2008, 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 market 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.

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

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
Office furniture and equipment	5 – 10 years

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(F) Long-Term Obligations

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

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

(G) Compensated Absences

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

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours is multiplied by the employee's hourly rate at September 30, 2008. 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 Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Such reservations consist of net assets in drug seizure, unemployment, special revenue, and debt service funds. Designations of fund balance represent tentative management plans that are subject to change.

(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.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 2: CASH AND INVESTMENTS

(A) Cash

The City deposits funds in financial institutions selected by the City's Board of Aldermen 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, 2008, follows:

	Cash on Hand	Cash Deposits	Pooled Cash Deposits	Total
Governmental Activities				
General Fund	\$ -	\$ 2,782,500	\$ 5,158,696	\$ 7,941,196
Other Governmental Funds	-	593,054	-	593,054
Total governmental activities	-	3,375,554	5,158,696	8,534,250
Business-Type Activities				
Enterprise Funds:				
Water and Sewer Fund	225	19,673	1,918,789	1,938,687
Port and Harbor Fund	353	-	332,338	332,691
Total business-type activities	578	19,673	2,251,127	2,271,378
Fiduciary Fund				
	-	443,165	-	443,165
Total cash and cash equivalents	\$ 578	\$ 3,838,392	\$ 7,409,823	\$ 11,248,793

The City maintained the following restricted assets as of September 30, 2008:

Governmental Activities	
Cash and cash equivalents	
Drug seizure funds	\$ 70,450
Debt service funds	591,801
Fire rebate funds	115,292
Hancock Bank - MDB Loans	97,678
Restricted donations - Mittal Steel USA	1,387,993
Unemployment funds	16,999
Certificates of deposit - capital asset	158,117
Total restricted assets - governmental activities	<u>2,438,330</u>
Business-Type Activities	
Cash and cash equivalents	
Utility customer deposits	296,522
Escrow funds	5,049
Certificates of deposit - escrow funds from developers	709,968
Total restricted assets - business-type activities	<u>1,011,539</u>
Total restricted assets	<u>\$ 3,449,869</u>

From January 2006 through September 30, 2008, Mittal Steel USA has donated a total \$1,500,000 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.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 2: CASH AND INVESTMENTS (Continued)

(A) Cash (Continued)

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, 2008, were exposed to custodial credit risk.

At September 30, 2008, deposits (including restricted deposits) are as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	\$ 11,810,318	\$ 11,248,793

(B) Investments

At September 30, 2008, the City held the following certificates of deposit with maturity dates of longer than three months:

	Balance October 1, 2007	Purchases	Maturities	Balance September 30, 2008
Governmental Activities:				
Whitney Bank, 4.9% interest, matured February 8, 2008	\$ 103,454	\$ 2,561	\$ (106,015)	\$ -
Whitney Bank, 4.95% interest, matured February 8, 2008	50,844	1,258	(52,102)	-
Peoples Bank, 2.75% interest, matures February 11, 2009	-	106,015	-	106,015
Peoples Bank, 2.75% interest, matures February 8, 2009	-	52,102	-	52,102
Total governmental activities	154,298	161,936	(158,117)	158,117
Business-type Activities:				
Whitney Bank, 4.95% interest, matured July 5, 2008	257,903	9,904	(267,807)	-
Whitney Bank, 4.95% interest, matured February 7, 2008	431,482	10,679	(442,161)	-
Whitney Bank, 2.55% interest, matures January 17, 2009	-	267,807	-	267,807
Peoples Bank, 2.75% interest, matures February 8, 2009	-	442,161	-	442,161
Total business-type activities	689,385	730,551	(709,968)	709,968
Total	\$ 843,683	\$ 892,487	\$ (868,085)	\$ 868,085

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 2: CASH AND INVESTMENTS (Continued)

(B) Investments (Continued)

Interest Rate Risk – Investments

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

Credit Risk – Investments

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

NOTE 3: RECEIVABLES

Receivables at September 30, 2008 consist of the following:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total
	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	
Property taxes	\$ 61,580	\$ 5,025	\$ -	\$ -	\$ 66,605
Franchise taxes	157,235	-	-	-	157,235
Accounts, gross	-	-	936,106	57,513	993,619
Local support, gross	235,531	-	-	-	235,531
Court fines, gross	48,311	-	-	-	48,311
Total receivables, gross	<u>502,657</u>	<u>5,025</u>	<u>936,106</u>	<u>57,513</u>	<u>1,501,301</u>
Less allowance for doubtful receivables	<u>-</u>	<u>-</u>	<u>(470,259)</u>	<u>(38,802)</u>	<u>(509,061)</u>
Total receivables, net	<u>\$ 502,657</u>	<u>\$ 5,025</u>	<u>\$ 465,847</u>	<u>\$ 18,711</u>	<u>\$ 992,240</u>
Other receivables - due from fiduciary fund	<u>\$ 274,816</u>	<u>\$ 20,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,789</u>

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, 2008 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.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 3: RECEIVABLES (Continued)

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, 2008, 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, 2008 have been provided below.

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, 2008 are as follows:

<u>CITY</u>		<u>SCHOOL DISTRICT</u>	
Real property	\$ 58,581,880	Real property	\$ 63,962,893
Personal property	4,491,453	Personal property	14,159,391
Public utilities	3,291,966	Public utilities	3,516,565
Automobiles	18,421,747	Automobiles	19,772,425
Mobile homes	6,546	Mobile homes	37,957
Total - city	<u>\$ 84,793,592</u>	Total - school district	<u>\$ 101,449,231</u>

The tax levies for the City and the School District for the years ended September 30, 2008, 2007, and 2006 are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
CITY			
General fund	44.63	44.63	44.63
City bond and interest fund	4.35	4.35	4.35
Total city administered funds	<u>48.98</u>	<u>48.98</u>	<u>48.98</u>
SCHOOL			
Shortfall notes	1.75	1.75	1.75
School bond and interest fund	-	-	-
School building program	3.00	3.00	3.00
District maintenance funds	55.00	55.00	55.00
Total school administered funds	<u>59.75</u>	<u>59.75</u>	<u>59.75</u>
Total tax levy	<u>108.73</u>	<u>108.73</u>	<u>108.73</u>

