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**Comprehensive Annual Financial Report**

**City of Biloxi, Mississippi**

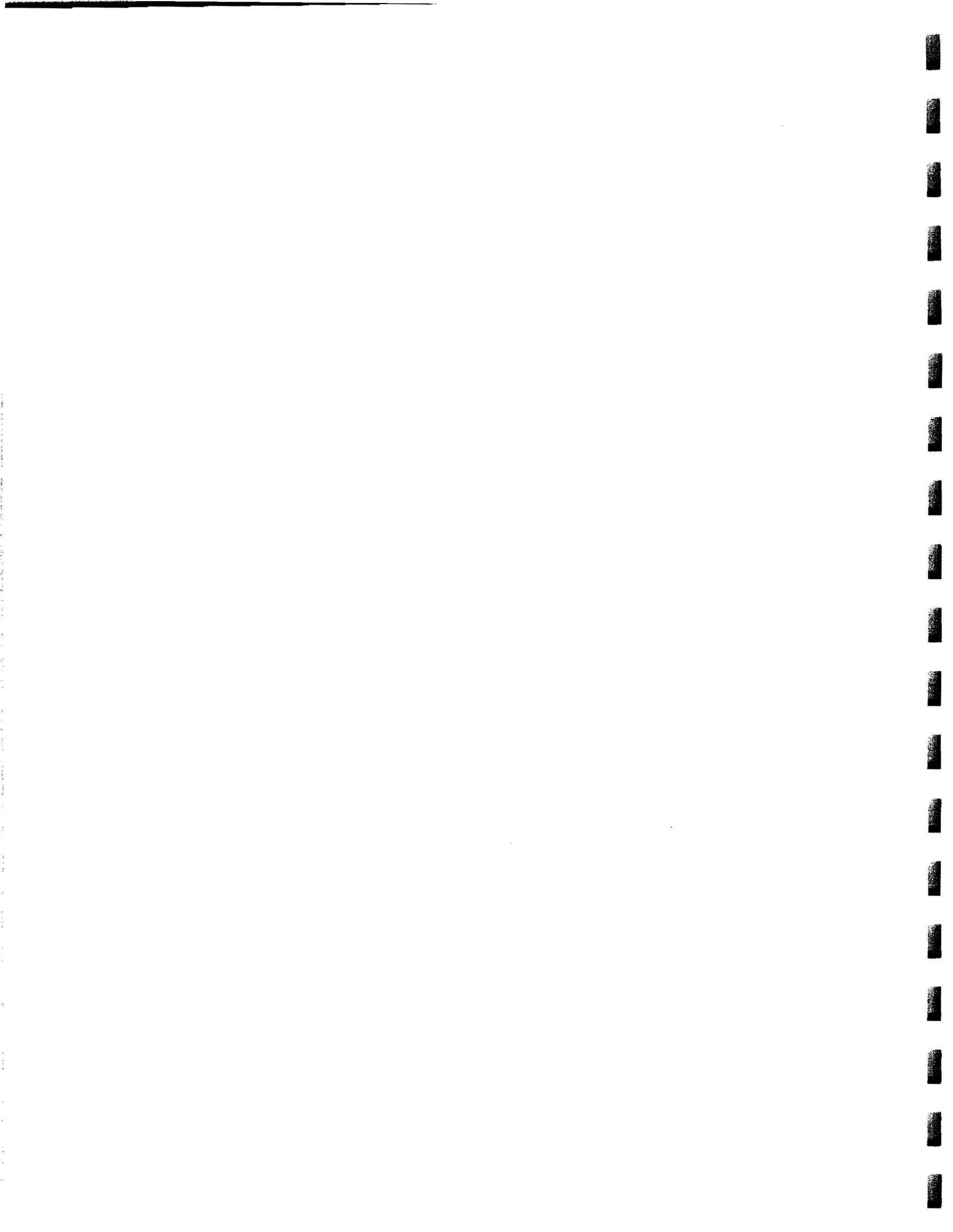
**Fiscal Year Ended September 30, 2014**

Prepared by:

Department of Finance and Administration

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**FEB 24 2016**



**City of Biloxi, Mississippi  
 Comprehensive Annual Financial Report  
 Fiscal Year Ended September 30, 2014  
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**Section I**

**Introductory Section**



# City of Biloxi, Mississippi

Listing of City Officials as of September 30, 2014

## Elected Officials

Mayor A.J. Holloway  
Councilman Ward 1 .....George Lawrence  
Councilman Ward 2 .....Felix Gines  
Councilman Ward 3 .....Dixie Newman  
Councilman Ward 4 .....Robert L. Deming III  
Councilman Ward 5 .....Paul A. Tisdale  
Councilman Ward 6 .....Kenny Glavan  
Councilman Ward 7 .....David Fayard

## Appointed Officials

City Clerk.....Stacy Thacker  
Chief Administration Officer.....David Nichols  
Director of Police Department.....John Miller  
Director of Fire Department.....Joe Boney  
Director of Public Works.....Dan Gaillet  
Director of Community Development .....Jerry Creel  
Director of Parks And Recreation.....Cheryl Bell



**Letter of Transmittal**



**Mayor**  
Andrew "FoFo" Gilich

**City Council**  
George Lawrence, Ward 1  
Felix O. Gines, Ward 2  
Dixie Newman, Ward 3  
Robert L. Deming III, Ward 4  
Paul A. Tisdale, Ward 5  
Kenny Glavan, Ward 6  
David Fayard, Ward 7



140 Lameuse Street  
P. O. Box 429  
Biloxi, Mississippi 39533  
[www.biloxi.ms.us](http://www.biloxi.ms.us)

August 19, 2015

Mayor and City Council  
City of Biloxi, Mississippi

We are pleased to submit the Comprehensive Annual Financial Report of the City of Biloxi (municipal government and its component unit) for the fiscal year ended September 30, 2014. The Administration of the City of Biloxi is responsible for the information presented in this report. We believe that the accompanying information is accurate and complete and fairly presents the financial position of the municipal government of the City of Biloxi as of September 30, 2014 and results of operations for the fiscal year then ended.

### **Control Environment**

The City's management is responsible for maintaining a system of internal controls sufficient to provide reasonable assurance that City assets are safeguarded from loss and that financial transactions are recorded timely and accurately. Reasonable assurance means that internal controls are selected or designed to reduce the risk of asset loss or inaccurate bookkeeping to an acceptable level, considering the constraint that the cost of the control should not exceed the expected benefit. Management is responsible for communicating the purpose and importance of internal controls to employees and for providing the resources necessary to establish and maintain the control system.

### **Budgetary Controls**

Prior to the beginning of each fiscal year, each department director prepares a projection of expenditures for his department. The City's budget staff develops a projection of revenues for all funds and a projection of the expenditures not included in the departmental budgets. The revenue projections and proposed expenditures are presented to the Mayor. After reviewing the draft budget proposal, the Mayor will meet with department directors to discuss their budget requests. Each director must justify his department's budget request by explaining the cost of the programs they propose for the coming year. When the Mayor is satisfied that the proposed budget conforms to the objectives and goals he has set for the coming year, the entire budget proposal is presented to the City Council. During a series of budget workshops, the City Council will review, discuss, question and debate the proposed budget and make modifications to it. The Council will invite public comment on the taxing and spending plan at a special public hearing. After determining that the revenue projections in the budget are sound and that the proposed



spending is necessary to provide the level of services and to accomplish the program goals and capital improvements proposed in the budget, the City Council will publish the proposed budget. After adopting the budget for the coming year the City Council will set the property tax rate at a level that will generate the property tax revenue necessary to raise the budgeted ad valorem tax revenue.

