

**CITY OF LONG BEACH, MISSISSIPPI**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED SEPTEMBER 30, 2010**



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SEPTEMBER 30, 2010**

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**INTRODUCTORY SECTION**

**CITY OF LONG BEACH, MISSISSIPPI  
LISTING OF CITY OFFICIALS  
SEPTEMBER 30, 2010**

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

William Skellie, Jr.  
Gary J. Ponthieux  
Bernie Parker  
Kaye H. Couvillon  
Ronald Hammons  
Mark Lishen  
Carolyn Anderson  
Leonard G. Carrubba

City Clerk

Rebecca E. Schruff

**FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT**



## INDEPENDENT AUDITOR'S REPORT

August 11, 2011

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Long Beach, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Long Beach, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the City of Long Beach, Mississippi, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2011, on our consideration of the City of Long Beach, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and Members of the  
Board of Alderpersons  
City of Long Beach  
Long Beach, Mississippi  
August 11, 2011

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Long Beach, Mississippi's financial statements as a whole. The introductory section and accompanying financial information listed as pages 1, and 43 through 49 in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 54 through 55 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# City of Long Beach

## BOARD OF ALDERMEN

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



WILLIAM SKELLIE, JR.  
MAYOR

CITY CLERK  
TAX COLLECTOR  
Rebecca E. Schuff

CITY ATTORNEY  
James C. Simpson, Jr.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2010

### 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, 2010. 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, 2010 by \$84,060,245. Of this amount, unrestricted net assets of \$13,906,209 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets increased by \$25,922,503. Of this amount, an increase of \$11,143,305 was associated with governmental activities and an increase of \$14,779,198 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 \$5,291,647, a decrease of \$1,496,366 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,024,886 or 15.9% of total general fund expenditures.
- The City's total debt obligations decreased by \$3,481,998 which consisted of principal payments and forgiveness of the Community Disaster Loans from FEMA.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2010

### 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, 2010**

**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, 2010 and 2009, derived from the government-wide Statement of Net Assets.

Table 1: Condensed Statements of Net Assets  
As of September 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 10,805,412	\$ 12,199,964	\$ 7,219,109	\$ 5,976,712	\$ 18,024,521	\$ 18,176,676
Capital assets, net	39,730,921	30,237,141	36,344,893	23,614,484	76,075,814	53,851,625
<b>Total Assets</b>	<b>50,536,333</b>	<b>42,437,105</b>	<b>43,564,002</b>	<b>29,591,196</b>	<b>94,100,335</b>	<b>72,028,301</b>
Other liabilities	3,200,154	7,535,934	2,695,906	1,973,432	5,896,060	9,509,366
Long-term liabilities	1,967,920	676,217	2,176,110	3,704,976	4,144,030	4,381,193
<b>Total Liabilities</b>	<b>5,168,074</b>	<b>8,212,151</b>	<b>4,872,016</b>	<b>5,678,408</b>	<b>10,040,090</b>	<b>13,890,559</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	35,586,171	23,998,935	32,025,581	18,845,383	67,611,752	42,844,318
Restricted	2,265,421	2,070,635	276,863	753,508	2,542,284	2,824,143
Unrestricted	7,516,667	8,155,384	6,389,542	4,313,897	13,906,209	12,469,281
<b>Total net assets</b>	<b>\$ 45,368,259</b>	<b>\$ 34,224,954</b>	<b>\$ 38,691,986</b>	<b>\$ 23,912,788</b>	<b>\$ 84,060,245</b>	<b>\$ 58,137,742</b>

At September 30, 2010 and 2009, the City's assets exceeded liabilities by approximately \$84 million and \$58 million, respectively. In 2010 and 2009, 80% and 74%, 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 2010 and 2009, 17% and 21%, 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, 2010**

**II. Government-wide Financial Analysis (Continued)**

Table 2 below presents the City's condensed statements of activities for the fiscal year ended September 30, 2010 and 2009, as derived from the government-wide Statement of Activities.

Table 2: Condensed Statements of Activities  
As of September 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
<b>Program Revenues</b>						
Fees, fines and charges for services	\$ 1,596,238	\$ 1,784,460	\$ 6,023,335	\$ 5,000,077	\$ 7,619,573	\$ 6,784,537
Operating grants and contributions	9,327,178	1,201,364	318,187	199,682	9,645,365	1,401,046
Capital grants and contributions	7,185,357	6,464,088	6,091,966	3,507,406	13,277,323	9,971,494
<b>Total program revenues</b>	<u>18,108,773</u>	<u>9,449,912</u>	<u>12,433,488</u>	<u>8,707,165</u>	<u>30,542,261</u>	<u>18,157,077</u>
<b>General revenues</b>						
Property taxes	4,936,127	4,663,318	-	-	4,936,127	4,663,318
Franchise taxes	607,966	-	-	-	607,966	-
Other taxes	116,422	101,776	-	-	116,422	101,776
Sales taxes	1,350,832	1,342,947	-	-	1,350,832	1,342,947
Grants and contributions not restricted to specific programs	663,446	1,547,774	-	36,283	663,446	1,584,057
Interest earnings	119,395	320,765	4,339	12,115	123,734	332,880
Insurance proceeds	11,251	538,080	-	-	11,251	538,080
Miscellaneous	151,134	37,198	-	-	151,134	37,198
<b>Total general revenues</b>	<u>7,956,573</u>	<u>8,551,858</u>	<u>4,339</u>	<u>48,398</u>	<u>7,960,912</u>	<u>8,600,256</u>
<b>Total revenues</b>	<u>26,065,346</u>	<u>18,001,770</u>	<u>12,437,827</u>	<u>8,755,563</u>	<u>38,503,173</u>	<u>26,757,333</u>
<b>Program expenses</b>						
General government	3,976,075	3,974,062	-	-	3,976,075	3,974,062
Public safety	4,964,887	4,965,783	-	-	4,964,887	4,965,783
Public works	181,829	427,527	-	-	181,829	427,527
Culture and recreation	687,815	1,041,085	-	-	687,815	1,041,085
Interest and fiscal charges	158,406	156,191	-	-	158,406	156,191
Water and sewer	-	-	5,060,169	5,077,480	5,060,169	5,077,480
Port and harbor	-	-	642,846	975,320	642,846	975,320
<b>Total program expenses</b>	<u>9,969,012</u>	<u>10,564,648</u>	<u>5,703,015</u>	<u>6,052,800</u>	<u>15,672,027</u>	<u>16,617,448</u>
Change in net assets before special item and transfers	16,096,334	7,437,122	6,734,812	2,702,763	22,831,146	10,139,885
Special Item - debt cancellation	2,059,074	-	1,032,283	-	3,091,357	-
Transfers	(7,012,103)	(2,272,160)	7,012,103	2,272,160	-	-
<b>Change in net assets</b>	11,143,305	5,164,962	14,779,198	4,974,923	25,922,503	10,139,885
Beginning net assets	<u>34,224,954</u>	<u>29,059,992</u>	<u>23,912,788</u>	<u>18,937,865</u>	<u>58,137,742</u>	<u>47,997,857</u>
<b>Ending net assets</b>	<u>\$ 45,368,259</u>	<u>\$ 34,224,954</u>	<u>\$ 38,691,986</u>	<u>\$ 23,912,788</u>	<u>\$ 84,060,245</u>	<u>\$ 58,137,742</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**II. Government-wide Financial Analysis (Continued)**

*Governmental Activities*

Governmental activities increased the City's net assets by approximately \$11.1 million and \$5.2 million in 2010 and 2009, 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 \$9.2 million in 2010 and \$6.4 million in 2009 to the statement of net assets.
- Also on the government-wide statements, the City reduced its long-term debt obligations by approximately \$2 million in 2010 and \$193,000 in 2009 and these expenditures were reclassified to the statement of net assets.
- Hurricane Katrina and the related disbursements contributed to an increase of approximately \$8 million in 2010 and \$2 million in 2009
- The City's property tax revenue increased approximately \$273,000 in 2010 and \$752,000 in 2009.

*Business-Type Activities*

Business-type activities increased the City's net assets by approximately \$14.8 million and \$5 million in 2010 and 2009, respectively. Key elements of this increase are as follows:

- On the proprietary fund statements, the City reduced its long-term debt obligations by \$1.5 million in 2010 and \$584,000 in 2009.
- Grants and contributions related to Hurricane Katrina and the related disbursements (the majority of which are capitalized in capital assets) contributed to an increase of approximately \$2.7 million in 2010 and \$3.7 million in 2009.
- Transfers in from the General Fund related to Hurricane Katrina contributed to an increase of approximately \$7.4 million in 2010 and \$2.3 million in 2009.

**III. Financial Analysis of the City's Funds**

Funds that experienced significant changes during fiscal year 2010 are as follows:

*Governmental Funds*

As of the close of the 2010 fiscal year, the City's governmental funds reported a combined ending fund balance of approximately \$5.3 million.

*General Fund*

Fund balance at September 30, 2010 totaled approximately \$4.2 million, a decrease of \$1.9 million during the fiscal year. The decrease is the result of the following:

- Expenditures in general government decreased \$1.4 million due primarily to capital outlay for Hurricane Katrina-related projects for City Hall nearing completion.
- Expenditures in culture and recreation decreased \$1.9 million due primarily to capital outlay for the Senior Citizens Center being completed.
- Expenditures in public safety increased \$2.4 million due to primarily to capital outlay for Hurricane Katrina related projects for a fire station and police shelter.
- Expenditures in public works increased \$3.1 million due to primarily to capital outlay for Hurricane Katrina related projects for infrastructure improvements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

*Governmental Funds (Continued)*

*Debt Service Funds*

Fund balance at September 30, 2010, totaled \$803,227 for an increase of \$334,000 from the prior year. This increase is due primarily to a corresponding decrease in required principal payments, and forgiveness of the Community Disaster Loans from FEMA.

*Special Revenue Funds*

Fund balance at September 30, 2010, totaled \$167,608 for an increase of \$21,818 from the prior year. The increase consisted of interest earnings and funds from MDOT.

*Proprietary Funds*

The City's proprietary funds, the water and sewer and port and harbor funds, reported net assets of approximately \$38.7 million, an increase of \$14.8 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 \$13.9 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 approximately \$864,000, which is also described above.

**IV. Capital Asset and Long-Term Debt Activity**

*Capital Asset Activity*

At September 30, 2010 the City reported approximately \$39.7 million in net capital assets for governmental activities and \$36.3 million in capital assets for business-type activities. Re-construction of assets damaged and/or destroyed as a result of Hurricane Katrina in August 2005 continued in 2010. Major projects in the governmental activities included the city hall annex, fire stations, and the downtown revitalization project. Major projects in the business-type activities included water and sewer and harbor projects.

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 \$2.3 and \$2.8 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, 2010**

**V. Economic Conditions and Outlook**

The City of Long Beach is still making progress in the recovery from Hurricane Katrina. Several projects have been completed or are close to completion this fiscal year. The new City Hall is now open for business, and shortly after the 2010 fiscal year ended, we opened a new fire station. The Town Green project is coming close to closure. This should be a nice draw to the downtown corridor.