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 4: DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2008 consists of the following:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total
	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	
Due from other governments					
Sales tax	\$ 192,871	\$ -	\$ -	\$ -	\$ 192,871
Grants	3,340,494	-	884,787	855,957	5,081,238
Total due from other governments	<u>\$ 3,533,365</u>	<u>\$ -</u>	<u>\$ 884,787</u>	<u>\$ 855,957</u>	<u>\$ 5,274,109</u>

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 \$1,617,517 for the year ended September 30, 2008 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 2008 not received by the City until October and November 2008.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 is as follows:

	Balance October 1, 2007	Additions	Disposals / Transfers	Balance September 30, 2008
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 5,035,272	\$ 338,646	\$ -	\$ 5,373,918
Construction in progress	1,003,576	3,440,665	(1,883,441)	2,560,800
Total capital assets, not being depreciated	<u>6,038,848</u>	<u>3,779,311</u>	<u>(1,883,441)</u>	<u>7,934,718</u>
Capital assets, being depreciated:				
Buildings and improvements	1,771,797	1,883,441	-	3,655,238
Improvements other than buildings	104,114	15,840	-	119,954
Machinery and equipment	1,188,279	152,907	(38,142)	1,303,044
Infrastructure	17,682,343	630,767	-	18,313,110
Vehicles	2,184,322	573,592	(226,137)	2,531,777
Total capital assets, being depreciated	<u>22,930,855</u>	<u>3,256,547</u>	<u>(264,279)</u>	<u>25,923,123</u>
Less accumulated depreciation for:				
Buildings and improvements	(363,360)	(58,956)	-	(422,316)
Improvements other than buildings	(79,265)	(1,972)	-	(81,237)
Machinery and equipment	(406,266)	(128,170)	26,495	(507,941)
Infrastructure	(8,969,173)	(240,673)	-	(9,209,846)
Vehicles	(1,169,539)	(168,998)	141,079	(1,197,458)
Total accumulated depreciation	<u>(10,987,603)</u>	<u>(598,769)</u>	<u>167,574</u>	<u>(11,418,798)</u>
Total capital assets, being depreciated, net	<u>11,943,252</u>	<u>2,657,778</u>	<u>(96,705)</u>	<u>14,504,325</u>
Total governmental activities capital assets, net	<u>\$ 17,982,100</u>	<u>\$ 6,437,089</u>	<u>\$ (1,980,146)</u>	<u>\$ 22,439,043</u>

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 5: CAPITAL ASSETS (Continued)

	Balance October 1, 2007	Additions	Disposals / Transfers	Balance September 30, 2008
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 387,425	\$ -	\$ -	\$ 387,425
Construction in progress	6,796,466	1,447,830	(7,877,666)	366,630
Total capital assets, not being depreciated	<u>7,183,891</u>	<u>1,447,830</u>	<u>(7,877,666)</u>	<u>754,055</u>
Capital assets, being depreciated:				
Buildings and improvements	31,959	6,717,943	-	6,749,902
Harbor structures and improvements	1,306,308	1,159,723	-	2,466,031
Water and sewer system	16,703,302	321,072	-	17,024,374
Machinery and equipment	148,225	10,712	-	158,937
Vehicles	59,322	-	-	59,322
Total capital assets, being depreciated	<u>18,249,116</u>	<u>8,209,450</u>	<u>-</u>	<u>26,458,566</u>
Less accumulated depreciation for:				
Buildings and improvements	(14,360)	(511)	-	(14,871)
Harbor structures and improvements	(141,455)	(62,267)	-	(203,722)
Water and sewer system	(7,035,696)	(578,798)	-	(7,614,494)
Machinery and equipment	(55,687)	(14,620)	-	(70,307)
Vehicles	(24,415)	(7,950)	-	(32,365)
Total accumulated depreciation	<u>(7,271,613)</u>	<u>(664,146)</u>	<u>-</u>	<u>(7,935,759)</u>
Total capital assets, being depreciated, net	<u>10,977,503</u>	<u>7,545,304</u>	<u>-</u>	<u>18,522,807</u>
Total business-type activities capital assets, net	<u>\$ 18,161,394</u>	<u>\$ 8,993,134</u>	<u>\$ (7,877,666)</u>	<u>\$ 19,276,862</u>

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

Governmental Activities	
General government	\$ 26,975
Public safety	258,482
Public works	302,191
Culture and recreation	11,121
Total governmental activities depreciation expense	<u>\$ 598,769</u>
Business-Type Activities	
Water and Sewer	\$ 600,225
Port and Harbor	63,921
Total business-type activities depreciation expense	<u>\$ 664,146</u>

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 6: LONG-TERM DEBT

Changes in long-term debt during the year ended September 30, 2008, are as follows:

	Balance October 1, 2007	Additions	Principal Payments/ Reductions	Balance September 30, 2008	Due within One Year
Governmental Activities					
General obligation bonds	\$ 1,290,000	\$ -	\$ (165,000)	\$ 1,125,000	\$ 130,000
Notes	2,922,872	-	(94,405)	2,828,467	19,621
Capital leases	277,792	-	(45,095)	232,697	49,664
Compensated absences	299,958	-	(32,648)	267,310	31,285
Total governmental activities	<u>\$ 4,790,622</u>	<u>\$ -</u>	<u>\$ (337,148)</u>	<u>\$ 4,453,474</u>	<u>\$ 230,570</u>
Business-Type Activities					
General obligation bonds	\$ 220,000	\$ -	\$ (30,000)	\$ 190,000	\$ 35,000
Notes	5,056,614	28,890	(408,798)	4,676,706	543,284
Compensated absences	3,993	1,350	-	5,343	5,343
Total business-type activities	<u>\$ 5,280,607</u>	<u>\$ 30,240</u>	<u>\$ (438,798)</u>	<u>\$ 4,872,049</u>	<u>\$ 583,627</u>

(A) Bonds Payable

At September 30, 2008, the City's outstanding bonds payable are described as follows:

	Date of Issue	Final Maturity Date	Rates	Original Issue	Balance September 30, 2008
Governmental Activities:					
General obligation bonds:					
Public Improvement 1992A	12/1/1992	12/1/2012	5.0% - 7.1%	\$ 592,000	\$ 220,000
Public Improvement 1996	5/1/1996	5/16/2016	4.8% - 6.5%	1,700,000	905,000
Total bonds - governmental activities				<u>2,292,000</u>	<u>1,125,000</u>
Business-Type Activities:					
General obligation bonds:					
Water and Sewer 1992B	12/1/1992	2/1/2012	5.0% - 6.25%	530,000	190,000
Total bonds payable				<u>\$ 2,822,000</u>	<u>\$ 1,315,000</u>

General Obligation Bonds

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

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:

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 6: LONG-TERM DEBT (Continued)

(A) Bonds Payable (Continued)

General Obligation Bonds (Continued)

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total Requirements
	Principal	Interest	Principal	Interest	
2009	\$ 130,000	\$ 62,555	\$ 35,000	\$ 10,738	\$ 238,293
2010	140,000	55,325	35,000	8,585	238,910
2011	150,000	47,279	40,000	6,250	243,529
2012	155,000	38,691	40,000	3,750	237,441
2013	165,000	29,563	40,000	1,250	235,813
2014-2018	385,000	43,960	-	-	428,960
Total	<u>\$ 1,125,000</u>	<u>\$ 277,373</u>	<u>\$ 190,000</u>	<u>\$ 30,573</u>	<u>\$ 1,622,946</u>

(B) Notes Payable

At September 30, 2008, the City's outstanding notes payable are described as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2008
Governmental Activities:					
State of Mississippi, Capital Improvements (CAP) Fund, Fire Station improvements note	7/10/1995	12/10/2010	4.25%	\$ 479,550	\$ 21,848
FEMA - Community disaster loan	3/9/2006	12/21/2010	2.70%	1,834,805	1,834,805
Mississippi Development Bank Promisory Note, Refinanced	8/1/2007	8/10/2010	variable	971,814	971,814
Total notes payable - governmental activities				<u>3,286,169</u>	<u>2,828,467</u>
Business-Type Activities:					
State of Mississippi, State Revolving Fund Loan	7/1/1994	4/1/2014	3.75%	369,228	182,975
State of Mississippi, State Revolving Fund Loan	10/1/1992	11/1/2011	2.50%	3,105,015	981,036
State of Mississippi, Drinking Water Improvement (Well) Revolving Fund Loan	11/18/1997	4/1/2019	4.50%	358,123	260,355
State of Mississippi, Drinking Water Improvement (Main) Revolving Fund Loan	11/18/1997	4/1/2019	4.50%	888,538	647,688
State of Mississippi, State Revolving Fund Loan	11/27/1997	1/27/2019	4.50%	807,429	601,186
State of Mississippi, State Revolving Fund Loan	3/31/2000	4/1/2021	3.00%	520,336	420,200
State of Mississippi, Drinking Water Improvement Revolving Fund Loan	3/31/2000	4/1/2021	3.00%	274,823	217,496
State of Mississippi, Capital Improvements (CAP) Fund	5/1/2001	4/1/2021	3.00%	191,762	25,281
State of Mississippi, Drinking Water Improvement (SE Long Beach) Revolving Fund Loan	1/30/2007	2/1/2017	2.00%	500,000	407,986
Community Disaster Loan	4/3/2006	3/7/2011	2.38%	932,503	932,503
Total notes payable - business-type activities				<u>7,947,757</u>	<u>4,676,706</u>
Total notes payable				<u>\$ 11,233,926</u>	<u>\$ 7,505,173</u>

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 6: LONG-TERM DEBT (Continued)

(B) Notes Payable (Continued)

Principal and interest maturities will be as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total Requirements
	Principal	Interest	Principal	Interest	
2009	\$ 19,621	\$ 42,965	\$ 543,284	\$ 122,846	\$ 728,716
2010	974,042	42,315	544,028	107,731	1,668,116
2011	1,834,804	235,399	1,488,717	197,134	3,756,054
2012	-	-	300,866	73,963	374,829
2013	-	-	256,243	64,383	320,626
2014-2018	-	-	1,132,162	188,396	1,320,558
2019-2023	-	-	411,406	21,247	432,653
Total	<u>\$ 2,828,467</u>	<u>\$ 320,679</u>	<u>\$ 4,676,706</u>	<u>\$ 775,700</u>	<u>\$ 8,601,552</u>

(C) Capital Leases

At September 30, 2008, the City had the following outstanding capital leases:

	Original Amount	Balance September 30, 2008
Governmental Activities:		
Capital lease payable to bank, dated September 5, 2000, secured by a fire truck, bearing an interest rate of 5.50%, payable in annual installments of \$50,351 through October 5, 2012	\$ 427,525	\$ 213,496
Capital lease payable to bank, dated May 5, 2005, secured by police vehicles, bearing an interest rate of 3.69%, payable in annual installments of \$10,241 through May 5, 2010	45,515	19,201
Total capital leases	<u>\$ 473,040</u>	<u>\$ 232,697</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2008, were as follows:

Year Ending September 30,	Total
2009	\$ 60,504
2010	60,487
2011	50,351
2012	38,939
2013	36,367
2014-2018	15,610
Total minimum lease payments	262,258
Less amount representing interest	(29,561)
Present value of minimum payments	<u>\$ 232,697</u>

As of September 30, 2008, the cost of the vehicles and equipment under capital leases in the governmental fund was \$624,200 and accumulated depreciation for those assets was \$428,399. Depreciation expense associated with the assets under capital leases in the governmental activities in fiscal year 2008 totaled \$23,179 and is included in the statement of activities, public safety expenses.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 6: LONG-TERM DEBT (Continued)

(D) Legal Debt Margin

The City's legal debt limit for general obligation bonds is \$11,446,974. At September 30, 2008, the City's legal debt margin, after reduction for outstanding general obligation notes of \$5,099,403, was \$3,953,467.