Mississippi law prohibits spending in excess of the budget formally adopted by the City Council and spread upon the Council's minutes. The formal budget adopted by the Council sets a limit for total expenditures for each department. For management and control purposes, a budget with greater detail is utilized by City management personnel to monitor spending. For this purpose, the total budget of each department is spread to the expenditure accounts of each department's various divisions and sections. Programmatic constraints within the City's computerized purchasing system prohibit unauthorized purchases in excess of the budget at the expenditure account level.

The City utilizes an encumbrance accounting system in monitoring spending. An encumbrance system provides for charges against the budget at the time goods or services are ordered rather than waiting until the invoice is received or the payment is made.

### **Independent Audit**

In accordance with Section 21-35-31, Miss Code of 1972 and guidelines prescribed by the State Auditor, the financial statements presented herein have been audited by Culumber Harvey & Associates, P.A., an independent firm of Certified Public Accountants. The objective of the auditor's work is to provide the auditor with a basis upon which to express an opinion on the fairness of the City's financial statements. The auditor's opinion is included in The Financial Section of this report. The auditor's work involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation.

State Department of Audit regulations require the independent auditor to disclose any instance of non-compliance with certain state laws, that may come to their attention during the audit of the City's financial statements. The auditor must test for non-compliance with federal requirements applicable to each major federal program under which the City of Biloxi receives federal financial assistance.

### **Management's Discussion and Analysis**

Management's Discussion and Analysis follows the opinion of the independent auditor and provides a narrative overview and analysis of the basic financial statements.

### **Profile of the City of Biloxi (The Reporting Entity)**

The City of Biloxi, Mississippi was incorporated in 1838. Biloxi is located in Harrison County, and its southern corporate boundary is the Gulf of Mexico. Biloxi is part of the Biloxi, Gulfport, Pascagoula Combined Statistical Area (MSA). This area has a diverse economic base which includes tourism, casino gaming, fishing, seafood processing, shipping, shipbuilding, and petroleum and chemical processing. Keesler Air Force Base, Naval Construction Battalion



Center-Gulfport and Northrop Grumman Shipbuilding's Pascagoula facility are located within this Combined Statistical Area. The City of Biloxi's employees provide a full range of services to the City's citizens and visitors including planning and zoning, police and fire protection, culture and recreation, infrastructure maintenance, water and sanitation.

This report includes all funds of the City of Biloxi and any entity that management has determined to be a component unit of the City of Biloxi municipal government. Component units are entities for which the primary government (the City) is financially accountable and other entities whose relationship with the City is such that its exclusion would create misleading or incomplete financial information. The Point Cadet Development Corporation, a non-profit organization, is blended in the financial statements of the City of Biloxi as a proprietary fund. During the fiscal year 03/04, the City of Biloxi assumed responsibility for the assets, liabilities and operation of the Biloxi Port Commission. This activity is presented as a business-type activity in the City's Government-wide financial statements and as a proprietary fund in the City's fund financial statements.

### **Long-Term Financial Planning**

The City ended fiscal 13/14 with a General Fund balance of \$7.5 million which is adequate for the City. However, fund balance is not a recurring resource therefore, its use to pay recurring operating expenses cannot continue indefinitely. The City's Governing Authority initiated cost reduction measures in fiscal 08/09 and 09/10. Those steps to reduce costs, included employee attrition, hiring freezes, reductions in longevity pay, and reductions in over-time and increases in employee share of health insurance costs. Also, the City has decreased General Fund cash funding of capital projects. The City's general fund deficiency of revenues over expenditures was \$4.2 million (page 24) on a modified accrual basis and \$2.3 million (page 64) on a budget basis for the fiscal year ended September 30, 2014.

### **Local Economy and Relevant Financial Policies**

In response to the national economic contraction, City management initiated policies to restrict expenditures early in fiscal 08/09 including a policy of attrition and a hiring freeze. These policies were continued in fiscal 09/10, 11/12, 12/13 and 13/14.

The City's governing authority increased sewer rates at the end of fiscal 08/09 and again at the end of fiscal 09/10 and the increased rates produced revenue more than adequate to cover costs in fiscal 13/14. The City governing authority has committed to annual reviews of its public utility fee structure with the goal of stabilizing its Water and Sewer Enterprise Fund.

The City has not changed its ad valorem tax rate since fiscal year 2001 when it decreased the rate by 34.8 percent. As shown in Figure 1 below, the City's ad valorem tax revenue and sales tax revenue remained about the same as in prior year while gaming tax decreased slightly.



The following charts disclose financial data for the City's governmental funds including the General Fund, Special Revenue, Capital Projects Funds and Debt Service Funds.

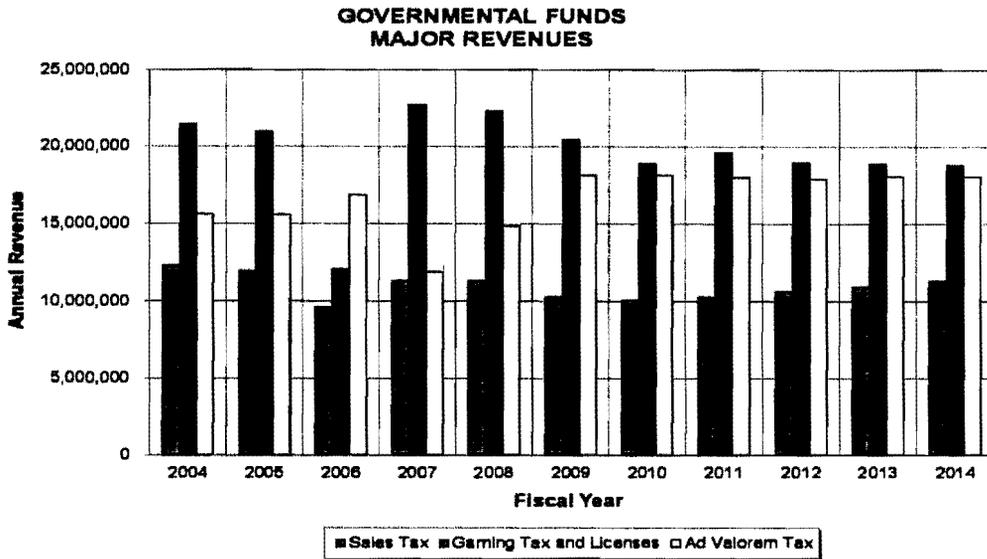


Figure 1

The amount of construction and reconstruction in fiscal 13/14 increased from fiscal 12/13 but is still below the post-Katrina peak in 06/07 as measured by the number and value of building permits issued. The City issued 3,019 building permits with a total valuation of \$108,796,870. (Fig. 2).