Although the City is still feeling the effects of a depressed National Economy, we are still working to attract new businesses to increase the tax base. We will be seeking the services of an Economic Development Director to help with this process.

**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 Comptroller, Kini Gonsoulin, at 201 Jeff Davis Avenue, Long Beach, Mississippi 39560.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF LONG BEACH  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,134,535	\$ 20,755	\$ 1,155,290
Pooled cash and cash equivalents	937,135	2,263,155	3,200,290
Receivables, net	724,914	571,952	1,296,866
Internal balances	(86,749)	86,749	-
Due from other governments	5,699,646	3,678,760	9,378,406
Inventories	-	958	958
Other receivables	186	-	186
Prepaid expenses	109,781	-	109,781
Restricted assets			
Cash and cash equivalents	2,005,337	-	2,005,337
Pooled cash and cash equivalents	89,469	319,917	409,386
Certificates of deposit	166,268	276,863	443,131
Other assets, net	24,890	-	24,890
Capital assets			
Land, improvements, and construction in progress	23,885,797	13,080,902	36,966,699
Other capital assets, net of depreciation	15,845,124	23,263,991	39,109,115
Total capital assets	<u>39,730,921</u>	<u>36,344,893</u>	<u>76,075,814</u>
Total assets	<u>50,536,333</u>	<u>43,564,002</u>	<u>94,100,335</u>
<b>LIABILITIES</b>			
Accounts payable	2,622,555	1,728,037	4,350,592
Interest payable	33,052	2,500	35,552
Other accrued liabilities	18,711	-	18,711
Due to other governmental agencies	-	4,543	4,543
Deferred revenues	222,351	42,158	264,509
Compensated absences, current	25,208	2,537	27,745
Capital leases payable, current	65,277	-	65,277
Bonds and notes payable, current	213,000	596,214	809,214
Payable from restricted assets:			
Customer deposits	-	319,917	319,917
Compensated absences, noncurrent	219,079	-	219,079
Capital leases payable, noncurrent	185,841	-	185,841
Bonds and notes payable, noncurrent	1,563,000	2,176,110	3,739,110
Total liabilities	<u>5,168,074</u>	<u>4,872,016</u>	<u>10,040,090</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	35,586,171	32,025,581	67,611,752
Restricted for:			
Debt service	913,822	-	913,822
Other purposes	1,351,599	276,863	1,628,462
Unrestricted	7,516,667	6,389,542	13,906,209
Total net assets	<u>\$ 45,368,259</u>	<u>\$ 38,691,986</u>	<u>\$ 84,060,245</u>

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

**CITY OF LONG BEACH  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Functions/Programs	Program Revenue			Net Revenue (Expenses) and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 3,976,075	\$ 397,241	\$ 8,138,284	\$ 498,585	\$ 5,058,035	\$ -	\$ 5,058,035
Public safety	4,964,887	1,171,053	801,950	437,269	(2,554,615)	-	(2,554,615)
Public works	181,829	-	153,794	5,865,409	5,837,374	-	5,837,374
Culture and recreation	687,815	27,944	233,150	384,094	(42,627)	-	(42,627)
Interest on long-term debt	158,406	-	-	-	(158,406)	-	(158,406)
Total governmental activities	<u>9,969,012</u>	<u>1,596,238</u>	<u>9,327,178</u>	<u>7,185,357</u>	<u>8,139,761</u>	<u>-</u>	<u>8,139,761</u>
<b>Business-type activities:</b>							
Water and Sewer	5,060,169	5,731,936	-	5,339,259	-	6,011,026	6,011,026
Port and Harbor	642,846	291,399	318,187	752,707	-	719,447	719,447
Total business-type activities	<u>5,703,015</u>	<u>6,023,335</u>	<u>318,187</u>	<u>6,091,966</u>	<u>-</u>	<u>6,730,473</u>	<u>6,730,473</u>
Total	<u>\$ 15,672,027</u>	<u>\$ 7,619,573</u>	<u>\$ 9,645,365</u>	<u>\$ 13,277,323</u>	<u>8,139,761</u>	<u>6,730,473</u>	<u>14,870,234</u>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					4,936,127	-	4,936,127
Franchise taxes					607,966	-	607,966
Other					116,422	-	116,422
Intergovernmental revenues - sales tax					1,350,832	-	1,350,832
Grants and contributions not restricted to specific programs					663,446	-	663,446
Interest earnings					119,395	4,339	123,734
Insurance proceeds					11,251	-	11,251
Miscellaneous					151,134	-	151,134
Total general revenues					<u>7,956,573</u>	<u>4,339</u>	<u>7,960,912</u>
Change in net assets before special item and transfers					16,096,334	6,734,812	22,831,146
Special item - debt cancellation					2,059,074	1,032,283	3,091,357
Transfers					(7,012,103)	7,012,103	-
Change in net assets					11,143,305	14,779,198	25,922,503
Net assets - beginning					34,224,954	23,912,788	58,137,742
Net assets - ending					<u>\$ 45,368,259</u>	<u>\$ 38,691,986</u>	<u>\$ 84,060,245</u>

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

**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**CITY OF LONG BEACH  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2010**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,133,219	\$ 1,316	\$ 1,134,535
Pooled cash and cash equivalents	937,135	-	937,135
Receivables	720,567	4,347	724,914
Due from other governments	5,699,646	-	5,699,646
Other receivables	162	24	186
Prepaid expenses	109,781	-	109,781
Restricted assets:			
Cash and cash equivalents	1,095,862	909,475	2,005,337
Pooled cash and cash equivalents	89,469	-	89,469
Certificates of deposit	-	166,268	166,268
Total assets	<u>\$ 9,785,841</u>	<u>\$ 1,081,430</u>	<u>\$ 10,867,271</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 2,257,213	\$ -	\$ 2,257,213
Accrued liabilities	18,711	-	18,711
Due to other funds	86,749	-	86,749
Deferred revenue	3,187,743	-	3,187,743
Compensated absences	25,208	-	25,208
Total liabilities	<u>5,575,624</u>	<u>-</u>	<u>5,575,624</u>
 Fund balances:			
Reserved for:			
Other purposes	1,185,331	-	1,185,331
Unreserved	3,024,886	-	3,024,886
Unreserved, reported in non-major:			
Special revenue funds	-	167,608	167,608
Reserved, reported in nonmajor:			
Debt service funds	-	913,822	913,822
Total fund balances	<u>4,210,217</u>	<u>1,081,430</u>	<u>5,291,647</u>
Total liabilities and fund balances	<u>\$ 9,785,841</u>	<u>\$ 1,081,430</u>	<u>\$ 10,867,271</u>

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

**CITY OF LONG BEACH  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

Total fund balance, governmental funds	\$ 5,291,647
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.	39,730,921
Certain other assets (such as accounts receivable) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	2,990,282
Some liabilities (such as bonds and notes payable, capital leases payable, retainage payable, and long-term compensated absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	<u>(2,644,591)</u>
Net assets of governmental activities	<u>\$ 45,368,259</u>

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

**CITY OF LONG BEACH**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 4,552,644	\$ 383,483	\$ 4,936,127
Sales taxes	1,350,832	-	1,350,832
Franchise taxes	607,966	-	607,966
Fees and fines	761,987	-	761,987
Licenses and permits	165,224	-	165,224
Intergovernmental	15,996,125	-	15,996,125
Charges for services	259,618	-	259,618
Investment earnings	116,604	2,791	119,395
BP grant	663,446	-	663,446
Miscellaneous	44,215	-	44,215
	<u>24,518,661</u>	<u>386,274</u>	<u>24,904,935</u>
<b>EXPENDITURES</b>			
Current:			
General government	6,435,205	-	6,435,205
Public safety	7,535,332	-	7,535,332
Public works	3,587,854	-	3,587,854
Culture and recreation	1,461,631	-	1,461,631
Debt Service:			
Principal	-	1,166,288	1,166,288
Interest and other charges	25,236	109,703	134,939
	<u>19,045,258</u>	<u>1,275,991</u>	<u>20,321,249</u>
Excess (deficiency) of revenues over expenditures	<u>5,473,403</u>	<u>(889,717)</u>	<u>4,583,686</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term debt, net	-	921,000	921,000
Insurance proceeds	11,051	-	11,051
Transfers in	4,727,194	325,182	5,052,376
Transfers out	(12,064,479)	-	(12,064,479)
	<u>(7,326,234)</u>	<u>1,246,182</u>	<u>(6,080,052)</u>
Net change in fund balances	(1,852,831)	356,465	(1,496,366)
Fund balances - beginning	6,063,048	724,965	6,788,013
Fund balances - ending	<u>\$ 4,210,217</u>	<u>\$ 1,081,430</u>	<u>\$ 5,291,647</u>

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

**CITY OF LONG BEACH**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Net change in fund balances - total governmental funds:	\$ (1,496,366)
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 (\$9,929,922) exceeded depreciation (\$741,199) in the current period.	9,188,723
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.	1,141,248
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.	245,288
Governmental funds do not present revenues from debt cancellation. In contrast, such revenues are reported in the Statement of Activities.	2,059,074
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.	20,149
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Accrued interest not reflected on Governmental funds	(39,187)
Compensated absences not reflected on Governmental funds	24,376
Change in net assets of governmental activities	<u>\$ 11,143,305</u>

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

**PROPRIETARY FUNDS FINANCIAL STATEMENTS**

**CITY OF LONG BEACH  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2010**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Port and Harbor</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 20,402	\$ 353	\$ 20,755
Pooled cash and cash equivalents	2,012,934	250,221	2,263,155
Accounts receivable, net	563,588	8,364	571,952
Due from other funds	80,050	6,699	86,749
Due from other governments	2,493,193	1,185,567	3,678,760
Inventories	-	958	958
Total current assets	<u>5,170,167</u>	<u>1,452,162</u>	<u>6,622,329</u>
Non-current assets:			
Restricted assets:			
Pooled cash and cash equivalents	319,917	-	319,917
Certificates of deposit	276,863	-	276,863
Capital assets:			
Land and construction in progress	12,819,266	261,636	13,080,902
Other capital assets, net of accumulated depreciation	<u>19,574,128</u>	<u>3,689,863</u>	<u>23,263,991</u>
Total non-current assets	<u>32,990,174</u>	<u>3,951,499</u>	<u>36,941,673</u>
Total assets	<u>38,160,341</u>	<u>5,403,661</u>	<u>43,564,002</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,702,399	25,638	1,728,037
Accrued interest payable	2,500	-	2,500
Payable to other governments	667	3,876	4,543
Deferred revenue	42,158	-	42,158
Compensated absences	277	-	277
Bonds and notes payable	596,214	-	596,214
Payable from restricted assets: Customer deposits	<u>319,917</u>	<u>-</u>	<u>319,917</u>
Total current liabilities	<u>2,664,132</u>	<u>29,514</u>	<u>2,693,646</u>
Non-current liabilities:			
Compensated absences	-	2,260	2,260
Bonds and notes payable	<u>2,176,110</u>	<u>-</u>	<u>2,176,110</u>
Total liabilities	<u>4,840,242</u>	<u>31,774</u>	<u>4,872,016</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	28,087,988	3,937,593	32,025,581
Restricted for other purposes	276,863	-	276,863
Unrestricted	<u>4,955,248</u>	<u>1,434,294</u>	<u>6,389,542</u>
Total net assets	<u>\$ 33,320,099</u>	<u>\$ 5,371,887</u>	<u>\$ 38,691,986</u>