NOTE 7: INTERFUND TRANSACTIONS

Interfund balances as of September 30, 2008 were comprised of the following:

(A) Long-term Advances

	Advances To				Total Advances To
	Governmental Activities		Business-Type Activities		
	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	
Advances From					
Governmental Activities:					
General	\$ -	\$ 148,223	\$ -	\$ 568	\$ 148,791
Business-type Activities:					
Water and Sewer	-	25,308	-	-	25,308
Total Due To	\$ -	\$ 173,531	\$ -	\$ 568	\$ 174,099

(C) Interfund Transfers

	Transfers In				Total Advances To
	Governmental Activities		Business-Type Activities		
	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	
Transfers Out					
Governmental Activities:					
General	\$ -	\$ 317,024	\$ 1,505,542	\$ 452,932	\$ 2,275,498
Other Nonmajor Funds	7,962	-	24,083	-	32,045
Business-type Activities:					
Water and Sewer	321,316	21,491	-	77,429	420,236
Port and Harbor	29,781	-	-	-	29,781
Total Due To	\$ 359,059	\$ 338,515	\$ 1,529,625	\$ 530,361	\$ 2,757,560

(D) 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 \$219,948 for the year ended September 30, 2008. The fees were included in "fees, fines, and charges for services" program revenue in the general fund in the Balance Sheet – Governmental Funds and "charges for services" revenue in the general fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. The corresponding expenditure was included in "expenses" in the water and sewer and port and harbor 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.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 8: 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, 2008, a complete copy of which is on file at the administrative offices of the Authority which are located at 14108 Airport Road, Gulfport, Mississippi 39503, or may be obtained by calling (228) 868-8752.

BALANCE SHEET

ASSETS	
Current assets	\$ 12,847,739
Restricted assets	20,329,366
Property, plant and equipment, net	83,241,237
Deferred charges	<u>1,881,710</u>
Total assets	<u><u>\$ 118,300,052</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current, unrestricted	\$ 8,059,713
Current, restricted	5,401,375
Long-term liabilities	<u>125,320,078</u>
Total liabilities	<u>138,781,166</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ (36,449,499)
Restricted for debt service and reserves	16,300,518
Unrestricted	<u>(331,833)</u>
Total liabilities and net assets	<u><u>\$ (20,480,814)</u></u>

STATEMENT OF REVENUES AND EXPENSES

Operating revenues	\$ 17,304,305
Operating expenses	(17,255,159)
Depreciation and amortization	(5,105,325)
Non-operating revenues	<u>2,956,315</u>
Net loss	<u><u>\$ (2,099,864)</u></u>

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 to other governments	Due to other governments
<u>\$ 105,016</u>	<u>\$ 105,016</u>
Statement of Activities	Statement of Revenues, Expenses and
Business-type activities	Changes in Fund Net Assets -
Water and sewer expenses	Proprietary Funds
<u>\$ 1,615,191</u>	Water and sewer
	Contractual services
	<u>\$ 1,615,191</u>

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 9: 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 \$6,000 of covered employee wages paid in the preceding calendar year. The total funds designated were \$30,938 and exceeded the requirement of \$16,999. The amount of contingent liability, if any, the City could be obligated for cannot be determined.

NOTE 10: RETIREMENT PLANS

(A) Public Employees' Retirement System

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

Plan Description and Provisions

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

Description of Funding Policy

PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The rate of annual covered payroll was 11.85% through June 2008 and 12.00% from July through September 2008. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ending September 30, 2008, 2007, and 2006, were \$447,639, \$366,258, and \$380,255, 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.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 11: COMMITMENTS AND CONTINGENCIES

(A) Litigation

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

(B) Grants and Awards

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally federal and state governments. Any disallowed expenses, including amounts already collected, might constitute a liability of the applicable funds. The City does not believe any contingent liabilities are material.

(C) Contract Commitments

Service Contracts

The City contracts with private contractors for various services. The following represent significant commitments as of September 30, 2008:

On April 15, 2003, the City entered into a service contract with Utility Service Co., Inc. to provide professional services needed to maintain the City's 50,000-gallon water storage tank. The contract does not have a specified term. The annual fee was set at \$82,568 for the first three years of the contract. The annual fee for subsequent years is \$12,973. The contract stipulates that the fee can be adjusted to the current cost of service, not to exceed 5%, beginning in year 2009 and each third year thereafter.

On January 17, 2007, the City entered into a service contract with Utility Partners, LLC dba UP Group, LLC, to provide professional utility management, operations, and maintenance services for the City's Public Works operations, consisting of the following departments: Utility Billing, Water & Sewer Operations, Street and Drainage, Vehicle Maintenance, and Parks & Recreation. The term of the original contract was January 17, 2007 through January 16, 2008 and extended through February 5, 2008 with a base fee of \$1,490,686, 1/12 due by the 15th of each month. A new twelve month contract with Utility Partners, LLC dba UP Group, LLC, was entered into on February 5, 2008 with a base fee of \$1,527,282, 1/12 due by the 15th of each month.

Other Commitments

On June 27, 2008, the City entered into a service contract with Parnell Construction to complete the bulkhead tieback repairs at the Harbor. The total contract was for \$107,100, of which \$89,715 remained outstanding at September 30, 2008.

Outstanding Construction Commitments

The City had the following outstanding construction commitments with respect to unfinished capital projects as of September 30, 2008, which will be paid from existing grants:

General government	\$	238,622
Culture and recreation		1,410,301
Public safety		111,283
Port and harbor		69,248
		\$ 1,829,454

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 11: COMMITMENTS AND CONTINGENCIES

(D) Lease Commitments

In May 2006, 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 \$223.69 per month.

In May 2006, the City entered into a lease agreement for a copier located at the Police Department. The lease agreement is for 48 months with payments of \$208.66 per month.

In September 2006, 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 \$188.62 per month.

In September 2007, 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 \$323.73 per month.

In June 2008, the City entered into a lease agreement for a copier located at the Public Works Office. The lease agreement is for 36 months with payments of \$69.87 per month.

The future noncancelable lease obligation of these leases at September 30, 2008 is as follows.