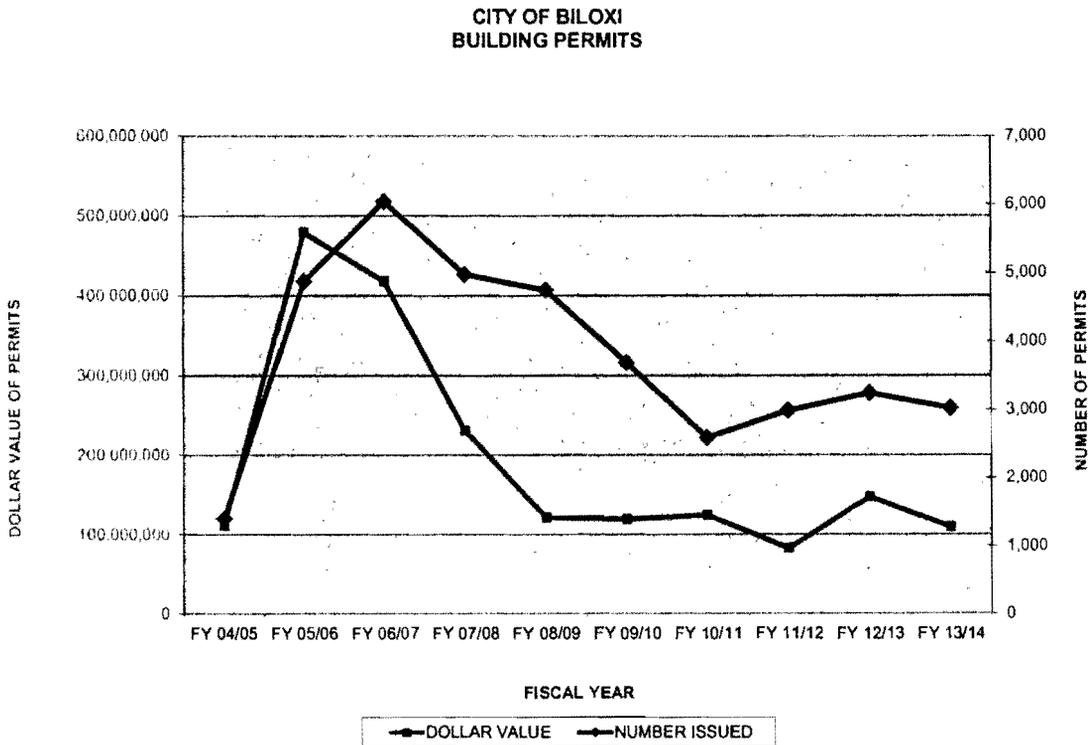
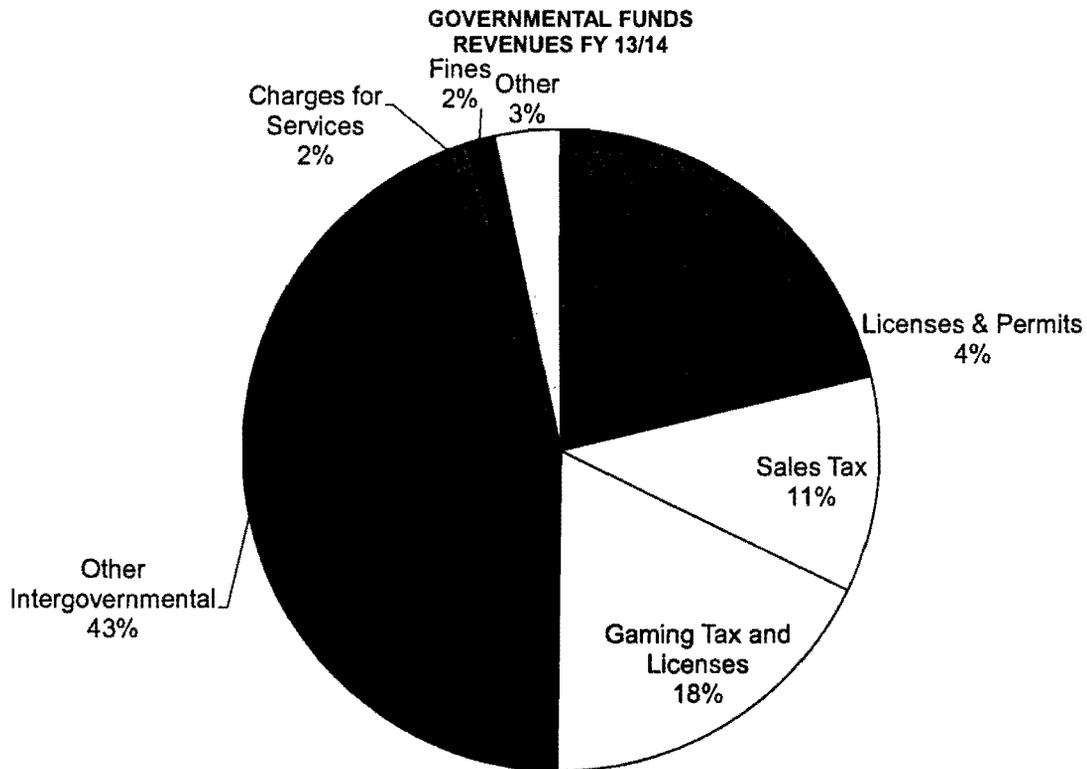


Figure 2



Governmental funds are used to account for most City functions and operations including the various City departments, the City's two closed retirement plans, Community Development Block Grants, capital projects, and the City's general obligation debt payments. Figure 3 illustrates the relative amounts of various general governmental revenues for the fiscal year. Usually, the City's three largest sources of operating revenues for general governmental activities are gaming tax, ad valorem tax and sales tax. In FY 13/14 the City's governmental funds received \$900 thousand in operating grants and \$30.5 million in capital grants for its governmental activities. The largest granting Federal departments were the Department of Homeland Security (FEMA) and the Department of Housing and Urban Development. Federal grant revenues are included in Other Intergovernmental.



**Figure 3**

Gaming tax and sales tax are shown separately here but are included in the City's governmental funds financial statements on the line titled "Intergovernmental Revenues". Intergovernmental revenues are collected by other governmental entities such as state government and distributed to the City. Other Intergovernmental Revenue includes other taxes collected by Harrison County and the State of Mississippi and state and federal grants

**Property Taxes** - In Mississippi, property taxes are levied by municipalities and counties on the assessed value of land and buildings, mobile homes, automobiles, business inventory and equipment. Assessed value is a prescribed percentage of the true (appraised) value of each class of property. Classes of property and assessment ratios are defined in Section 112 of the Mississippi Constitution of 1890.