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

**CITY OF LONG BEACH**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Port and Harbor</u>	<u>Total</u>
<b>REVENUES</b>			
Charges for services	\$ 5,694,257	\$ 284,044	\$ 5,978,301
Miscellaneous	37,679	7,355	45,034
Total operating revenues	<u>5,731,936</u>	<u>291,399</u>	<u>6,023,335</u>
<b>OPERATING EXPENSES</b>			
Personal services	37,875	192,897	230,772
Materials and supplies	166,963	6,907	173,870
Contractual services	3,782,658	238,487	4,021,145
Other services and charges	324,449	113,477	437,926
Depreciation and amortization	641,534	91,078	732,612
Total operating expenses	<u>4,953,479</u>	<u>642,846</u>	<u>5,596,325</u>
Operating income (loss)	<u>778,457</u>	<u>(351,447)</u>	<u>427,010</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Interest and investment revenue	4,339	-	4,339
Operating grants and contributions	-	318,187	318,187
Interest expense	<u>(106,690)</u>	<u>-</u>	<u>(106,690)</u>
Total non-operating revenue (expenses)	<u>(102,351)</u>	<u>318,187</u>	<u>215,836</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, SPECIAL ITEM, AND TRANSFERS</b>			
	<u>676,106</u>	<u>(33,260)</u>	<u>642,846</u>
<b>CAPITAL CONTRIBUTIONS, SPECIAL ITEM, AND TRANSFERS</b>			
Capital contributions	5,339,259	752,707	6,091,966
Special item - Debt cancellation	1,032,283	-	1,032,283
Transfers in	10,700,217	1,039,080	11,739,297
Transfers out	<u>(3,832,655)</u>	<u>(894,539)</u>	<u>(4,727,194)</u>
Total capital contributions, special item, and transfers	<u>13,239,104</u>	<u>897,248</u>	<u>14,136,352</u>
<b>CHANGE IN NET ASSETS</b>	13,915,210	863,988	14,779,198
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>19,404,889</u>	<u>4,507,899</u>	<u>23,912,788</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 33,320,099</u>	<u>\$ 5,371,887</u>	<u>\$ 38,691,986</u>

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

**CITY OF LONG BEACH  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Port and Harbor</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 5,635,923	\$ 324,711	\$ 5,960,634
Payments to suppliers	(4,599,075)	(364,840)	(4,963,915)
Payments to employees	(38,220)	(195,271)	(233,491)
Net cash provided by (used in) operating activities	<u>998,628</u>	<u>(235,400)</u>	<u>763,228</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Proceeds from operating grants and contributions	-	318,187	318,187
Operating subsidies and transfers from other funds	6,835,003	137,274	6,972,277
Net cash provided by noncapital financing activities	<u>6,835,003</u>	<u>455,461</u>	<u>7,290,464</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases and construction of capital assets	(10,996,040)	(1,090,288)	(12,086,328)
Proceeds from capital grants	4,695,239	842,945	5,538,184
Principal paid on capital debt	(577,443)	-	(577,443)
Interest paid on capital debt	(116,035)	-	(116,035)
Net cash used in capital and related financing activities	<u>(6,994,279)</u>	<u>(247,343)</u>	<u>(7,241,622)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Restricted customer deposits	11,350	-	11,350
Purchase of certificates of deposit	(6,177)	-	(6,177)
Interest received	6,324	-	6,324
Net cash provided by investing activities	<u>11,497</u>	<u>-</u>	<u>11,497</u>
Net increase (decrease) in cash and cash equivalents	850,849	(27,282)	823,567
Balances-beginning of the year	<u>1,502,404</u>	<u>277,856</u>	<u>1,780,260</u>
Balances-end of the year	<u>\$ 2,353,253</u>	<u>\$ 250,574</u>	<u>\$ 2,603,827</u>
<b>NONCASH FINANCING ACTIVITIES</b>			
Debt cancellation	<u>\$ 1,032,283</u>	<u>\$ -</u>	<u>\$ 1,032,283</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>			
Unrestricted:			
Cash and cash equivalents	\$ 20,402	\$ 353	\$ 20,755
Pooled cash and cash equivalents	2,012,934	250,221	2,263,155
Restricted:			
Pooled cash and cash equivalents	<u>319,917</u>	<u>-</u>	<u>319,917</u>
	<u>\$ 2,353,253</u>	<u>\$ 250,574</u>	<u>\$ 2,603,827</u>

**CITY OF LONG BEACH  
STATEMENT OF CASH FLOWS (Continued)  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Port and Harbor</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 778,457	\$ (351,447)	\$ 427,010
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	641,534	91,078	732,612
Bad debt expense	53,998	27,262	81,260
(Increase) decrease in current assets			
Accounts receivable	(150,011)	6,050	(143,961)
Increase (decrease) in current liabilities			
Accounts payable	(325,005)	(8,406)	(333,411)
Payable to other governments	-	2,437	2,437
Compensated absences	(345)	(2,374)	(2,719)
Net cash provided by (used in) operating activities	<u>\$ 998,628</u>	<u>\$ (235,400)</u>	<u>\$ 763,228</u>

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

**FIDUCIARY FUND FINANCIAL STATEMENT**

**CITY OF LONG BEACH  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
SEPTEMBER 30, 2010**

	<u>Tax Collector Clearing Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 162
Property tax receivables	<u>72,108</u>
Total assets	<u><u>\$ 72,270</u></u>
<b>LIABILITIES</b>	
Other liabilities	\$ 162
Due to other governments	<u>72,108</u>
Total liabilities	<u><u>\$ 72,270</u></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, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I. Introduction**

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

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2010.

**II. Financial Reporting Entity**

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

**III. Government-Wide and Fund Financial Statements**

*Government-Wide Financial Statements*

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

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

*Fund Financial Statements*

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

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

**(A) Basis of Accounting**

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

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**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, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**(B) Fund Types and Major Funds (Continued)**

*Other Fund Types*

The City also reports the following fund types:

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

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

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

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

**(C) Use of Estimates**

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

**V. Assets, Liabilities, and Net Assets or Equity**

**(A) Deposits and Investments**

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

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

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

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

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**(B) Receivables and Payables**

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

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

All trade receivables are shown net of an allowance for uncollectibles. An allowance has been provided in the Water and Sewer fund for estimated uncollectible utility charges and in the Port and Harbor fund for uncollectible dockage fees. The allowance amounts are estimated based on the aging of the receivables, historical collection experience and other relevant circumstances. As of September 30, 2010, the allowances for uncollectible water and sewer charges and for dockage fees are \$525,389 and \$89,775, respectively.

**(C) Prepaid Items**

Payments made to vendors for services that will benefit periods beyond September 30, 2010, are recorded as prepaid items.

**(D) Restricted Assets**

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

**(E) Capital Assets**

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

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

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

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**(E) Capital Assets (Continued)**

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

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

**(F) Long-Term Obligations**

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

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

**(G) Compensated Absences**

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

The compensated absences liability was computed using the specific identification method whereby the actual number of vacation hours is multiplied by the employee's hourly rate at September 30, 2010. 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, 2010**

**NOTE 2: DEPOSITS AND INVESTMENTS**

**(A) Deposits**

The City deposits funds in financial institutions selected by the City's Board of Alderpersons in accordance with Mississippi statutes. Mississippi statutes allow municipalities to select depositories on the basis of competitive bid. A summary of cash (including restricted cash) as of September 30, 2010, follows:

	Cash on Hand	Cash Deposits	Pooled Cash Deposits	Total
<b>Governmental Activities</b>				
General Fund	\$ -	\$ 2,229,081	\$ 1,026,604	\$ 3,255,685
Other Governmental Funds	-	910,791	-	910,791
Total governmental activities	-	3,139,872	1,026,604	4,166,476
<b>Business-Type Activities</b>				
Enterprise Funds:				
Water and Sewer Fund	225	20,177	2,332,851	2,353,253
Port and Harbor Fund	353	-	250,221	250,574
Total business-type activities	578	20,177	2,583,072	2,603,827
<b>Fiduciary Fund</b>	-	162	-	162
Total cash and cash equivalents	<u>\$ 578</u>	<u>\$ 3,160,211</u>	<u>\$ 3,609,676</u>	<u>\$ 6,770,465</u>

The City maintained the following restricted assets as of September 30, 2010:

<b>Governmental Activities</b>	
Cash and cash equivalents	
Drug seizure funds	\$ 70,580
Debt service funds	909,475
Fire rebate funds	89,469
Restricted donations - Mittal Steel USA	1,008,305
Unemployment funds	16,977
Certificates of deposit - capital asset	166,268
Total restricted assets - governmental activities	<u>2,261,074</u>
<b>Business-Type Activities</b>	
Cash and cash equivalents	
Utility customer deposits	319,917
Certificates of deposit - escrow funds from developers	276,863
Total restricted assets - business-type activities	596,780
Total restricted assets	<u>\$ 2,857,854</u>

From January 2006 through September 30, 2010, Mittal Steel USA has donated a total \$1,750,000 in financial support to assist the City in its efforts to restore and rebuild the City's public buildings and infrastructure damaged or destroyed by Hurricane Katrina. The funds are held in an escrow account and are disbursed as costs are incurred.

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**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, 2010, were exposed to custodial credit risk.

At September 30, 2010, deposits (including restricted deposits) are as follows:

	Bank Balance	Carrying Amount
Cash and cash equivalents	\$ 7,352,433	\$ 6,770,465

**(B) Investments**

At September 30, 2010, the City held the following certificates of deposit with maturity dates of longer than three months:

	Balance October 1, 2009	Purchases	Maturities	Balance September 30, 2010
<b>Governmental Activities:</b>				
Peoples Bank, 1.54% interest, matured August 8, 2010	\$ 108,943	\$ -	\$ (108,943)	\$ -
Peoples Bank, 1.55% interest, matured August 8, 2010	53,541	-	(53,541)	-
Peoples Bank, 0.75% interest, matures March 22, 2011	-	111,480	-	111,480
Peoples Bank, 0.75% interest, matures March 22, 2011	-	54,788	-	54,788
Total governmental activities	162,484	166,268	(162,484)	166,268
<b>Business-type Activities:</b>				
Whitney Bank, 1.50% matures July 27, 2010	270,686	6,177	-	276,863
Total business-type activities	270,686	6,177	-	276,863
Total	\$ 433,170	\$ 172,445	\$ (162,484)	\$ 443,131

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**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, 2010 consist of the following:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Nonmajor Funds</u>	<u>Water and Sewer Fund</u>	<u>Port and Harbor Fund</u>	
Property taxes	\$ 64,603	\$ 4,347	\$ -	\$ -	\$ 68,950
Franchise taxes	169,330	-	-	-	169,330
Accounts, gross	-	-	1,088,977	98,139	1,187,116
Local support, gross	1,227	-	-	-	1,227
Court fines, gross	4,696,335	-	-	-	4,696,335
Total receivables, gross	4,931,495	4,347	1,088,977	98,139	6,122,958
Less allowance for doubtful receivables	(4,210,928)	-	(525,389)	(89,775)	(4,826,092)
Total receivables, net	<u>\$ 720,567</u>	<u>\$ 4,347</u>	<u>\$ 563,588</u>	<u>\$ 8,364</u>	<u>\$ 1,296,866</u>
Due from fiduciary fund	\$ 162	\$ -	\$ -	\$ -	\$ 162
Interest receivable	-	24	-	-	24
Total other receivables	<u>\$ 162</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186</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, 2010 consists primarily of grant awards received but not earned.