Year Ending <u>September 30,</u>	
2009	\$ 12,175
2010	8,182
2011	<u>559</u>
	<u>\$ 20,916</u>

NOTE 12: RISK MANAGEMENT

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

(A) Self-Insurance – Workers Compensation Fund

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

(B) Self-Insurance – Liability Fund

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

(C) Federal Grants

In the normal course of operations and as a result of the destruction from Hurricane Katrina, 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.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

NOTE 14: SUBSEQUENT EVENTS

(A) Construction Contracts

Subsequent to year end, the City entered into approximately \$33 million in construction and engineering contracts and change orders related to various Katrina-related projects and equipment. These projects will be funded by grants.

(B) Grants

Subsequent to year end, the City obtained new grants of approximately \$1.8 million and budget modifications to existing grants for an increase of approximately \$7.7 million. In addition, the City entered into three Memoranda of Understanding with the Mississippi Transportation Commission for improvements to roads and bridges that will be funded through Emergency Relief Funding of approximately \$3.7 million and federal recovery grants of approximately \$1.2 million.

(D) Public Services Agreement

In November 2009, the City approved an agreement for public works services with Utility Partners, LLC, for four years commencing on December 1, 2009 and extending until November 30, 2013. The agreement calls for annual payments of the following:

Year 1	\$ 1,626,834
Year 2	1,673,200
Year 3	1,720,886
Year 4	1,769,932
	<u>\$ 6,790,852</u>

(E) Lease Option Agreement

In January 2010, the City approved a lease option agreement with Hancock Bank for equipment totaling \$108,041 at 3.2% interest.

(F) School District Collections

In February 2010, the City authorized the Harrison County Tax Collector to settle directly with the Long Beach School District all school taxes, penalties, and interest collected on their behalf.

(G) Interlocal Agreement

In March 2010 the City entered into an Interlocal Governmental Cooperation Agreement with the Long Beach School District. The agreement expires May 31, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON
SCHEDULE (NON-GAAP BASIS)
GENERAL FUND**

CITY OF LONG BEACH, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes				
Property	\$ 3,707,955	\$ 3,312,191	\$ 3,312,191	\$ -
Sales	1,300,587	1,468,601	1,672,378	203,777
Licenses, permits, and franchise fees	1,124,625	846,751	848,943	2,192
Intergovernmental	524,912	9,419,837	9,544,776	124,939
Charges for services	243,295	138,510	246,018	107,508
Interest	40,000	89,994	198,264	108,270
Fines and forfeitures	632,214	583,778	615,000	31,222
Donations	-	252,587	339,263	86,676
Miscellaneous	56,845	121,407	219,835	98,428
Total revenues	<u>7,630,433</u>	<u>16,233,656</u>	<u>16,996,668</u>	<u>763,012</u>
EXPENDITURES				
Current:				
General government				
Administration	1,955,317	2,033,575	2,028,534	5,041
Court	507,268	444,919	443,729	1,190
Total general government	<u>2,462,585</u>	<u>2,478,494</u>	<u>2,472,263</u>	<u>6,231</u>
Public safety				
Police	3,093,862	2,727,612	2,693,298	34,314
Fire	2,014,469	2,244,827	2,167,169	77,658
Total public safety	<u>5,108,331</u>	<u>4,972,439</u>	<u>4,860,467</u>	<u>111,972</u>
Public works				
Streets	327,030	491,862	485,695	6,167
Vehicles	5,950	4,424	4,424	-
Total public works	<u>332,980</u>	<u>496,286</u>	<u>490,119</u>	<u>6,167</u>
Culture and recreation				
Recreation	126,213	126,159	170,603	(44,444)
Senior citizens	151,031	1,166,038	1,108,578	57,460
Parks and cemeteries	9,425	705,248	706,414	(1,166)
Library	295,318	257,382	255,747	1,635
Total culture and recreation	<u>581,987</u>	<u>2,254,827</u>	<u>2,241,342</u>	<u>13,485</u>
Hurricane	-	1,948,720	3,086,216	(1,137,496)
Inspections	175,610	141,623	141,577	46
Total expenditures	<u>8,661,493</u>	<u>12,292,389</u>	<u>13,291,984</u>	<u>(999,595)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,031,060)</u>	<u>3,941,267</u>	<u>3,704,684</u>	<u>236,583</u>
OTHER FINANCING SOURCES (USES)				
Debt proceeds	50,000	-	-	-
Insurance proceeds	-	30,311	30,311	-
Transfers out	-	-	(436,206)	(436,206)
Total other financing sources (uses)	<u>50,000</u>	<u>30,311</u>	<u>(405,895)</u>	<u>(436,206)</u>
Net change in fund balances	(981,060)	3,971,578	3,298,789	<u>\$ 672,789</u>
Fund balances-beginning, budget basis	<u>834,061</u>	<u>3,056,009</u>	<u>3,056,009</u>	
Fund balances-ending, budget basis	<u>\$ (146,999)</u>	<u>\$ 7,027,587</u>	<u>\$ 6,354,798</u>	

See auditors' report and notes to schedule.

**NOTES TO BUDGETARY COMPARISON
SCHEDULE (NON-GAAP BASIS)
GENERAL FUND**

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE A: BUDGETARY DATA

The procedures used by the City in establishing the budgetary data are as follows:

1. The City Clerk's office prepares estimates of available revenue.
2. Department directors submit proposed expenditure budgets to the City Clerk by June 1 each year.
3. The Mayor and the department directors review expenditure budgets and necessary revisions are made.
4. Budgeted revenues and expenditures are balanced, and a summary budget is prepared and presented to the Mayor.
5. The Mayor submits the proposed budget to the Board by August 1.
6. Public hearings are conducted to obtain taxpayer comments.
7. The final budget is approved by September 15 and is published in a local newspaper on or before September 30.
8. The budget is formally amended at the first meeting in September each year. However, budget revisions are made throughout the year (prior to September), as reallocations of funds are necessary, a budget deficit is indicated, or circumstances change which dictate the need for a budget amendment.
9. Formal budgetary integration is employed as a management control device during the year for the general fund.
10. The general fund budget is adopted on a cash basis as required by State statute. The appropriated budget is prepared by fund, function and department. The legal level of budgetary controls is the department level. The City Clerk's office exercises budgetary monitoring throughout the fiscal year. An adopted budget may not exceed its appropriated level without Board approval. However, department heads may make transfers of appropriations within a department. Budgetary controls are implemented through the City Clerk's office through the use of budget to actual reports. Any purchase requisition that will cause a line item to exceed its budget will be disallowed by the City Clerk. The department head will then be required to make an inter-department budget transfer or request a budget amendment.