<u>Class of Property</u>	<u>Ratio</u>
Class I Single-family, owner-occupied, residential real	10%
Class II All other real property, except Class I or IV	15%
Class III Personal property, except motor vehicles and Class IV	15%
Class IV Public Utility property	30%
Class V Motor vehicles	30%

Ad valorem taxes are collected in arrears. The taxes for a calendar tax year are due by February 1 of the subsequent calendar year. Each year the governing authorities of the City of Biloxi determine the total assessed value of property situated within the City limits. Prior to the beginning of a new fiscal year, October 1, they set the tax rate (levy) that will generate the tax revenue needed for the upcoming fiscal year. In each fiscal year, the City collects the ad valorem taxes for the prior calendar tax year. To summarize, the formula for determining tax revenues from each class of property is "Appraised value X assessment ratio X tax levy = tax amount".

**Sales Tax** - State law requires sellers of goods and services to collect and remit to the state sales taxes of various rates specified in the statutes. A tax rate of 7% applies to retail sales of tangible personal property. Of the taxes collected by the state each month, 18.5% of the sales tax revenue from activities within a municipal corporation is remitted to the municipal government.

**Gaming Taxes** - All taxes on gross gaming revenue and gaming devices are collected by the State Tax Commission, including those taxes levied by municipalities. The Gaming control act of 1990 provided a tax of eight tenths of one percent (.8%) on casino gross gaming income. This tax revenue is divided between Harrison County and the City in the proportion of the population of each.

House Bill 1504, Regular Session of 1992 (Local and Private Legislation) provided for a tax of three and two tenths of one percent (3.2%) of gross gaming revenue. On the tenth day of each month the State Tax Commission remits the taxes collected in the previous month to the municipality to be distributed in the following ratios:

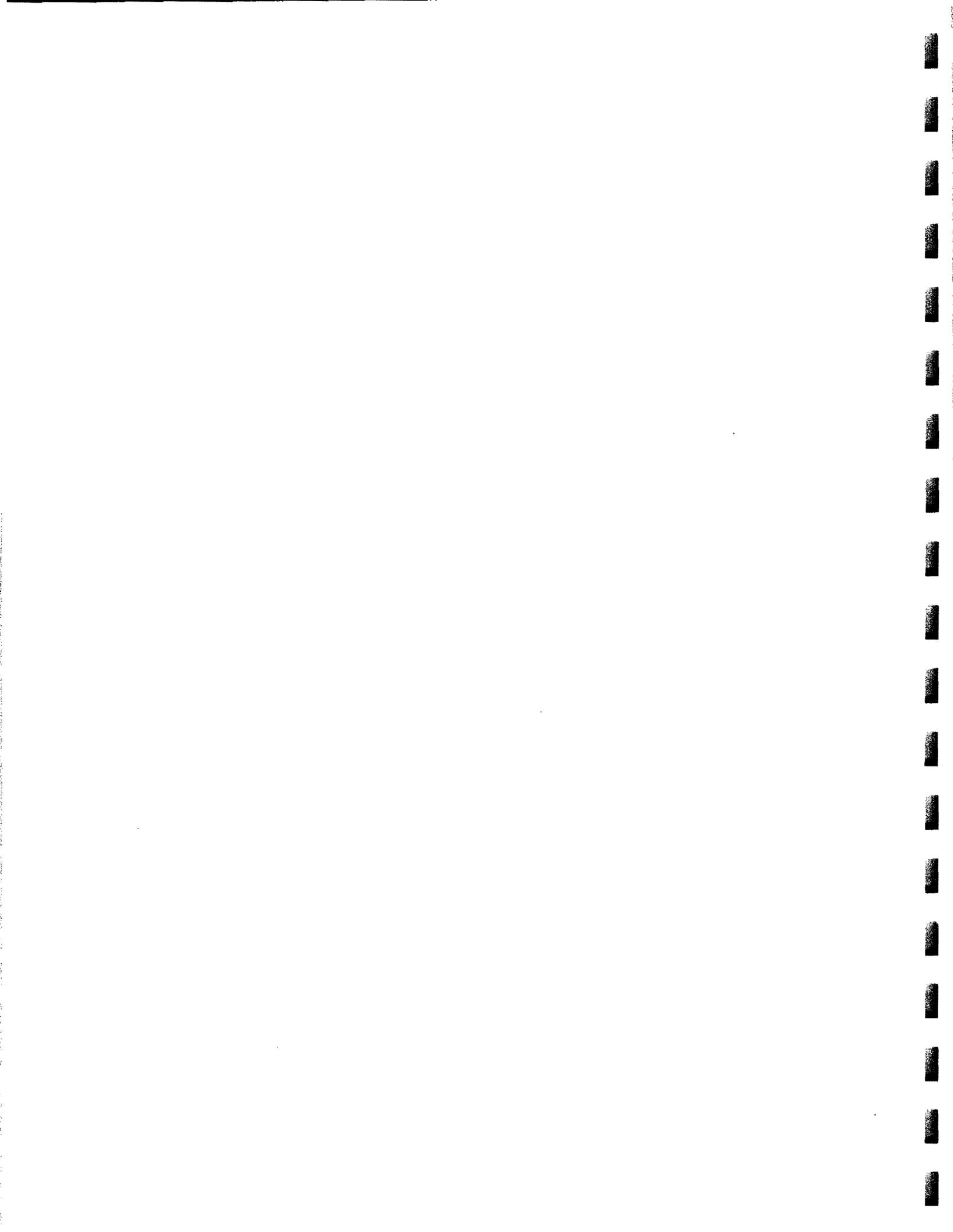
- 20% for public safety
- 20% for education purposes (Biloxi sends this 20% to the Biloxi Separate School District)
- 10% to Harrison County for public safety purposes
- 10% for educational purposes in Harrison County (This 10% is distributed to the various school districts in Harrison County in the proportion of each district student enrollment to total enrollment of all school districts in the county.)

House Bill 1504 also provided for a licensing fee of \$150, annually, for each gaming device. In addition to local taxes, the Mississippi Gaming Control Act, codified in chapter 76, in title 75 of the Mississippi Code of 1972, provides that casinos pay a fee of 8% of gross gaming revenue to the State of Mississippi.

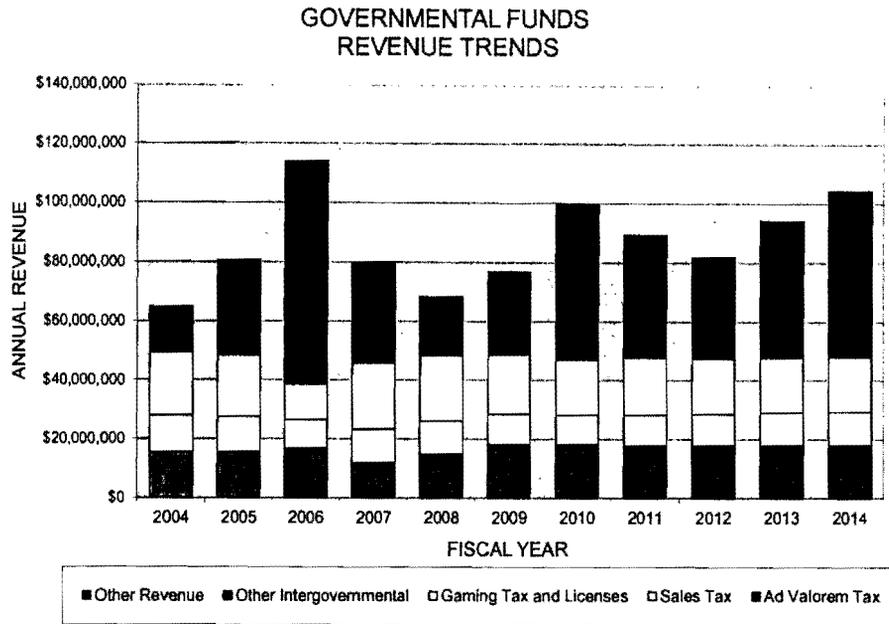
Figure 4 illustrates the trends in annual totals of revenue sources for the City's governmental funds. Casino gaming and the resulting gaming taxes were implemented in 1992, and since that time, gaming tax revenues have become the largest, regular revenue source for the