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 3: RECEIVABLES (Continued)**

**Property Taxes**

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

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

The rates are expressed in terms of mills (i.e., ten mills equal one cent). The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt and other purposes for the year ended September 30, 2010, 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, 2010 has 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, 2010 are as follows:

<b>CITY</b>		<b>SCHOOL DISTRICT</b>	
Real property	\$ 83,037,549	Real property	\$ 90,237,790
Personal property	4,451,959	Personal property	8,504,000
Public utilities	3,403,055	Public utilities	3,658,893
Automobiles	17,885,205	Automobiles	19,089,208
Mobile homes	7,394	Mobile homes	64,892
Total - City	\$ 108,785,162	Total - School District	\$ 121,554,783

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 3: RECEIVABLES (Continued)**

The tax levies for the City and the School District for the years ended September 30, 2010, 2009, and 2008 are as follows:

	2010	2009	2008
<b>CITY</b>			
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>
<b>SCHOOL DISTRICT</b>			
Shortfall notes	1.75	1.75	1.75
School building program	3.00	3.00	3.00
District maintenance funds	55.00	55.00	55.00
Total school administered funds	<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>

**NOTE 4: DUE FROM OTHER GOVERNMENTS**

Due from other governments at September 30, 2010 consists of the following:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Nonmajor Funds</u>	<u>Water and Sewer Fund</u>	<u>Port and Harbor Fund</u>	
Due from other governments					
Harrison County Utility Authority	\$ -	\$ -	\$ 151,405	\$ -	\$ 151,405
Sales tax	221,406	-	-	-	221,406
Grants	<u>5,478,240</u>	<u>-</u>	<u>2,341,788</u>	<u>1,185,567</u>	<u>9,005,595</u>
Total due from other governments	<u>\$5,699,646</u>	<u>\$ -</u>	<u>\$2,493,193</u>	<u>\$1,185,567</u>	<u>\$9,378,406</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 \$1,350,832 for the year ended September 30, 2010 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 2010 not received by the City until October and November 2010.

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2010 is as follows:

	Balance October 1, 2009	Additions	Disposals / Transfers	Balance September 30, 2010
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 5,373,918	\$ -	\$ -	\$ 5,373,918
Construction in progress	9,735,917	9,132,082	(356,120)	18,511,879
Total capital assets, not being depreciated	<u>15,109,835</u>	<u>9,132,082</u>	<u>(356,120)</u>	<u>23,885,797</u>
Capital assets, being depreciated:				
Buildings and improvements	3,725,217	13,426	-	3,738,643
Improvements other than buildings	119,954	356,120	-	476,074
Machinery and equipment	1,290,020	732,247	-	2,022,267
Infrastructure	19,509,996	-	-	19,509,996
Vehicles	2,416,782	357,225	-	2,774,007
Total capital assets, being depreciated	<u>27,061,969</u>	<u>1,459,018</u>	<u>-</u>	<u>28,520,987</u>
Less accumulated depreciation for:				
Buildings and improvements	(495,578)	(75,633)	-	(571,211)
Improvements other than buildings	(83,220)	(3,999)	-	(87,219)
Machinery and equipment	(628,809)	(165,606)	-	(794,415)
Infrastructure	(9,466,402)	(275,204)	-	(9,741,606)
Vehicles	(1,260,655)	(220,757)	-	(1,481,412)
Total accumulated depreciation	<u>(11,934,664)</u>	<u>(741,199)</u>	<u>-</u>	<u>(12,675,863)</u>
Total capital assets, being depreciated, net	<u>15,127,305</u>	<u>717,819</u>	<u>-</u>	<u>15,845,124</u>
Total governmental activities capital assets, net	<u>\$30,237,140</u>	<u>\$ 9,849,901</u>	<u>\$ (356,120)</u>	<u>\$ 39,730,921</u>

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5: CAPITAL ASSETS (Continued)**

	Balance October 1, 2009	Additions	Disposals / Transfers	Balance September 30, 2010
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 387,425	\$ -	\$ -	\$ 387,425
Construction in progress	<u>4,248,775</u>	<u>13,434,512</u>	<u>(4,989,810)</u>	<u>12,693,477</u>
Total capital assets, not being depreciated	<u>4,636,200</u>	<u>13,434,512</u>	<u>(4,989,810)</u>	<u>13,080,902</u>
Capital assets, being depreciated:				
Buildings and improvements	7,095,915	-	-	7,095,915
Harbor structures and improvements	2,788,606	1,244,527	-	4,033,133
Water and sewer system	17,520,956	3,745,283	-	21,266,239
Machinery and equipment	158,937	28,508	-	187,445
Vehicles	<u>59,323</u>	<u>-</u>	<u>-</u>	<u>59,323</u>
Total capital assets, being depreciated	<u>27,623,737</u>	<u>5,018,318</u>	<u>-</u>	<u>32,642,055</u>
Less accumulated depreciation for:				
Buildings and improvements	(318,462)	(9,163)	-	(327,625)
Harbor structures and improvements	(283,457)	(87,819)	-	(371,276)
Water and sewer system	(7,917,575)	(616,693)	-	(8,534,268)
Machinery and equipment	(85,641)	(14,145)	-	(99,786)
Vehicles	<u>(40,317)</u>	<u>(4,792)</u>	<u>-</u>	<u>(45,109)</u>
Total accumulated depreciation	<u>(8,645,452)</u>	<u>(732,612)</u>	<u>-</u>	<u>(9,378,064)</u>
Total capital assets, being depreciated, net	<u>18,978,285</u>	<u>4,285,706</u>	<u>-</u>	<u>23,263,991</u>
Total business-type activities capital assets, net	<u>\$ 23,614,485</u>	<u>\$ 17,720,218</u>	<u>\$ (4,989,810)</u>	<u>\$ 36,344,893</u>

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

<b>Governmental Activities</b>	
General government	\$ 9,237
Public safety	289,255
Public works	406,105
Culture and recreation	<u>36,602</u>
Total governmental activities depreciation expense	<u>\$ 741,199</u>
<b>Business-Type Activities</b>	
Water and Sewer	\$ 91,078
Port and Harbor	<u>641,534</u>
Total business-type activities depreciation expense	<u>\$ 732,612</u>

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 6: LONG-TERM DEBT**

Changes in long-term debt during the year ended September 30, 2010, are as follows:

	Balance October 1, 2009	Additions	Principal Payments/ Reductions	Balance September 30, 2010	Due within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 995,000	\$ 921,000	\$ (140,000)	\$1,776,000	\$ 213,000
Notes	2,808,666	-	(2,808,666)	-	-
Capital leases	195,504	108,041	(52,427)	251,118	65,277
Compensated absences	261,286	-	(16,999)	244,287	25,208
Total governmental activities	<u>\$4,260,456</u>	<u>\$ 1,029,041</u>	<u>\$(3,018,092)</u>	<u>\$2,271,405</u>	<u>\$ 303,485</u>
<b>Business-Type Activities</b>					
General obligation bonds	\$ 155,000	\$ -	\$ (35,000)	\$ 120,000	\$ 40,000
Notes	4,127,270	-	(1,474,946)	2,652,324	556,214
Compensated absences	5,256	-	(2,719)	2,537	2,537
Total business-type activities	<u>\$4,287,526</u>	<u>\$ -</u>	<u>\$(1,512,665)</u>	<u>\$2,774,861</u>	<u>\$ 598,751</u>

**(A) Bonds Payable**

At September 30, 2010, the City's outstanding bonds payable are described as follows:

	Date of Issue	Final Maturity Date	Rates	Original Issue	Balance September 30, 2010
<b>Governmental Activities:</b>					
General obligation bonds:					
Public Improvement 1992A	12/1/1992	12/1/2012	5.0% - 7.1%	\$ 592,000	\$ 140,000
Public Improvement 1996	5/1/1996	5/16/2016	4.8% - 6.5%	1,700,000	715,000
Refunding Bonds 2010	7/30/2010	8/1/2022	3.5%	921,000	921,000
Total bonds - governmental activities				<u>3,213,000</u>	<u>1,776,000</u>
<b>Business-Type Activities:</b>					
General obligation bonds:					
Water and Sewer 1992B	12/1/1992	2/1/2012	5.0% - 6.25%	530,000	120,000
Total bonds payable				<u>\$ 3,743,000</u>	<u>\$ 1,896,000</u>

*General Obligation Bonds*

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

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, 2010**

**NOTE 6: LONG-TERM DEBT (Continued)**

**(A) Bonds Payable (Continued)**

*General Obligation Bonds (Continued)*

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total Requirement
	Principal	Interest	Principal	Interest	
2011	\$ 213,000	\$ 79,604	\$ 40,000	\$ 6,250	\$ 338,854
2012	220,000	68,721	40,000	3,750	332,471
2013	233,000	57,318	40,000	1,250	331,568
2014	190,000	46,935	-	-	236,935
2015	202,000	37,765	-	-	239,765
2015-2022	718,000	129,710	-	-	847,710
Total	<u>\$ 1,776,000</u>	<u>\$ 420,053</u>	<u>\$ 120,000</u>	<u>\$ 11,250</u>	<u>\$ 2,327,303</u>

*2010 Bond Refunding*

On July 30, 2010, the City issued General Obligation Refunding Bonds, Series 2010 (2010 Bonds) in the amount of \$921,000 with interest rate of 3.5% in order to pay at maturity (August 1, 2010) the City's Promissory Note, Series 2007 (Katrina Loan) in full and to pay the cost of issuance, totaling \$25,236, related to the 2010 Bonds. The 2010 Bonds mature from August 1, 2011, through August 1, 2022.

The current refunding of the Katrina Loan resulted in an increase to its total debt service payments over the next 11 years by \$171,891 and an economic gain (difference between the present values of the old and new debt service payments) of approximately \$76,000.