The Budgetary Comparison Schedule presents comparisons of legally adopted budgets with actual data on the budgetary basis. Since accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of timing differences in the net change in fund balance for the year ended September 30, 2008 is as follows:

Ending fund balance, budgetary basis	\$	6,354,798
Cumulative difference between GAAP basis fund balance and budget basis fund balance at beginning of the year		2,950,288
Adjustments to convert receivables		(2,755,126)
Adjustments to convert prepaid expenses		(33,864)
Adjustments to convert accounts payable		(2,188,523)
Adjustments to convert deferred revenue		4,346,468
Adjustments to convert compensated absences		(776)
Ending fund balance, GAAP basis	\$	8,673,265

CITY OF LONG BEACH, MISSISSIPPI
NOTES TO BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

NOTE B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS (BUDGET)

Excess of expenditures over appropriations (budget) by department for the fiscal year ending September 30, 2008 are as follows:

<u>Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Excess</u>
Culture and recreation - Recreation	126,159	170,603	(44,444)
Culture and recreation - Parks and cemeteries	705,248	706,414	(1,166)
Hurricane	1,948,720	3,086,216	(1,137,496)
Transfers out	-	436,206	(436,206)

SUPPLEMENTARY INFORMATION

**COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF LONG BEACH, MISSISSIPPI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects 1996 \$1,700,000 G.O./P.I. Bond Construction</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,253	\$ -	\$ -	\$ 1,253
Taxes receivable, net	-	5,025	-	5,025
Other receivables	2,788	18,185	-	20,973
Restricted assets:				
Cash and cash equivalents	-	591,801	-	591,801
Certificates of deposit	158,117	-	-	158,117
Total assets	<u>\$ 162,158</u>	<u>\$ 615,011</u>	<u>\$ -</u>	<u>\$ 777,169</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Advances from other funds	<u>\$ 19,579</u>	<u>\$ 153,952</u>	<u>\$ -</u>	<u>\$ 173,531</u>
Fund balances:				
Reserved for:				
Debt service	-	461,059	-	461,059
Unreserved	<u>142,579</u>	<u>-</u>	<u>-</u>	<u>142,579</u>
Total fund balances	<u>142,579</u>	<u>461,059</u>	<u>-</u>	<u>603,638</u>
Total liabilities and fund balances	<u>\$ 162,158</u>	<u>\$ 615,011</u>	<u>\$ -</u>	<u>\$ 777,169</u>

See auditors' report.

**CITY OF LONG BEACH, MISSISSIPPI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects 1996 \$1,700,000 G.O./P.I. Bond Construction</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Property taxes	\$ -	\$ 340,130	\$ -	\$ 340,130
Investment earnings	5,481	546	-	6,027
Total revenues	<u>5,481</u>	<u>340,676</u>	<u>-</u>	<u>346,157</u>
EXPENDITURES				
Debt Service				
Principal	-	304,500	-	304,500
Interest and other charges	-	135,279	-	135,279
Total expenditures	<u>-</u>	<u>439,779</u>	<u>-</u>	<u>439,779</u>
Excess (deficiency) of revenues over expenditures	<u>5,481</u>	<u>(99,103)</u>	<u>-</u>	<u>(93,622)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	313,095	25,420	338,515
Transfers out	(594)	(31,451)	-	(32,045)
Total other financing sources and uses	<u>(594)</u>	<u>281,644</u>	<u>25,420</u>	<u>306,470</u>
Net change in fund balances	4,887	182,541	25,420	212,848
Fund balances - beginning	<u>137,692</u>	<u>278,518</u>	<u>(25,420)</u>	<u>390,790</u>
Fund balances - ending	<u>\$ 142,579</u>	<u>\$ 461,059</u>	<u>\$ -</u>	<u>\$ 603,638</u>

See auditors' report.

**COMBINING FINANCIAL STATEMENTS
NONMAJOR SPECIAL REVENUE FUNDS**

**CITY OF LONG BEACH, MISSISSIPPI
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2008**

	Forestry Commission Grant	Contribution Agreement Fund	MDOT Grant Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 1,253	\$ -	\$ -	\$ 1,253
Other receivables	-	2,788	-	2,788
Restricted assets:				
Certificates of deposit	-	158,117	-	158,117
Total assets	<u>\$ 1,253</u>	<u>\$ 160,905</u>	<u>\$ -</u>	<u>\$ 162,158</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Advances from other funds	\$ -	\$ 1,164	\$ 18,415	\$ 19,579
 Fund balances:				
Unreserved - designated	1,253	159,741	(18,415)	142,579
Total liabilities and fund balances	<u>\$ 1,253</u>	<u>\$ 160,905</u>	<u>\$ -</u>	<u>\$ 162,158</u>

See auditors' report.

**CITY OF LONG BEACH, MISSISSIPPI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Forestry Commission Grant</u>	<u>Contribution Agreement Fund</u>	<u>MDOT Grant Fund</u>	<u>Totals</u>
REVENUES				
Investment earnings	\$ 38	\$ 5,443	\$ -	\$ 5,481
EXPENDITURES	-	-	-	-
Excess of revenues over expenditures	38	5,443	-	5,481
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(594)	-	(594)
Net change in fund balances	38	4,849	-	4,887
Fund balances - beginning	1,215	154,892	(18,415)	137,692
Fund balances - ending	<u>\$ 1,253</u>	<u>\$ 159,741</u>	<u>\$ (18,415)</u>	<u>\$ 142,579</u>

See auditors' report.

**COMBINING FINANCIAL STATEMENTS
NONMAJOR DEBT SERVICE FUNDS**

**CITY OF LONG BEACH, MISSISSIPPI
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 SEPTEMBER 30, 2008**

	Municipal Debt Service	School Debt Service	Total
ASSETS			
Cash and cash equivalents, restricted	\$ 482,429	\$ 109,372	\$ 591,801
Taxes receivable, net	5,025	-	5,025
Other receivables	18,185	-	18,185
Total assets	<u>\$ 505,639</u>	<u>\$ 109,372</u>	<u>\$ 615,011</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Advances from other funds	\$ 153,952	\$ -	\$ 153,952
Fund balances:			
Reserved for debt service	351,687	109,372	461,059
Total liabilities and fund balances	<u>\$ 505,639</u>	<u>\$ 109,372</u>	<u>\$ 615,011</u>

See auditors' report.