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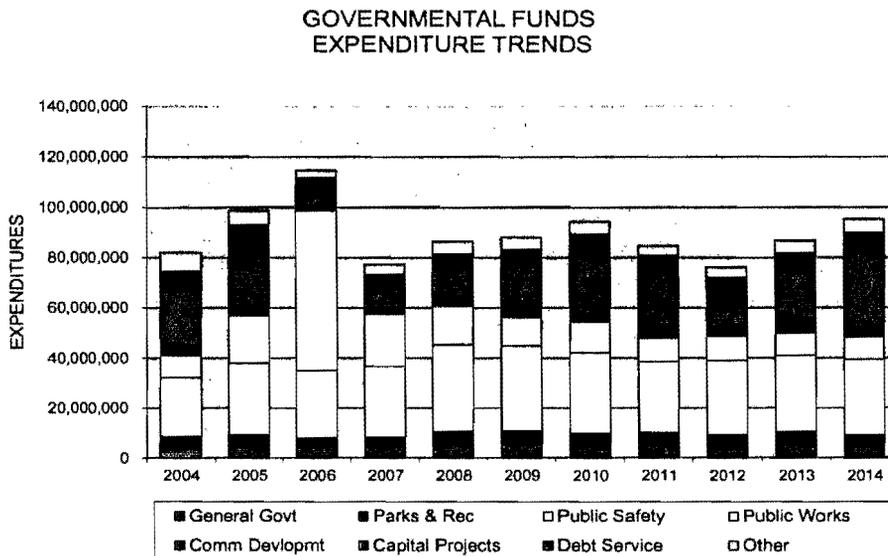
City. Note that Other Intergovernmental Revenue increased significantly in fiscal year 05/06 due to grants for Hurricane Katrina debris removal received by the City of Biloxi from the Department of Homeland Security, Federal Emergency Management Agency.



**Figure 4**

**General Governmental Expenditures**

Figure 5 illustrates the trends in spending for the various services and functions accounted for in the City's governmental funds. Normally, public safety and capital projects are the largest expenditure categories of the City's governmental funds. In FY 05/06 expenditures for Public Works increased due to the cost of removing debris left by Hurricane Katrina and capital project spending was curtailed. Debris removal costs were completed in FY 06/07.



**Figure 5**



## Water and Sewer Fund

The City of Biloxi provides water production and distribution and sewer collection and treatment services. The City accounts for the cost of these services and related revenues in an enterprise fund. The City's goal is to pay the cost of the services with the revenue generated by billing customers for their use of the service. In 2005 the City lost approximately twelve percent of its customer base to the destruction of Hurricane Katrina.

A large portion of the cost of water/sewer service is the City's share of the debt service of the Harrison County Utility Authority, which provides sewer treatment service. Because the debt service is a "fixed" cost (does not vary due to the number of customers served) the City's rates, applied to the consumption of the reduced number of customers, did not generate revenue sufficient to cover the cost of services. The City increased water and sewer rates at the end of fiscal year 08/09 and again at the end of 09/10. The City decreased rates slightly in 11/12. The City's governing authority has committed to annual cost and rate adjustments in order to reach and maintain 100 percent cost recovery.

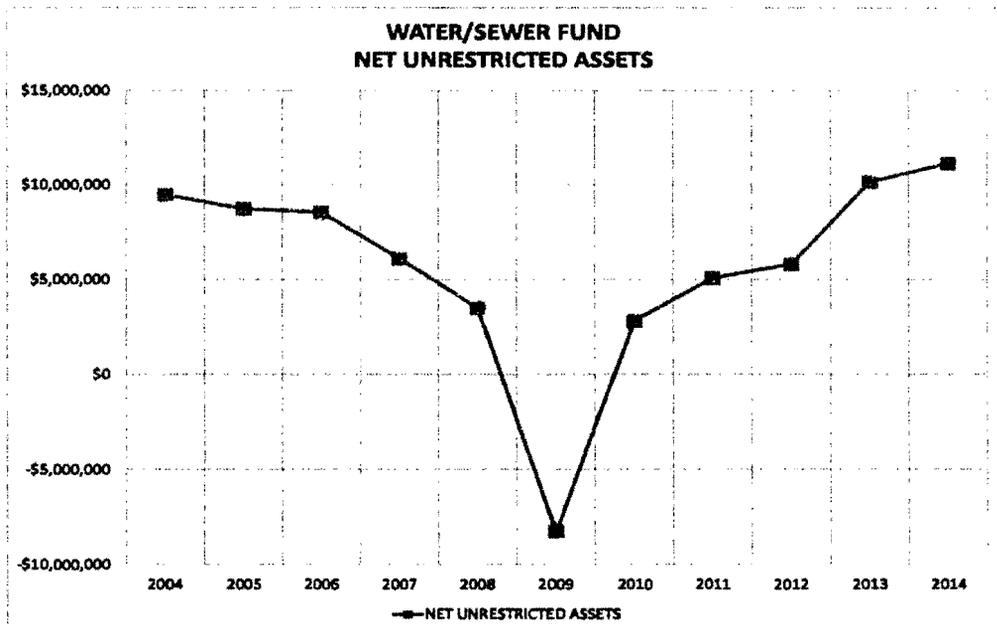
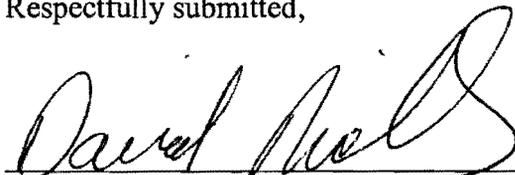
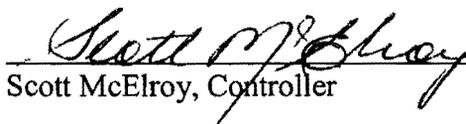
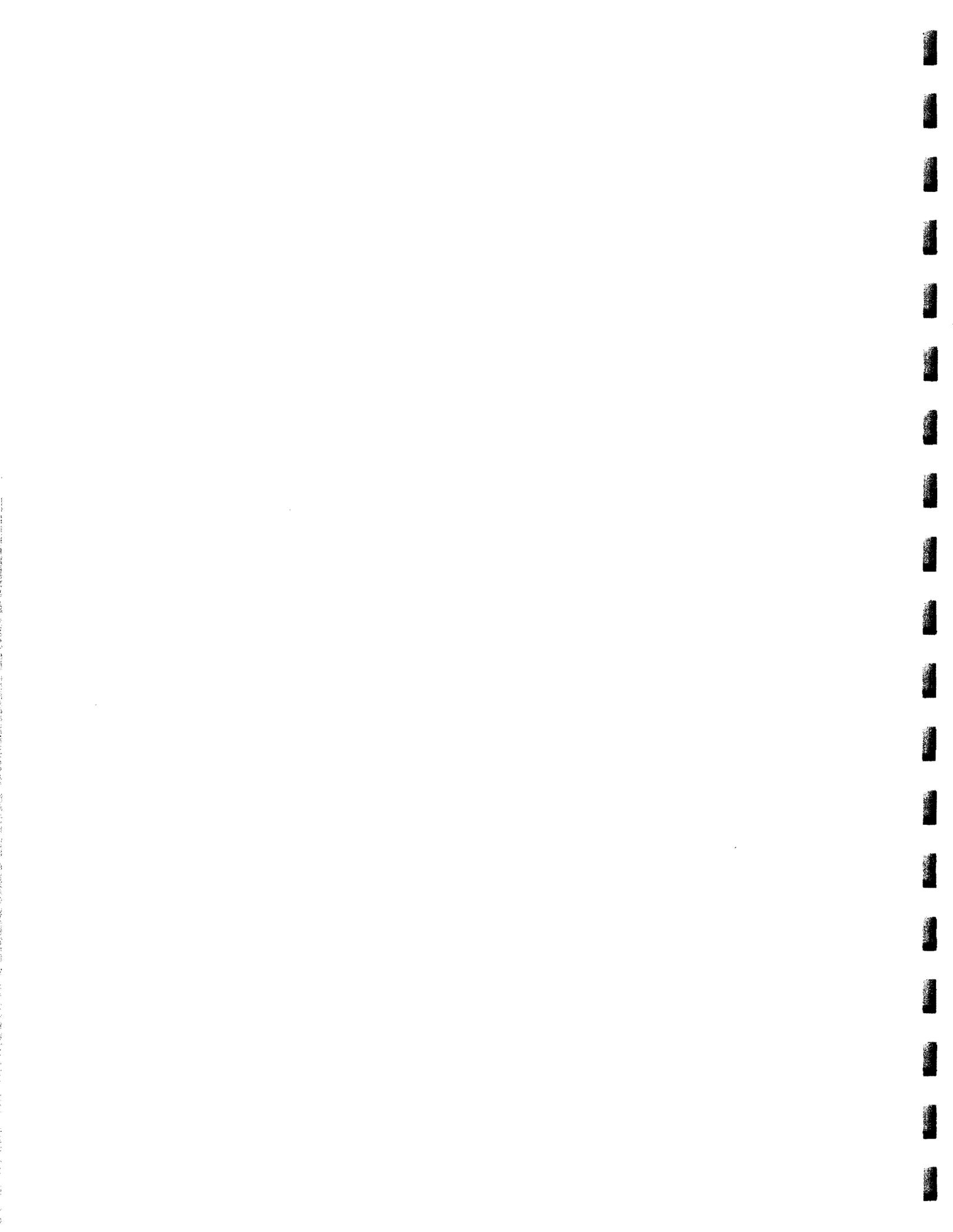