**(B) Notes Payable**

At September 30, 2010, the City's outstanding notes payable are described as follows:

	Date Issued	Maturity Date	Interes Rate	Original Amount	Balance September 30, 2010
<b>Business-Type Activities:</b>					
State of Mississippi, State Revolving Fund Loan	3/6/1992	11/1/2011	3.00%	\$ 3,015,150	\$ 372,307
State of Mississippi, State Revolving Fund Loan	5/16/1994	3/1/2014	4.50%	369,228	121,604
State of Mississippi, Drinking Water Improvement (Main) Revolving Fund Loan	10/24/1997	1/1/2021	4.50%	900,271	565,438
State of Mississippi, State Revolving Fund Loan	4/1/1999	1/27/2019	4.50%	807,429	505,516
State of Mississippi, Drinking Water Improvement Revolving Fund Loan	1/5/2000	3/1/2023	3.00%	274,823	192,811
State of Mississippi, State Revolving Fund Loan	5/23/2001	1/1/2019	3.00%	520,336	363,081
State of Mississippi, Drinking Water Improvement (SE Long Beach) Revolving Fund Loan	1/30/2007	2/1/2017	2.00%	500,000	304,274
State of Mississippi, Drinking Water Improvement (Well) Revolving Fund Loan	9/1/2007	1/1/2021	4.50%	358,123	227,293
Total notes payable				<u>\$ 6,745,360</u>	<u>\$ 2,652,324</u>

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 6: LONG-TERM DEBT (Continued)**

**(B) Notes Payable (Continued)**

Principal and interest maturities will be as follows:

Year Ending September 30,	Business-Type Activities		Total Requirements
	Principal	Interest	
2011	\$ 556,214	\$ 87,747	\$ 643,961
2012	300,866	73,963	374,829
2013	256,243	64,383	320,626
2014	246,995	55,129	302,124
2015	236,845	46,161	283,006
2016-2020	958,892	105,952	1,064,844
2021-2023	96,269	2,219	98,488
Total	<u>\$ 2,652,324</u>	<u>\$ 435,554</u>	<u>\$ 3,087,878</u>

*Debt Cancellation*

In December 2010, the City received final approval from the U. S. Department of Homeland Security, Federal Emergency Management Agency (FEMA), for the cancellation of the Special Community Disaster Loans (SCDL) issued on December 22, 2005 and March 8, 2006 to assist in the recovery from Hurricane Katrina. No payments of interest or principal had been made on these loans. The cancellation resulted in gains to the City as follows which have been recorded as special items in the Statement of Activities as of September 30, 2010:

	Governmental Activities	Business-Type Activities	Total
Principal	\$ 1,834,805	\$ 932,503	\$ 2,767,308
Accrued interest	224,269	99,780	324,049
Total gain on debt cancellation	<u>\$ 2,059,074</u>	<u>\$ 1,032,283</u>	<u>\$ 3,091,357</u>

**(C) Capital Leases**

At September 30, 2010, the City had the following outstanding capital leases:

	Original Amount	Balance September 30, 2010
<b>Governmental Activities:</b>		
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 September 5, 2012	\$ 427,525	\$ 143,077
Capital lease payable to bank, dated January 19, 2010, secured by excavator, bearing an interest rate of 3.2%, payable in annual installments of \$23,726 through February 11, 2015	108,041	108,041
Total capital leases	<u>\$ 535,566</u>	<u>\$ 251,118</u>

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 6: LONG-TERM DEBT (Continued)**

**(C) Capital Leases, Continued**

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

Year Ending September 30,	Total
2011	\$ 74,077
2012	74,077
2013	74,197
2014	23,727
2015	23,726
Total minimum lease payments	269,804
Less amount representing interest	(18,686)
Present value of minimum payments	\$ 251,118

As of September 30, 2010, the cost of the vehicles and equipment under capital leases in the governmental fund was \$535,566 and accumulated depreciation for those assets was \$173,198. Depreciation expense associated with the assets under capital leases in the governmental activities in fiscal year 2010 totaled \$33,398 and is included in the statement of activities, public safety expenses.

**(D) Legal Debt Margin**

The City's legal debt limit for general obligation bonds is \$16,317,774. At September 30, 2010, the City's legal debt margin, after reduction for outstanding general obligation notes of \$1,776,000, was \$14,541,774.

**NOTE 7: GULF OF MEXICO OIL LEAK**

On April 20, 2010, there was a massive oil leak from a deep-sea rig explosion in the Gulf of Mexico. In June 2010, the City was awarded a grant from the BP Deepwater Horizon Response Mississippi Block Grant Program in an amount not to exceed \$2,000,000 to help the City with any cost incurred related to clean up. As of September 30, 2010, the City has received \$663,446 that is included in grants and contributions not restricted to specific programs on the Statement of Activities and in the general fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.

**NOTE 8: INTERFUND TRANSACTIONS**

Interfund balances as of September 30, 2010 were comprised of the following:

**(A) Due To/Due From**

	Due To				Total Due To
	Governmental Activities		Business-Type Activities		
Due From	General Fund	Other Nonmajor Funds	Water and Sewer Fund	Port and Harbor Fund	
<b>Governmental Activities:</b>					
General	\$ -	\$ -	\$ 80,050	\$ 6,699	\$ 86,749
Total Due From	\$ -	\$ -	\$ 80,050	\$ 6,699	\$ 86,749

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 8: INTERFUND TRANSACTIONS (Continued)**

**(B) Interfund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total Transfers Out</u>
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
	<u>General Fund</u>	<u>Other Nonmajor Funds</u>	<u>Water and Sewer Fund</u>	<u>Port and Harbor Fund</u>	
<b>Governmental Activities:</b>					
General	\$ -	\$ 325,182	\$ 10,700,217	\$ 1,039,080	\$12,064,479
<b>Business-type Activities:</b>					
Water and Sewer	3,832,655	-	-	-	3,832,655
Port and Harbor	894,539	-	-	-	894,539
<b>Total Transfers In</b>	<u>\$ 4,727,194</u>	<u>\$ 325,182</u>	<u>\$ 10,700,217</u>	<u>\$ 1,039,080</u>	<u>\$16,791,673</u>

**(C) 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 \$239,103 for the year ended September 30, 2010. The fees were included in "charges for services" general government program revenue in the Statement of Activities and in the general fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. The corresponding expenditure was included in "expenses" in the water and sewer (\$205,000) and port and harbor (\$34,103) funds in the Statement of Activities and "contractual services" expenditures in the water and sewer and port and harbor funds in the Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.

**NOTE 9: 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, 2010, a complete copy of which is on file at the administrative offices of the Authority which are located at 10271 Express Drive, Gulfport, Mississippi 39503, or may be obtained by calling (228) 868-8752.

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 9: JOINT VENTURE (Continued)**

**Harrison County Utility Authority (Continued)**

**BALANCE SHEET**

<b>ASSETS</b>	
Current assets	\$ 10,033,596
Restricted assets	41,497,626
Property, plant and equipment, net	212,626,710
Deferred charges	<u>24,981,607</u>
Total assets	<u>\$ 289,139,539</u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Current, unrestricted	\$ 11,286,789
Current, restricted	27,401,518
Long-term liabilities	<u>143,605,592</u>
Total liabilities	<u>182,293,899</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	89,866,638
Restricted for debt service and reserves	19,678,964
Unrestricted	<u>(2,699,962)</u>
Total net assets	<u>106,845,640</u>
Total liabilities and net assets	<u>\$ 289,139,539</u>

**STATEMENT OF REVENUES AND EXPENSES**

Operating revenues	\$ 16,797,917
Operating expenses	(18,269,541)
Depreciation and amortization	(4,151,322)
Non-operating revenues	<u>85,914,792</u>
Net income	<u>\$ 80,291,846</u>

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

<b>Government-wide Financial Statements</b>	<b>Fund Level Financial Statements</b>
Statement of Net Assets	Statement of Fund Net Assets
Business-type activities	Water and sewer
Due from other governments	Due from other governments
<u>\$ 151,405</u>	<u>\$ 151,405</u>
Statement of Activities	Statement of Revenues, Expenses and
Business-type activities	Changes in Fund Net Assets -
Water and sewer expenses	Proprietary Funds
<u>\$2,305,701</u>	Water and sewer
	Contractual services
	<u>\$2,305,701</u>

**NOTE 10: 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 \$7,000 of covered employee wages paid in the preceding calendar year. The total funds designated were \$76,112 and exceeded the requirement of \$19,677. The amount of contingent liability, if any, the City could be obligated for cannot be determined.

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 11: RETIREMENT PLANS**

**(A) Public Employees' Retirement System**

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

*Plan Description and Provisions*

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

*Description of Funding Policy*

PERS members were required to contribute 7.25% of their annual covered salary from October 1, 2008 to June 30, 2010. As of July 1, 2010, this amount increased to 9%. The City is required to contribute at an actuarially determined rate. This amount was 11.85% of annual covered payroll from October 1, 2008 to June 30, 2009. As of July 1, 2009, this amount increased to 12%. 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, 2010, 2009, and 2008, were \$503,713, \$495,955, and, \$447,639, respectively, equal to the required contributions for each year.

**(B) Deferred Compensation Plan**

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

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

**NOTE 12: 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.

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 12: COMMITMENTS AND CONTINGENCIES (Continued)**

**(C) Contract Commitments**

*Service Contracts*

The City contracts with private contractors for various services. The following represents a significant service commitment as of September 30, 2010:

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

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

Payment terms are 1/12<sup>th</sup> of the base fee due by the 15<sup>th</sup> of each month.

*Outstanding Construction Commitments*

The City had the following outstanding construction commitments with respect to unfinished capital projects as of September 30, 2010, which will be paid from existing grants:

General government	\$ 473,903
Culture and recreation	613,542
Public safety	1,969,093
Public works	432,548
Water and sewer	5,207,745
Port and harbor	<u>30,364</u>
	<u>\$ 8,727,195</u>

**NOTE 13: 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.

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 13: RISK MANAGEMENT (Continued)**

**(C) Federal Grants**

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

**NOTE 14: SUBSEQUENT EVENTS**

The City has evaluated events occurring subsequent to year end through August 11, 2011, which is the date the statements were available to be issued. The following events were identified:

**(A) Construction Contracts**

Subsequent to year end, the City entered into approximately \$3.8 million in construction and engineering contracts and change orders related to various Hurricane Katrina-related projects and equipment. These projects will be funded by grants.

**(B) Grants**

In October 2010, the City obtained a Hazard Mitigation Grant totaling approximately \$865,000 for the purpose of updating the City's Local Hazard Mitigation Plan, and making drainage and other improvements to City owned assets. A Flood Mitigation Assistance Grant was also obtained during this month for the demolition of nine residences and totaled approximately \$1.3 million. In February 2011, the City obtained a Tidelands Grant Agreement in the amount of \$150,000 for harbor improvements. In addition, budget modifications subsequent to year end increased existing grants by approximately \$80,000.

**SUPPLEMENTARY INFORMATION**

**COMBINING FINANCIAL STATEMENTS  
NONMAJOR GOVERNMENTAL FUNDS**

**CITY OF LONG BEACH  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2010**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,316	\$ -	\$ 1,316
Taxes receivable, net	-	4,347	4,347
Other receivables	24	-	24
Restricted assets:			
Cash and cash equivalents	-	909,475	909,475
Certificates of deposit	166,268	-	166,268
Total assets	<u>\$ 167,608</u>	<u>\$ 913,822</u>	<u>\$ 1,081,430</u>
 <b>FUND BALANCES</b>			
Fund balances:			
Reserved for:			
Debt service	-	913,822	913,822
Unreserved	<u>167,608</u>	<u>-</u>	<u>167,608</u>
Total fund balances	<u>167,608</u>	<u>913,822</u>	<u>1,081,430</u>
Total fund balances	<u>\$ 167,608</u>	<u>\$ 913,822</u>	<u>\$ 1,081,430</u>

See auditors' report.