**CITY OF LONG BEACH, MISSISSIPPI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR DEBT SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Municipal Debt Service</u>	<u>School Debt Service</u>	<u>Total</u>
REVENUES			
Property taxes	\$ 339,173	\$ 957	\$ 340,130
Investment earnings	-	546	546
Total revenues	<u>339,173</u>	<u>1,503</u>	<u>340,676</u>
EXPENDITURES			
Debt service			
Principal	304,500	-	304,500
Interest and other charges	<u>135,279</u>	-	<u>135,279</u>
Total expenditures	<u>439,779</u>	<u>-</u>	<u>439,779</u>
Excess (deficiency) of revenues over expenditures	<u>(100,606)</u>	<u>1,503</u>	<u>(99,103)</u>
OTHER FINANCING SOURCES			
Transfers in	273,828	39,267	313,095
Transfers out	<u>(31,451)</u>	-	<u>(31,451)</u>
Total other financing sources and uses	<u>242,377</u>	<u>39,267</u>	<u>281,644</u>
Net change in fund balances	141,771	40,770	182,541
Fund balances - beginning	<u>209,916</u>	<u>68,602</u>	<u>278,518</u>
Fund balances - ending	<u>\$ 351,687</u>	<u>\$ 109,372</u>	<u>\$ 461,059</u>

See auditors' report.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

<u>Covered</u>	<u>Company</u>	<u>Amount</u>	<u>Expires</u>
Mayor	Brierfield Insurance	\$100,000	6/1/2009
Alderspersons	Brierfield Insurance	\$100,000	7/1/2009
Police Chief	Brierfield Insurance	\$50,000	7/1/2009
Police	Brierfield Insurance	\$25,000	7/1/2009
City Clerk	Brierfield Insurance	\$50,000	7/1/2009

See independent auditors' report.

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2008

Grantor Federal Agency / Passed - Through Agency / Program Title	CFDA Number	Grant No./ Pass-Through Grantor No.	Identifying No.	Federal Expenditures
US DEPARTMENT OF AGRICULTURE				
Rural Development				
<i>Passed through Mississippi Forestry Commission</i>				
Cooperative Forestry Assistance/Hurricane Katrina Recovery Supplemental Urban and Community Forestry Assistance	10.664	N/A		\$ 45,167
Community Facilities Loans and Grants/ Hurricane Disaster Assistance	10.766			<u>113,709</u>
Total US Department of Agriculture				<u><u>158,876</u></u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Office of Community Planning and Development				
<i>Passed through Mississippi Development Authority</i>				
Community Development Block Grant (CDBG)	14.228	R101-06-009-1		95,716
CDBG/Katrina Supplemental Public Facilities Code Enforcement Grant	14.228	R103-235-01-KCR		592,496
CDBG/Katrina Supplemental Public Facilities Code Enforcement Grant	14.228	R103-235-01-KP		116,833
CDBG/Katrina Supplemental Public Facilities Code Enforcement Grant	14.228	R-109-235-02-KCR		166,496
CDBG/Katrina Supplemental Public Facilities Code Enforcement Grant	14.228	R-109-235-03-KCR		31,500
CDBG/Katrina Supplemental Public Facilities Code Enforcement Grant	14.228	R-109-235-04-KCR		74,726
Total US Department of Housing and Urban Development				<u><u>1,077,767</u></u>
US DEPARTMENT OF JUSTICE				
<i>Passed through the State of Mississippi</i>				
<i>Department of Public Safety</i>				
Violence Against Women Formula Grants	16.588	03SL2981		757
Violence Against Women Formula Grants	16.588	06SL2981		19,354
Violence Against Women Formula Grants	16.588	07SL2981		6,450
Violence Against Women Formula Grants	16.588	06SK2981		4,186
Total Violence Against Women Formula Grants				<u>30,747</u>
Local Law Enforcement Block Grant	16.592	06LB2981		1,697
Local Law Enforcement Block Grant		07LB2981		2,500
Total Local Law Enforcement Block Grants				<u>4,197</u>
Bulletproof Vest Partnership Program	16.607	N/A		1,825
Enforcing Underage Drinking Laws Program	16.727	07UA298		816
Hurricane Relief Subgrant	16.738	06HR2981		889,376
Total US Department of Justice				<u><u>926,961</u></u>
US DEPARTMENT OF LABOR				
Employment Training Administration				
WIA Dislocated Workers National Emergency Grant	17.260 *	N/A		<u>325,439</u>
US DEPARTMENT OF TRANSPORTATION				
National Highway Traffic Safety Administration (NHTSA)				
<i>Passed through the State of Mississippi</i>				
<i>Department of Public Safety:</i>				
Occupant Protection Incentive Grant	20.602	08OP2031		2,904
Alcohol Open Container Requirements	20.607	08TA2031		19,210
Total US Department of Transportation				<u><u>22,114</u></u>

* Non-cash award

See accompanying notes to the schedule.

**CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2007**

Grantor Federal Agency / Passed - Through Agency / Program Title	CFDA Number	Grant No./ Pass-Through Grantor No.	Identifying No.	Federal Expenditures
US DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed through Mississippi Department of Human Services/Southern Mississippi Planning and Development District</i>				
Social Services Block Grant/Katrina Supplemental	93.667	710VK261-01		<u>1,338,950</u>
US DEPARTMENT OF HOMELAND SECURITY				
<i>Passed through Mississippi Emergency Management Agency</i>				
Disaster Grants - Public Assistance/ Hurricane Katrina	97.036	1604-DR-MS	PW 1416	766,790
			PW 1468	17
			PW 1606	599
			PW 2052	1,281
			PW 2092	88,341
			PW 2095	1,534
			PW 2235	429,387
			PW 2830	13,718
			PW 2907	14,564
			PW 2912	19,597
			PW 2939	177,026
			PW 3289	84
			PW 3372	107,802
			PW 3444	341,191
			PW 4130	3,324
			PW 4273	8
			PW 4343	1,016
			PW 4394	33,252
			PW 4533	4,351
			PW 4682	475
			PW 4766	18
			PW 5051	59
			PW 5054	15
			PW 5079	420,128
			PW 5852	2,568
			PW 6681	1,196
			PW 6860	238,509
			PW 6980	3
			PW 7042	36
			PW 7291	3,068
			PW 7776	92
			PW 8101	14
			PW 8857	12,398
			PW 9150	1,432
			PW 9896	34,574
			PW 9901	5,683
			PW 9985	148
			PW 10692	170,508
			PW 10856	78
			PW 10857	840
			PW 10862	239
			PW 10863	467
			PW 10927	97,437
			PW 11036	12,862
Total Hurricane Katrina				<u>3,006,729</u>

See accompanying notes to the schedule.

**CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2007**

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 (Continued)				
<i>Passed through Mississippi Emergency Management Agency</i>				
Disaster Grants - Public Assistance/ Hurricane Ivan	97.036	1604-DR-MS	N/A	<u>17,475</u>
Disaster Grants - Public Assistance/ Disaster Public Assistance - Hurricane Gustav	97.036	1604-DR-MS	PW344 PW357 PW198	<u>53,621</u> <u>11,535</u> <u>11,000</u>
Total Hurricane Gustav				<u>76,156</u>
Homeland Security Grant Program	97.067	06HS235		1,402
Homeland Security Grant Program	97.067	07HS235		2,403
Homeland Security Grant Program	97.067	07LE235		7,948
Total Homeland Security Grant Program				<u>11,753</u>
Total US Department of Homeland Security				<u>3,112,113</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 6,962,220</u>

See accompanying notes to this schedule.

**CITY OF LONG BEACH, MISSISSIPPI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is included in the federal grant activity of the City and is presented on the modified 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 B: NONCASH AWARDS

As noted in the Schedule of Expenditure of Federal Awards, the City received a National Emergency Grant under the Temporary Recovery Workforce Program from the U.S. Department of Labor that provided up to twenty individuals, who were permanently or temporarily dislocated as a result of Hurricane Katrina, as temporary workers. The workers were paid by the Twin Districts Workforce Area.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



Wolfe • McDuff & Oppie

CERTIFIED PUBLIC ACCOUNTANTS

(A Professional Association)

Jack A. Oppie, CPA
C. Scott Rankin, CPA

Lindsey M. Henley, CPA
Jesse J. Wolfe, CPA (Retired)
Grover B. McDuff, CPA (Retired)

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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*

Honorable Mayor and Members of the City Council
City of 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 City of Long Beach, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the City of Long Beach, Mississippi's basic financial statements and have issued our report thereon dated March 29, 2010. 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

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 the 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Long Beach, Mississippi's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Long Beach, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by the City of Long Beach, Mississippi's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Long Beach, Mississippi's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 matters that we reported to management of City of Long Beach, Mississippi, in a separate letter dated March 29, 2010.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Wolfe M. Huff & Oppie

Pascagoula, Mississippi
March 29, 2010



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(A Professional Association)

Jack A. Oppie, CPA
C. Scott Rankin, CPA

W. Chet Kelly, CPA
Jesse J. Wolfe, CPA (Retired)
Grover B. McDuff, CPA (Retired)

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and Members of the City Council
City of Long Beach, Mississippi

Compliance

We have audited the compliance of the City of Long Beach, Mississippi, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of

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**Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over Compliance
In Accordance With OMB Circular A-133
Page 2**

expressing our opinion on compliance, 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.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, others within the entity, 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.

Wolfe McDuff & Oppie

Pascagoula, Mississippi
March 29, 2010

CITY OF LONG BEACH, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. In our report, our opinion on the financial statements was unqualified.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
3. No instances of noncompliance material to the financial statements of the City of Long Beach are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.
4. No reportable conditions relating to the audit of major federal awards programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance.
5. The auditor's report on compliance for major federal awards program for the City of Long Beach expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for the City of Long Beach, Mississippi, that are to be reported in Part C of this schedule.
7. The major programs tested were:
 - U.S. Department of Justice-Hurricane Relief Subgrant-CFDA No. 16.738
 - U.S. Department of Health and Human Services-Katrina Supplemental Grant-CFDA No. 93.667
 - U.S. Department of Agriculture-Hurricane Disaster Assistance-CFDA No. 10.766
8. The dollar threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Long Beach, Mississippi was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

None.



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

The Honorable Mayor and Members of the City Council
City of Long Beach, Mississippi

We have audited the accompanying financial statements of the City of Long Beach, Mississippi as of and for the year ended September 30, 2008, and have issued our report dated March 29, 2010. 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 instance of noncompliance with state laws and regulations. Our findings and recommendations and your response is as follows:

Finding

The Compliance Questionnaire for the year ended September 30, 2008 was completed and entered into the official meetings on July 7, 2009. The Questionnaire should be entered into the minutes of the meeting immediately following fiscal year end.

Recommendation

We recommend the Compliance Questionnaire be entered into the minutes at the first meeting in October following the fiscal year end. This will ensure compliance with Mississippi regulations.

Management's response

The 2009 Municipal Compliance Questionnaire has been completed and was accepted by the current City Council on October 6, 2009.

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**Independent Auditor's Report on Compliance With
Mississippi State Laws and Regulations**

Page 2

Finding

All municipalities are required to have and maintain complete and current inventory lists of each property item with a cost to the municipality of \$500 or more. There is also certain equipment that should be recorded regardless of price. The City of Long Beach, Mississippi's current capitalization policy is not in accordance with State requirements.

Recommendation

We recommend the City follow the guidance in the Mississippi Municipal Audit and Accounting Guide so that they may be in compliance with State requirements.

Management's response

Management plans to draft a new capitalization policy. The City plans to follow the recommendations outlined in the Mississippi Municipal Audit and Accounting Guide.

Wolfe Mc Huff & Oppie

Pascagoula, Mississippi
March 29, 2010