Figure 6

Respectfully submitted,

  
David Nichols, Chief Administration Officer

  
Scott McElroy, Controller





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Biloxi**  
**Mississippi**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

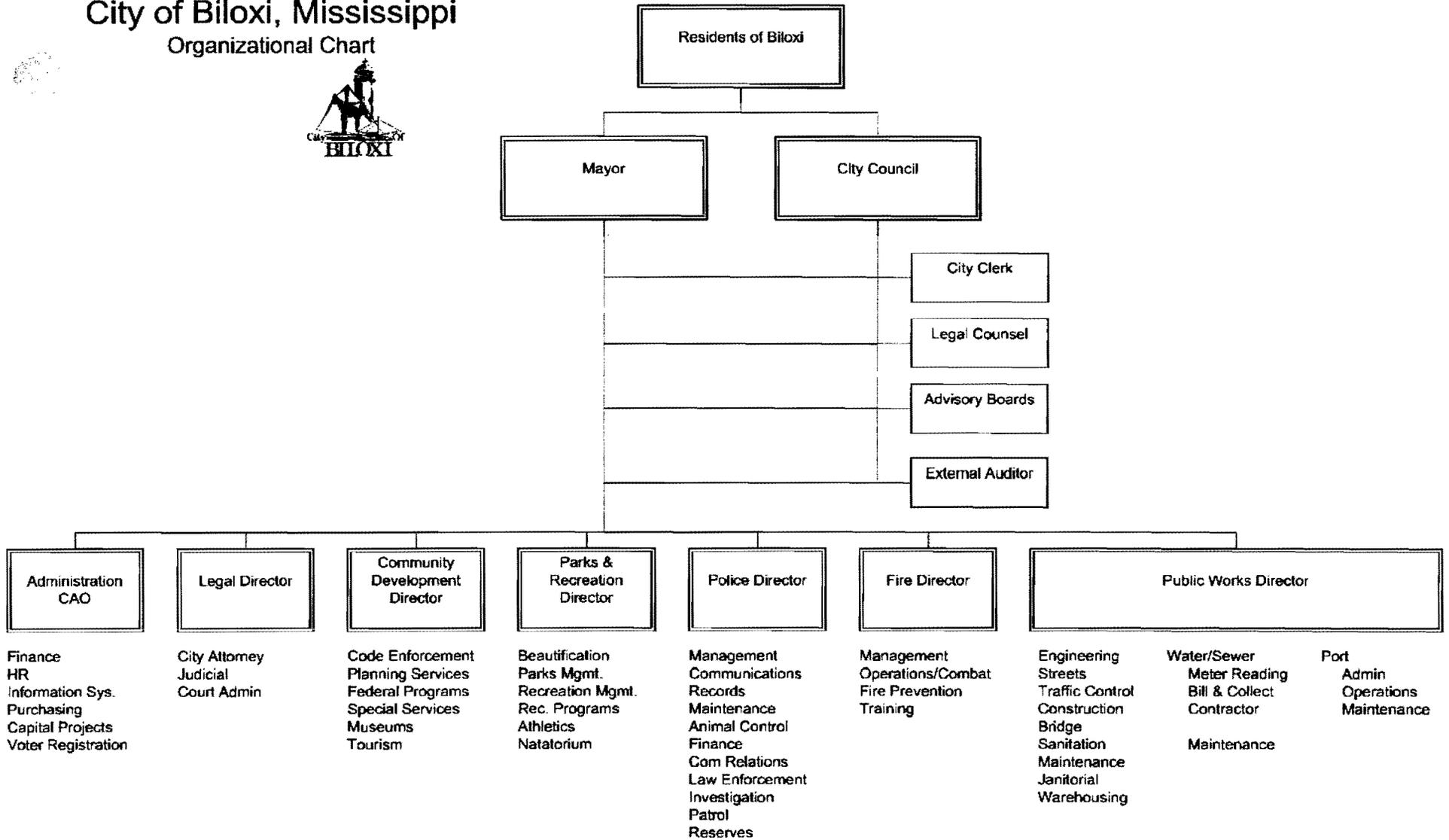
**September 30, 2013**

Executive Director/CEO



# City of Biloxi, Mississippi

## Organizational Chart





**Section II**  
**Financial Section**

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## **Independent Auditors' Report**

To the City Council  
City of Biloxi, Mississippi

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements which collectively comprise the City of Biloxi, Mississippi's basic financial statements as listed in the table of contents.