**CITY OF LONG BEACH  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ -	\$ 383,483	\$ 383,483
Investment earnings	2,239	552	2,791
Total revenues	<u>2,239</u>	<u>384,035</u>	<u>386,274</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal	-	1,166,288	1,166,288
Interest and other charges	-	109,703	109,703
Total expenditures	-	1,275,991	1,275,991
Excess (deficiency) of revenues over expenditures	<u>2,239</u>	<u>(891,956)</u>	<u>(889,717)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term debt	-	921,000	921,000
Transfers in	19,579	305,603	325,182
Total other financing sources (uses)	<u>19,579</u>	<u>1,226,603</u>	<u>1,246,182</u>
Net change in fund balances	21,818	334,647	356,465
Fund balances - beginning	<u>145,790</u>	<u>579,175</u>	<u>724,965</u>
Fund balances - ending	<u>\$ 167,608</u>	<u>\$ 913,822</u>	<u>\$ 1,081,430</u>

See auditors' report.

**COMBINING FINANCIAL STATEMENTS  
NONMAJOR SPECIAL REVENUE FUNDS**

**CITY OF LONG BEACH  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2010**

	<u>Forestry Commission Grant</u>	<u>Contribution Agreement Fund</u>	<u>MDOT Grant Fund</u>	<u>Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,316	\$ -	\$ -	\$ 1,316
Other receivables	-	24	-	24
Restricted assets:				
Certificates of deposit	-	166,268	-	166,268
Total assets	<u>\$ 1,316</u>	<u>\$ 166,292</u>	<u>\$ -</u>	<u>\$ 167,608</u>
 <b>FUND BALANCES</b>				
Fund balances:				
Unreserved - designated	<u>1,316</u>	<u>166,292</u>	<u>-</u>	<u>167,608</u>
Total fund balances	<u>\$ 1,316</u>	<u>\$ 166,292</u>	<u>\$ -</u>	<u>\$ 167,608</u>

See auditors' report.

**CITY OF LONG BEACH  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Forestry Commission Grant</u>	<u>Contribution Agreement Fund</u>	<u>MDOT Grant Fund</u>	<u>Totals</u>
<b>REVENUES</b>				
Investment earnings	\$ 18	\$ 2,221	\$ -	\$ 2,239
Total revenues	<u>18</u>	<u>2,221</u>	<u>-</u>	<u>2,239</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>1,164</u>	<u>18,415</u>	<u>19,579</u>
Net change in fund balances	18	3,385	18,415	21,818
Fund balances - beginning	<u>1,298</u>	<u>162,907</u>	<u>(18,415)</u>	<u>145,790</u>
Fund balances - ending	<u>\$ 1,316</u>	<u>\$ 166,292</u>	<u>\$ -</u>	<u>\$ 167,608</u>

See auditors' report.

**COMBINING FINANCIAL STATEMENTS  
NONMAJOR DEBT SERVICE FUNDS**

**CITY OF LONG BEACH  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 SEPTEMBER 30, 2010**

	<u>Municipal Debt Service</u>	<u>School Debt Service</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents, restricted	\$ 798,880	\$ 110,595	\$ 909,475
Taxes receivable, net	4,347	-	4,347
Total assets	<u>\$ 803,227</u>	<u>\$ 110,595</u>	<u>\$ 913,822</u>
 <b>FUND BALANCES</b>			
Fund balances:			
Reserved for debt service	<u>\$ 803,227</u>	<u>\$ 110,595</u>	<u>\$ 913,822</u>

See auditors' report.

**CITY OF LONG BEACH  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR DEBT SERVICE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>Municipal Debt Service</u>	<u>School Debt Service</u>	<u>Total</u>
<b>REVENUES</b>			
Property taxes	\$ 383,388	\$ 95	\$ 383,483
Investment earnings	-	552	552
Total revenues	<u>383,388</u>	<u>647</u>	<u>384,035</u>
<b>EXPENDITURES</b>			
Debt service			
Principal	1,166,288	-	1,166,288
Interest and other charges	<u>109,703</u>	<u>-</u>	<u>109,703</u>
Total expenditures	<u>1,275,991</u>	<u>-</u>	<u>1,275,991</u>
Excess (deficiency) of revenues over expenditures	<u>(892,603)</u>	<u>647</u>	<u>(891,956)</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from long-term debt, net	921,000	-	921,000
Transfers in	<u>305,603</u>	<u>-</u>	<u>305,603</u>
Total other financing sources (uses)	<u>1,226,603</u>	<u>-</u>	<u>1,226,603</u>
Net change in fund balances	334,000	647	334,647
Fund balances - beginning	<u>469,227</u>	<u>109,948</u>	<u>579,175</u>
Fund balances - ending	<u>\$ 803,227</u>	<u>\$ 110,595</u>	<u>\$ 913,822</u>

See auditors' report.

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF LONG BEACH  
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

<u>Covered</u>	<u>Company</u>	<u>Amount</u>	<u>Expires</u>
Mayor	Brierfield Insurance	\$100,000	7/1/2011
Alderspersons	Brierfield Insurance	\$100,000	7/1/2011
Police Chief	Brierfield Insurance	\$50,000	7/1/2011
Police	Brierfield Insurance	\$25,000	7/1/2011
City Clerk	Brierfield Insurance	\$50,000	7/1/2011
Deputy Clerks	Brierfield Insurance	\$50,000	8/16/2011

See auditors' report.

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**



Alexander | Van Loon | Sloan | Levens | Favre, PLLC  
**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

August 11, 2011

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Long Beach, Mississippi as of and for the year ended September 30, 2010, which collectively comprise the City of Long Beach, Mississippi's basic financial statements and have issued our report thereon dated August 11, 2011. 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 City of Long Beach, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Long Beach, Mississippi's internal control over financial reporting.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2010-01 through 2010-03 in the accompanying schedule of findings and questioned costs to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as items 2010-04 and 2010-05 in the accompany schedule of findings and questioned costs to be significant deficiencies.

Honorable Mayor and Members of the  
Board of Alderpersons  
City of Long Beach  
Long Beach, Mississippi  
August 11, 2011

### **Compliance and Other Matters**

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

We noted certain other matters that we reported to management of the City of Long Beach, Mississippi in a separate letter dated August 11, 2011.

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

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

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



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

August 11, 2011

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

**Compliance**

We have audited the City of Long Beach, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Long Beach, Mississippi's major federal programs for the year ended September 30, 2010. The City of Long Beach, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Long Beach, Mississippi's management. Our responsibility is to express an opinion on the City of Long Beach, Mississippi's compliance based on our audit.

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

In our opinion, the City of Long Beach, Mississippi complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Honorable Mayor and Members of the  
Board of Alderpersons  
City of Long Beach  
Long Beach, Mississippi  
August 11, 2011

### **Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-06 through 2010-08. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Long Beach, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and the corrective action plan on page 66. We did not audit the City of Long Beach, Mississippi's responses and, accordingly, we express no opinion on the responses.

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

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

**CITY OF LONG BEACH, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2010**

Grantor Federal Agency / Passed - Through Agency / Program Title	CFDA Number	Grant No./ Pass-Through Grantor No.	Identifying No.	Federal Expenditures
<b>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>Office of Community Planning and Development</i>				
<i>Passed through Mississippi Development Authority</i>				
Community Development Block Grant (CDBG)	14.228	R101-06-009-1		\$ 77,446
	14.228	R103-235-01-KCR		2,411,525
	14.228	R103-235-01-KP		39,250
	14.228	R-109-235-02-KCR		3,458,712
	14.228	R-109-235-03-KCR		722,971
	14.228	R-109-235-04-KCR		658,473
	14.228	R-103-235-03-KP		35,000
<b>Total US Department of Housing and Urban Development</b>				<b><u>7,403,377</u></b>
<b>US DEPARTMENT OF JUSTICE</b>				
<i>Passed through the State of Mississippi</i>				
<i>Department of Public Safety</i>				
Violence Against Women Grants	16.588	08SL2981		13,712
	16.588	09SL291		6,658
Total Violence Against Women Grants				20,370
Bulletproof Vest Partnership Program	16.607	N/A		3,823
<i>Passed through the City of Gulfport</i>				
ARRA-Justice Assistance Grant	16.804	2009-SB-B9-2981		11,640
<b>Total US Department of Justice</b>				<b><u>35,833</u></b>
<b>US DEPARTMENT OF TRANSPORTATION</b>				
<b>National Highway Traffic Safety Administration (NHTSA)</b>				
<i>Passed through the State of Mississippi</i>				
<i>Department of Public Safety</i>				
Occupant Protection Incentive Grant	20.602	10OP2031		6,185
Alcohol Open Container Requirements	20.607	10TA2031		40,467
<i>Passed through the State of Mississippi</i>				
<i>Department of Transportation</i>				
ARRA- Highway Planning and Construction	20.205	STP-9082-00(002) LPA/105718701 ARRA		413,488
ARRA- Highway Planning and Construction	20.205	STP-9082-00(003) LPA 105719-701000 ARRA		84,038
				<u>497,526</u>
<b>Total US Department of Transportation</b>				<b><u>544,178</u></b>

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

**CITY OF LONG BEACH, MISSISSIPPI**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2009**

Grantor Federal Agency / Passed - Through Agency / Program Title	CFDA Number	Grant No./ Pass-Through Grantor No.	Identifying No.	Federal Expenditures
<b>US DEPARTMENT OF HOMELAND SECURITY</b>				
<i>Passed through Mississippi Emergency Management Agency</i>				
Disaster Grants - Public Assistance/Hurricane Katrina	97.036	1604-DR-MS	PW3289	358,605
			PW3372	233,150
			PW5762	104,940
			PW6681	384,094
			PW8171	94,033
			PW7291	1,059
			PW2235	184,217
			PW10860	125,612
			PW5079	9,957
			PW5852	742,750
			PW11111	2,346,744
			PW11123	1,021,072
			PW11125	1,260,295
			PW11126	1,204,434
			PW11128	1,478,831
			PW11156	1,229,425
			PW11160	1,436,923
			PW11186	852,317
			PW11088	288,538
Total Disaster Grants - Public Assistance/Hurricane Katrina				<u>13,356,996</u>
Disaster Grants - Public Assistance/Hurricane Gustav	97.036	1604-DR-MS	PW10	59,738
			PW130	9,893
			PW204	22,799
Total Disaster Grants - Public Assistance				<u>92,430</u>
				<u>13,449,426</u>
<i>Passed through State of Mississippi Emergency Management Agency</i>				
Hazard Mitigation Grant Program	97.039	DR 1459-0005-MS		115,304
		DR-1604-MS-007		996,240
		DR-1604-MS-88		241,715
				<u>1,353,259</u>
Assistance to Firefighter Grant	97.044	EMW-2009-FO-03748		60,992
<b>Total US Department of Homeland Security</b>				<u><b>14,863,677</b></u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u><b>\$ 22,847,065</b></u>

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

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**NOTE 1- BASIS OF PRESENTATION**

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

**NOTE 2- RECONCILIATION TO GRANT REVENUE**

The following reconciles the total expenditures of federal awards to grant revenue recognized in the statement of activities for the year ended September 30, 2010:

Total expenditures of federal awards	\$	22,847,065
Deobligation of federal expenditures on		
PW 118		(29,928)
PW 198		(2,750)
PW 344		(13,200)
PW 357		(2,884)
PW 7955		(15,369)
PW10927		(98,126)
Total federal revenues	<u>\$</u>	<u>22,684,808</u>
Operating grants and contributions	\$	9,645,365
Capital grants and contributions		13,277,323
Less: state grants		(237,880)
Total federal revenues	<u>\$</u>	<u>22,684,808</u>

Federal grant revenues are included in program revenue (operating and capital grants and contributions) in the statement of activities for the year ended September 30, 2010.

**CITY OF LONG BEACH, MISSISSIPPI  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**NOTE 1- BASIS OF PRESENTATION**

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

**NOTE 2- RECONCILIATION TO GRANT REVENUE**

The following reconciles the total expenditures of federal awards to grant revenue recognized in the statement of activities for the year ended September 30, 2010:

Total expenditures of federal awards	\$ 22,847,065
Deobligation of federal expenditures on	
PW 118	(29,928)
PW 198	(2,750)
PW 344	(13,200)
PW 357	(2,884)
PW 7955	(15,369)
PW10927	(98,126)
Total federal revenues	\$ 22,684,808
Operating grants and contributions	\$ 9,645,365
Capital grants and contributions	13,277,323
Less: state grants	(237,880)
Total federal revenues	\$ 22,684,808

Federal grant revenues are included in program revenue (operating and capital grants and contributions) in the statement of activities for the year ended September 30, 2010.

**CITY OF LONG BEACH, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

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

**Federal Awards**

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

Programs tested as major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grant
97.036	Disaster Public Assistance Grant
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between type A and B Programs	\$685,412
Auditee qualified as low-risk auditee?	No

**CITY OF LONG BEACH, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Section II – Financial Statement Findings**

**2010-01 Finding**

*Condition*

In the administrative department, the employee who receives and opens bank statements, and posts adjustments to general ledger cash accounts, also receives cash from departments, posts cash receipts, prepares and makes bank deposits, and is an authorized check signer.

*Criteria*

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

*Effect*

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

*Recommendation*

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

- Unopened bank statements should be received and reviewed, initialed and dated, by the Comptroller, who has no cash responsibilities and is not an authorized check signer. The Comptroller's review procedures should include a thorough review of cancelled checks for payee and endorsee discrepancies and unusual bank debits.
- Daily cash logs of payments received should be maintained by the person who picks up the mail before forwarding to the appropriate department. The Comptroller should reconcile the log to deposits during the monthly bank account reconciliation procedures.
- Checks received in the mail should be endorsed/stamped "For Deposit Only" by the person opening the mail and preparing daily cash logs.
- Cash receipts from departments should be received by someone other than the person who posts cash receipts and adjustments.
- Cash receipts from departments should be included on daily logs. Log entries should be initialed and dated by persons turning in and receiving cash as an indication of cash amounts verification.

*Management's Response*

Management agrees that further segregation of duties should be established. New duties will be as follows:

- The Comptroller will receive and open all bank statements. After the statements have been reviewed and initialed, they will go to the Deputy City Clerk to have the interest posted. They statements will then be returned to the Comptroller for reconciliation.
- All checks received in the mail, and all cash and checks brought in by other departments will go to the Comptroller to be logged. The Comptroller will prepare deposits that will be carried to the bank by the Mayor's Secretary. Copies of payments will be given to the Deputy City Clerk to post.

**CITY OF LONG BEACH, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Section II – Financial Statement Findings (Continued)**

**2010-02 Finding**

*Condition*

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

*Criteria*

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

*Effect*

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

*Recommendation*

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

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

*Management's Response*

Management will put the following changes in place:

- While one Deputy Court Clerk (fine receiving clerk) will continue to take payments and post them, we will have the other Deputy Court Clerk (warrants clerk) put the daily deposit together and make sure it balances to the reports for the day.
- All complaint resolution and adjustment authorizations should be handled by the Court Clerk.
- We believe the court's software automatically numbers the receipts that are issued. The Court Clerk will periodically review the numbers to make sure none are missing.
- We will post a sign stating that a receipt should be received for all payments and instructing payees to contact Court Clerk's office if a receipt is not received.

**CITY OF LONG BEACH, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Section II – Financial Statement Findings (Continued)**

**2010-03 Finding**

*Condition*

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

*Criteria*

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

*Effect*

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

*Recommendation*

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

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

*Management's Response*

Management agrees with the recommendations above and plans to implement them in a timely manner.

**CITY OF LONG BEACH, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Section II – Financial Statement Findings (Continued)**

**2010-04 Finding**

*Condition*

A review of the payroll register is not being performed by an employee independent of the payroll preparation process prior to the generation of payroll checks and posting of the payroll to the general ledger. The employee responsible for preparing payroll checks also distributes payroll checks, could have access to unclaimed payroll checks, and can edit the payroll master file. In addition, payroll checks are signed electronically and are not reviewed by signees before distribution.

*Criteria*

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

*Effect*

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

*Recommendation*

In order to strengthen the controls over payroll, we recommend that the Comptroller review the payroll register prior to check printing as evidenced by sign off and date. We also recommend that the City Clerk, electronic signee, review payroll checks and reconcile to the payroll register as evidenced by sign off and date. We further recommend that the City Clerk or Comptroller distribute all checks to department heads after review and that all payroll inquiries be directed to the City Clerk or Comptroller.

*Management's Response*

Management will implement the following duties:

- The Comptroller will review the payroll register prior to checks being printed.
- The City Clerk will review and disburse the payroll checks.

**CITY OF LONG BEACH, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Section II – Financial Statement Findings (Continued)**

**2010-05 Finding**

*Condition*

Substantially all checks are signed electronically. We understand that the City Clerk, a check signee, is reviewing the dockets in detail and participating in/monitoring the docket approval by the Board. However, we noted that the check signees are not reviewing and reconciling checks to supporting documentation prior to distribution.

*Criteria*

Internal controls are designed to safeguard assets and help prevent or detect losses from employee error or dishonesty. A key control in mitigating the lack of segregation of duties over the cash disbursement function is the review of supporting documentation to ensure that the check amount agrees with the invoice amount and the verification of the propriety of the payee.

*Effect*

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

*Recommendation*

We recommend that a check signee review and reconcile all checks to supporting documentation before checks are disbursed. Review of the supporting documentation ensures that the check amount agrees with the invoice amount and verifies the propriety of the payee.

*Management's Response*

The City Clerk (a check signee) will review the Accounts Payable checks before they are disbursed.

**CITY OF LONG BEACH, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

**Section III – Federal Award Findings and Questioned Costs**

**2010-06 Finding**

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

*Condition*

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

*Criteria or Specific Requirement*

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

*Effect*

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

*Questioned Costs*

There are no questioned costs associated with the finding.

*Context*

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

*Cause*

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

*Recommendation*

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

*Views of Responsible Officials and Planned Corrective Actions*

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

**CITY OF LONG BEACH, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

**2010-07 Finding**

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

*Condition*

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

*Criteria or Specific Requirement*

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

*Effect*

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

*Questioned Costs*

There are no questioned costs associated with the finding.

*Context*

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

*Cause*

The contractor did not submit certified payrolls for its main subcontractor to the grant administrator. The grant administrator was unaware that the payrolls were not submitted until the project was almost complete. In addition, the contractor did not submit a certified payroll for one week during the fiscal year ended September 30, 2010.

*Recommendation*

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

*Views of Responsible Officials and Planned Corrective Actions*

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

**CITY OF LONG BEACH, MISSISSIPPI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

**2010-08 Finding**

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

*Condition*

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

*Criteria or Specific Requirement*

Per OMB Circular A-102.1.d and OMB Circular A-110.44(d) non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred. Federal nonprocurement rules require that the grantee verify that the contractor is not suspended or debarred or otherwise excluded by checking the *Excluded Parties List System* (EPLS), [www.epls.gov](http://www.epls.gov), listing maintained by the General Services Administration, collecting a certification from the contractor, or adding a clause or condition to the covered transaction with the contractor.

*Effect*

Non-compliance with suspension and debarment requirements could result in future questioned costs and/or loss of funding.

*Questioned Costs*

There are no questioned costs associated with the finding.

*Context*

Subsequent verification on the EPLS website revealed that the construction contractors were not suspended or debarred on the date of the contract awards.

*Cause*

Although the City is aware of the requirement not to use contractors who have been suspended or debarred, there was no process in place to ensure that the proper procedures were performed for all contract awards subject to the requirement.

*Recommendation*

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

*Views of Responsible Officials and Planned Corrective Actions*

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

# City of Long Beach

## BOARD OF ALDERMEN

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



WILLIAM SKELLIE, JR.  
MAYOR

CITY CLERK  
TAX COLLECTOR  
Rebecca E. Schruoff

CITY ATTORNEY  
James C. Simpson, Jr.

## **CORRECTIVE ACTION PLAN FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SINGLE AUDIT FOR FISCAL YEAR ENDING SEPTEMBER 30, 2010**

### 2010-06 Finding

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

### Management Comments and Corrective Action Plan

The Administration agrees that the tracking of assets has been lacking. The accounting software that the City uses, MUNIS, has a Fixed Asset module that the City plans on implementing. This module should keep track of all assets appropriately.

### 2010-07 Finding

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

### Management Comments and Corrective Action Plan

The City has already remedied this issue by no longer processing Requests for Cash or invoices until all required documentation has been turned in to the grant administrator.

### 2010-08 Finding

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

### Management Comments and Corrective Action Plan

The City feels that the proper procedures were followed in regards to suspension and debarment during the contract procurement process. We do realize that not all certifications could be located for this audit. The administration will get copies of these forms during the procurement process so that they will be available for inspection.



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

August 11, 2011

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

We have audited the financial statements of the City of Long Beach, Mississippi as of and for the year ended September 30, 2010, and have issued our report thereon dated August 11, 2011. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

**Finding:**

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

*Views of Responsible Officials & Planned Corrective Actions:*

The Comptroller will discuss this with our software provider, MUNIS, as to the best way to add the City seal to the checks.

**Finding:**

For two construction contracts totaling \$2,275,261 the City did not obtain the performance and payment bonds and the liability insurance certificates as required by Section 31-5-51 of the Mississippi Code. We recommend all necessary documentation, in accordance with state law, be obtained and maintained in the contract file.

*Views of Responsible Officials & Planned Corrective Actions:*

The City feels that the proper procedures were followed in regards to performance and payment bonds and liability insurance during the contract procurement process. We do realize that not all bonds and insurance forms could be located for this audit. The administration will obtain copies of these forms during the procurement process so that they will be available for inspection.

Honorable Mayor and Members of the  
Board of Alderpersons  
City of Long Beach  
Long Beach, Mississippi  
August 11, 2011

**Finding:**

The City did not submit a written notice of contract to the Mississippi Procurement Technical Assistance Program for seven contracts awarded in excess of \$50,000, as required by Section 31-3-21 of the Mississippi Code. We recommend all required procedures be adhered to, in accordance with state law, and sufficient evidence be maintained in the contract file.

*Views of Responsible Officials & Planned Corrective Actions:*

The City feels that the proper procedures were followed in regards to notifying the Mississippi Procurement Technical Assistance Program during the contract procurement process. We do realize that not all notifications could be located for this audit. The administration will obtain copies of these notifications during the procurement process so that they will be available for inspection.