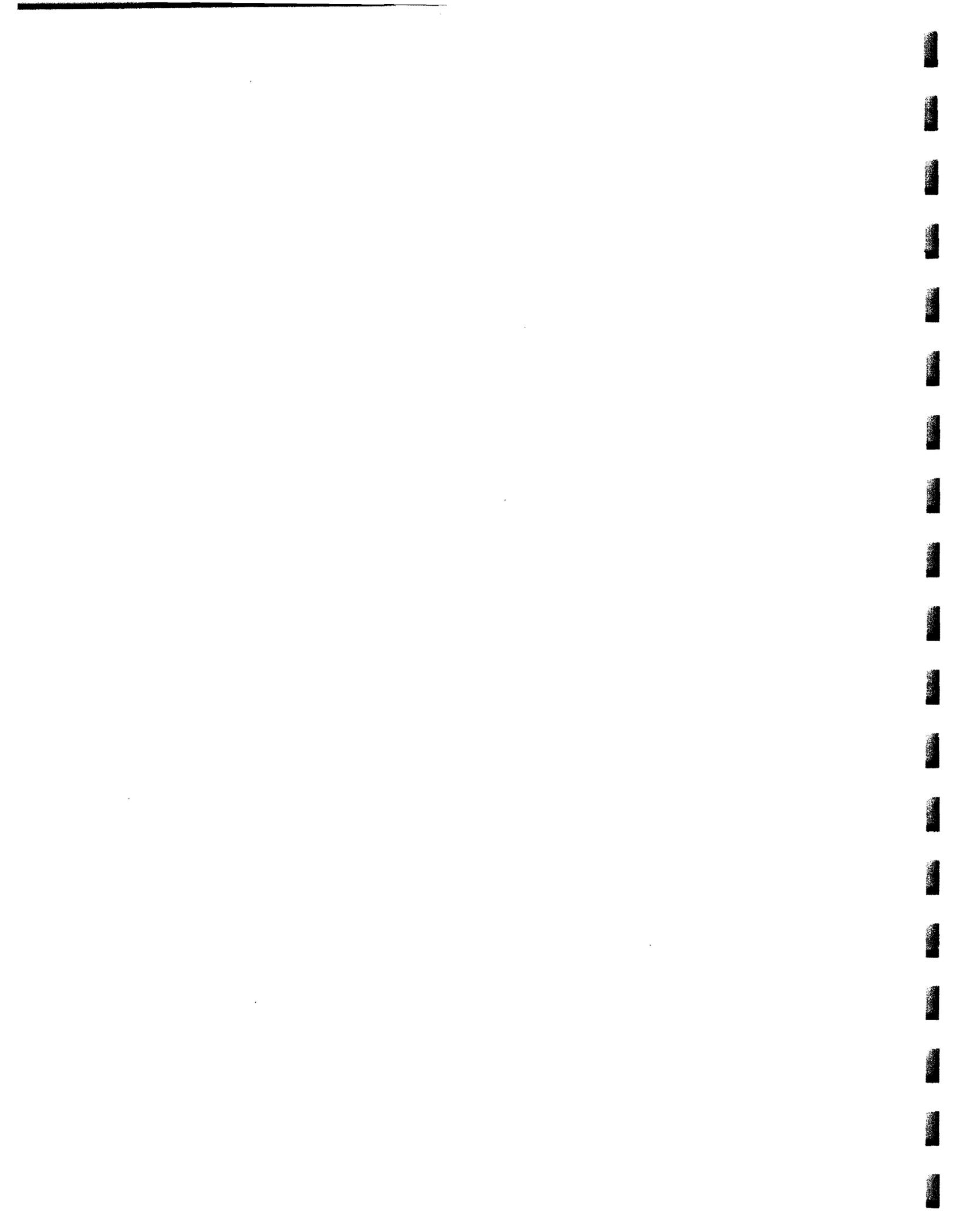
### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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



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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 15-19 and 63-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit



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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2015, on our consideration of the City of Biloxi, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Biloxi, Mississippi's internal control over financial reporting and compliance.