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

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

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



**ADDITIONAL INTERNAL CONTROLS AND OTHER MATTERS**

August 11, 2011

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

We have audited the component unit financial statements of the City of Long Beach, Mississippi as of and for the year ended September 30, 2010 and have issued our report thereon dated August 11, 2011. In planning and performing our audit of the financial statements, we considered the City of Long Beach, Mississippi's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit we noted certain matters that are opportunities for strengthening internal controls. The pages that accompany this letter summarize our comments and suggestions regarding those matters. This letter does not affect our report dated August 11, 2011, on the financial statements of the City of Long Beach, Mississippi.

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

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

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

Honorable Mayor and Members of the  
Board of Alderpersons  
City of Long Beach  
August 11, 2011

## **Police and Court**

### *Improve Court Fines and Fees Collection Efforts*

Our audit work disclosed that the court fines and fees accounts receivable balance includes an excessive amount of past due balances. Specifically, the September 30, 2010, trial balance shows approximately \$4.2 million, or 90% of total receivables to be over 90 days old. Failure to collect receivables promptly creates a loss in revenues and cash flow. Also, the older a balance gets, the more difficult it is to collect. We understand that the City has designated a police department employee as a warrant officer whose primary job duties include locating these offenders and serving warrants after the warrants have been issued. However, the court department does not consistently issue warrants for delinquent fines. To further improve court fines and fees accounts receivable collections, we recommend that the following steps be considered:

- Adding a court department employee to expedite the warrant issuing process.
- Adding a warrant officer to process additional warrants issued.
- Review with legal counsel if the City can offer a discount for payments received within a specific period of time (i.e., amnesty program).

The accelerated receipts realized from these recommendations should more than offset the additional costs incurred.

### *Police Department Cash Collections*

Currently, cash received at the Police Department is listed on a daily cash log, deposited into a locked drop box at the Police Department, and turned into the Court Clerk's office the next day. Although the log entries are initialed and dated by the person opening the lock box and turning in the money to the Court Clerk's office, the money is not counted or reconciled to the log by either employee. We recommend that the City obtain pre-numbered and triplicate log sheets for movement of cash from the Police Department to the Court Clerk's office. The Court Clerk's office should verify the amount received and reconcile to the log in the presence of the person turning in the money. The log should be signed and dated by the Police Department and Court Clerk employees. The Police Department should maintain the original, Court Clerk's office should maintain the second copy, and the third copy should be turned in with the validated bank deposit slip to the City Clerk's office.

### *Traffic Tickets*

The City was unable to provide support for the disposition of four of the twenty-five traffic tickets selected for testing during our audit procedures. Mississippi Code Annotated §63-9-21 requires that all traffic tickets consist of an original with three copies. The traffic tickets are to be distributed with the original to the court, second copy to the Mississippi Commissioner of Public Safety, third copy to the issuing officer, and fourth copy to the violator. Although the City does maintain logs of ticket books issued that include the police officers receiving the ticket books, there is no subsequent reconciliation of issued and voided tickets to ticket books issued. We recommend that the Court Clerk's office contact its software provider for assistance in printing a report, no less than monthly, by ticket number. The report should be reviewed for missing sequential numbers. All missing sequential numbers should be thoroughly investigated by contacting the police officer and/or chief of police. All conclusions should be sufficiently documented and maintained.

Honorable Mayor and Members of the  
Board of Alderpersons  
City of Long Beach  
August 11, 2011

## **Police and Court (Continued)**

### *Cash Bail Bonds*

Currently the City recognizes cash bonds as revenue when received. Governmental Accounting Standards and Mississippi State Code require that cash bonds be recorded as liabilities until the government has an enforceable legal claim. In the case of cash bail bonds, an enforceable legal claim would not occur until the appropriate legal authority rules the fine is valid, the fine is undisputed, or the statutory time allowed for dispute lapses. Although the City feels that most of the cash bail bonds receipts are for undisputed fines, we recommend that the City adhere to Governmental Accounting Standards and Mississippi State Code and record cash bail bond receipts accordingly.

## **Water and Sewer**

### *Water and Sewer Account Adjustments*

During our audit procedures, it was noted that some water and sewer adjustments entered in the City's water and sewer billing software do not post to the City's general ledger. Currently, the un-captured adjustments are batch posted at year end. In addition, some adjustments are recorded as an offset to revenues in the billing software and only the net amount integrates with the City's general ledger. We recommend that the City contact its software provider to obtain the proper procedures for recording adjustments so that gross amounts are posted to its general ledger. We also recommend that un-captured adjustments be recorded monthly to provide accurate account balances in the City's monthly financial statements.

## **Port and Harbor**

### *Port and Harbor Overdue Accounts*

Currently, the City is not reviewing Port and Harbor overdue account balances for further actions. The City has policies in place to communicate overdue balances to the City's attorney to initiate legal action for towing or chaining the boat. We recommend the City establish procedures to monitor overdue accounts on a routine basis with collection pursued. To reduce the allowance for doubtful accounts, we recommend that a separate subsidiary ledger account be set up for "uncollectible accounts" and a list of overdue accounts, by customer, be maintained and reviewed before slips are rented. If a customer with an overdue balance wants to rent a slip, payment of the past due balance should be required before being allowed a new rental.

### *Deposit Cash Receipts on a Timely Basis*

At the present time, cash received at the Port and Harbor is held in the lock box and bank deposits are made monthly. As a result, not only is there risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for expenditures. We recommend that deposits be made on a timely basis, no less than bi-weekly, both to improve cash flow and to reduce the risk of loss. If it is inconvenient for a Port and Harbor employee to make bi-weekly trips to the bank, cash should be turned in bi-weekly to the City Clerk's office, included in the daily cash receipts logs, and included in the City's normal daily deposits. We also recommend that cash collected by Port and Harbor employees be evidenced by sequentially numbered triplicate receipts (copy to customer, City Clerk's office, and Port). In addition, the person receiving the validated deposit slip and/or cash receipts should review numbered receipts for missing numbers.

Honorable Mayor and Members of the  
Board of Alderpersons  
City of Long Beach  
August 11, 2011

## **Administrative**

### *Outstanding Checks*

Currently, the City does not have a formal, clearly defined policy for disposition of outstanding checks. Because no such policy exists, long-outstanding checks are not handled in an organized manner. During our cash audit procedures, we noted that the AP Clearing and Payroll Clearing bank account reconciliations included very old outstanding checks. Some of the outstanding checks date back to 2000. We recommend that management establish a formal, written policy concerning outstanding checks based on current State escheat laws. Such a policy should specify aging milestones with required actions. For example, this policy might specify that when checks are past 60 days old, the payee should be contacted. After 90 days, the checks should be moved to suspense or written off.

### *Bank Reconciliations*

Bank reconciliations are not signed or dated by the person preparing the reconciliation. Not reconciling accounts on a monthly basis can result in errors or other problems not being recognized and resolved on a timely basis. We recommend that the preparer, the Comptroller, initial and date the bank reconciliation as support of timely reconciliation. We also recommend that all manual bank reconciliations be reconciled to the general ledger account balances. The City Clerk should also review and approve, initial and date, the bank reconciliations performed by the Comptroller.

### *Journal Entries*

We understand that journal entries are generally only used to correct account classifications noted after posting to the general ledger, to record reconciling items identified during the cash reconciliation process, and to record interfund transfers. Currently, the City does not require approval of journal entries. We recommend that the City adopt a policy requiring all journal entries to be approved by the Comptroller or City Clerk, if prepared by Comptroller. The Comptroller and City Clerk have the knowledge to identify errors and potential problems before entry into the system. The City should develop a standard journal entry form for the Comptroller or City Clerk to review and approve evidenced by signature and date.

### *Contractor Pay Applications*

During our audit test procedures, we noted that several contractor pay applications did not have month-end cut offs. Not having a cut off at month-end makes it difficult for management to determine the correct amount of expenses for the current month and year. We recommend that management contact all contractors with improper cut off dates and request that all contractor pay applications be submitted for services through month-end dates, if at all possible.

Honorable Mayor and Members of the  
Board of Alderpersons  
City of Long Beach  
August 11, 2011

## **Administrative (Continued)**

### *Investments*

The City does not have a formal investment policy. Currently, investment decisions are made by the City Clerk. We recommend that a written investment policy be developed and adopted by the Board which addresses the following:

- The investment objectives (that is, increase earnings, provide specific returns, or maintain accessible cash reserves).
- The person authorized and responsible for investments.
- The maximum amounts for investments and the approval criteria.
- The types of authorized investments.
- The desired mix of products (especially those considered to create risk).
- A goal for the amount of return expected.
- Approved vendors of investment products.
- The maximum length of time cash can be committed.
- The criteria for investments versus debt repayment.
- The handling of emergency cash needs.

We also recommend that investment decisions be approved by the Board and the approval be included in the Board minutes.

### *Board Minutes*

Per Mississippi Code Annotated §21-15-17, "*All official actions of the governing authorities of a municipality shall be evidenced only by official entries duly recorded on such minute record.*" In reviewing minutes of Board of Aldermen meetings, we noted that not all significant matters discussed or decided at meetings were included in the minutes. Mississippi Code Annotated §21-35-13 requires that monthly financial reports including a budget to actual report be presented to the Board for approval each month; however, it was not consistently documented in the minutes. Such matters should be included in the minutes in order to provide evidence that they were discussed and approved by the Board. To provide sufficient documentation, we recommend that matters which are discussed and approved by the Board (e.g., monthly financial reports, approved contracts including amounts, and contractor payment applications) be documented in the Board minutes in a consistent manner.

### *Budgetary Reporting*

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

Honorable Mayor and Members of the  
Board of Alderpersons  
City of Long Beach  
August 11, 2011

### **Administrative (Continued)**

#### *Grant Documentation*

The City experienced difficulties in providing certain supporting grant documents that we requested. Guidelines for nonfederal entities expending federal assistance include establishing internal controls that ensure the retention of grant records, all documents that support the activity and/or expenditures of the recipient or sub-recipient under the award, for a period of three years from the submission of the final expenditure report. In addition, OMB Circular A-133 (Revised, June 27, 2003), *Audit of States, Local Governments, and Nonprofit Organizations*, provisions require establishing the same internal controls over reporting and monitoring for Federal single audit and program-specific audits. Although the City has contracted companies to administer many of its grants, this does not relieve the City of its responsibilities under the award.

We recommend that the City designate a person to maintain documents, establish internal controls that ensure federal guidelines and requirements are met, and that an appropriate member of management (e.g. Comptroller or City Clerk) assume the responsibility of overseeing all grant processes from the application submission through the three year retention period. Additionally, the implementation of these recommendations could reduce the possibility of jeopardizing grant funding due to findings and/or questioned costs during the performance of future single audits.

#### *File Accounting Records in an Orderly Manner*

The City's accounting records and related data are not maintained in an orderly filing manner. Therefore, the City was unable to provide records and other requested information in a timely manner, thus causing a delay in the issuing of the Independent Auditors' Report on the financial statements. Orderly filing should be maintained to insure proper control over all supporting documentation and invoices evidencing revenues, expenditures, etc.