*Columbo, Harvey & Associates, P.A.*

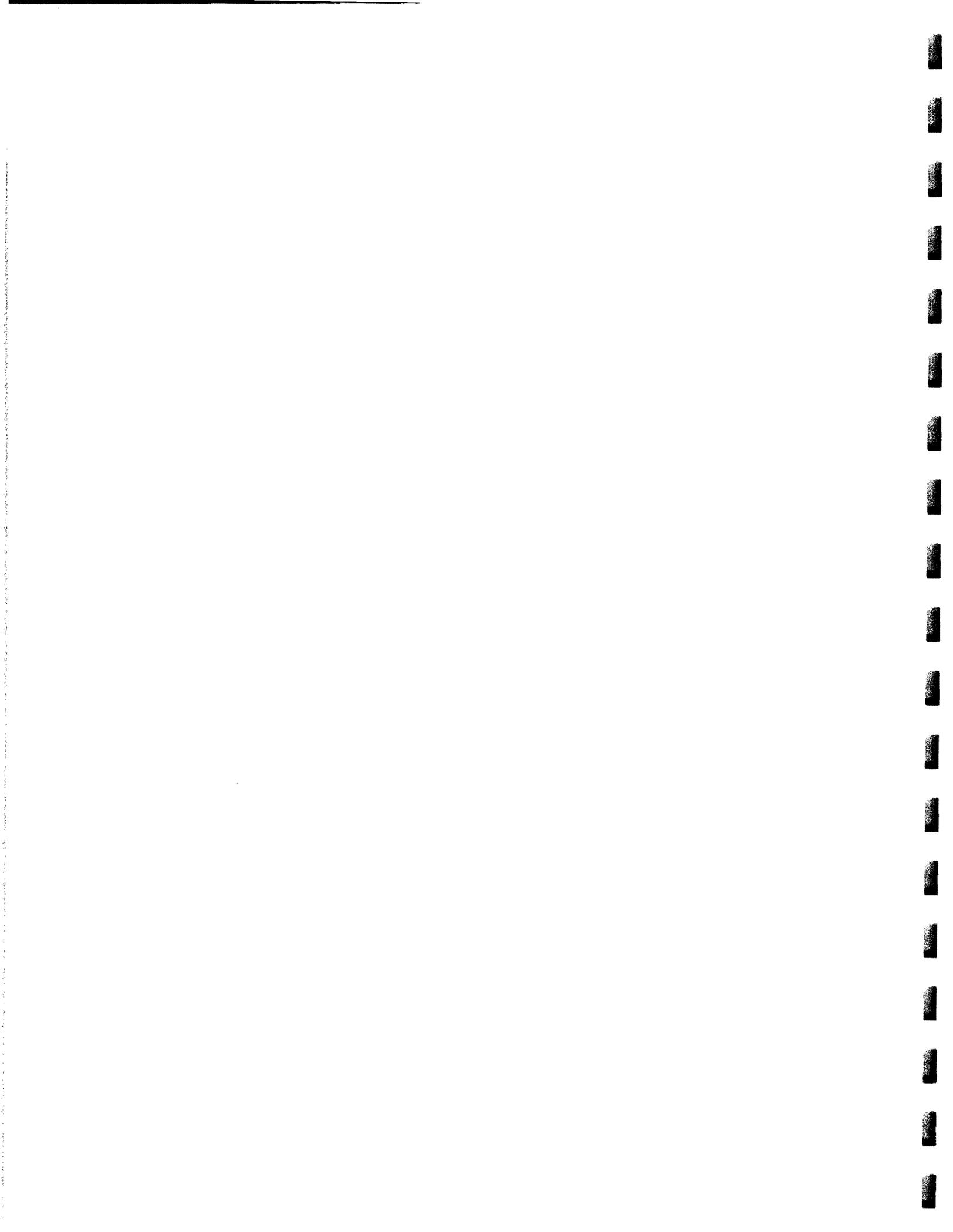
Gulfport, Mississippi  
August 19, 2015



**Management's Discussion and Analysis**

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## City of Biloxi, Mississippi Management's Discussion and Analysis

### **Brief Discussion of the Basic Financial Statements**

The City's management has prepared this discussion and analysis to provide an objective analysis of the City's financial activities and financial condition as presented in the basic financial statements which form a part of the City's Comprehensive Annual Financial Report (CAFR). The basic financial statements are presented in three parts: government-wide financial statements, fund financial statements and the notes to financial statements.

**Government-wide financial statements** focus on the overall financial position and activities of the City, in total, rather than the City's individual funds. In these statements, all governmental activities are consolidated into a column and all business-type activities are consolidated into a column. The two columns are added to present a total for the City as a whole. These statements include the Statement of Net Position which discloses all of the City's assets and liabilities and the difference which is titled "net position". Also included is the Statement of Activities which focuses on the cost of services provided and activities performed by the City and the source of money used to pay for the services and activities. The Statement of Activities also explains how the City's net position increased or decreased during the fiscal year. Both of the government-wide financial statements segregate functions of the City that are supported by taxes and intergovernmental revenues (governmental activities) from those functions that are mainly supported through charges to the consumer (business-type activities). The City's water and sewer utilities and the City's port operations are business-type activities. The government-wide financial statements present information for both governmental funds and proprietary funds on the accrual basis of accounting.

**Fund financial statements** follow the government-wide statements. These statements present the balance sheets and the statement of revenues, expenditures and changes in fund balance of the City's funds. The fund financial statements present governmental funds on the modified accrual basis of accounting. Some examples of the differences between the government-wide financial statements and the governmental fund financial statements, inherent in the differences in the basis of accounting are:

Under the modified accrual basis of accounting, capital outlays are expenditures of resources with no offsetting capital asset increase because capital assets are not shown on the balance sheet.

Principal payments on long-term debt are reported as expenditures with no offsetting reduction of liabilities because long-term liabilities are not show on the balance sheet.

The proceeds of debt borrowing is reported as an increase (inflow) of expendable resources with no offsetting increase in liabilities.

A fund is a fiscal and accounting entity with a balanced set of accounts for recording and disclosing the reporting entity's stewardship of resources received and segregated for specific activities including the amount of resources received, the amount expended, liabilities owed and the residual balance (equity) of the funds. The City uses



funds to segregate resources and resource use according to the purpose for which the resources were segregated. The objective of fund accounting is to demonstrate compliance with budgetary and legal requirements that apply to the resources segregated in each fund.

In the fund financial statements, each of the City's major funds is presented in a separate column. The City's non-major funds are combined and the totals presented in one column. The distinction between governmental type activities and proprietary type activities is maintained through the presentation of separate statements for these two types of funds.

**Governmental funds** are used to account for governmental functions of the City of Biloxi including administration, executive, legislative, legal (general governmental activities), public safety, public works, parks and recreation, public health and welfare, capital projects and debt service. These are the functions that are presented as "Governmental Activities" in the government-wide financial statements. Presentation of financial information for the City's governmental funds differs from the information presented in the government-wide financial statements because the focus of fund accounting is on near-term inflows and outflows of spendable resources and the balances of spendable resources available at year-end.

**Proprietary funds** include enterprise funds and internal service funds. Enterprise funds are used for those activities which are financed, primarily, by charges to users and customers. Internal service funds are used for city activities that provide goods or services for the City's various funds and departments such as the City's Self Insurance Fund. In the government-wide financial statements these activities are called "business-type activities".

**Notes to the Financial Statements** provide additional information to explain the data presented in the basic financial statements.

### Government-wide Condensed Data – Governmental and Business-type Activities

Table 1  
City of Biloxi  
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 84,851,845	\$ 53,153,403	\$ 14,049,016	\$ 12,590,465	\$ 98,900,861	\$ 65,743,868
Capital assets	292,965,880	269,716,962	150,537,532	130,305,940	443,503,412	400,022,902
Total assets	\$ 377,817,725	\$ 322,870,365	\$ 164,586,548	\$ 142,896,405	\$ 542,404,273	\$ 465,766,770
Current & other liabilities	\$ 19,752,489	\$ 13,201,616	\$ 15,557,580	\$ 13,121,442	\$ 35,310,069	\$ 26,323,058
Long-term liabilities	85,364,190	52,871,195	5,470,509	6,198,100	90,834,699	59,069,295
Total liabilities	105,116,679	66,072,811	21,028,089	19,319,542	126,144,768	85,392,353
Net position						
Net investment in capital assets	208,874,271	217,689,178	144,899,350	124,415,356	353,773,621	342,104,534
Restricted	55,596,738	26,040,170	851,135	844,640	56,447,873	26,884,810
Unrestricted	8,230,037	13,068,206	(2,192,026)	(1,683,133)	6,038,011	11,385,073
Total net position	\$ 272,701,046	\$ 256,797,554	\$ 143,558,459	\$ 123,576,863	\$ 416,259,505	\$ 380,374,417



Table 2  
City of Biloxi  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 7,370,067	\$ 8,113,989	\$ 15,622,816	\$ 15,117,700	\$ 22,992,883	\$ 23,231,689
Operating grants	902,346	2,310,684	-	-	902,346	2,310,684
Capital grants and contributions	43,981,867	30,528,891	1,939,175	4,450,601	45,921,042	34,979,492
General revenues						
Property taxes	18,061,043	18,065,315	223,650	230,264	18,284,693	18,295,579
Intergovernmental, unrestricted	14,493,067	13,915,324	-	-	14,493,067	13,915,324
Gaming taxes	18,805,326	18,878,204	-	-	18,805,326	18,878,204
Other revenues	1,950,340	2,207,928	13,534	18,373	1,963,874	2,226,301
Total revenues	105,564,056	94,020,335	17,799,175	19,816,938	123,363,231	113,837,273
<b>Expenses</b>						
General government	5,789,900	5,749,015	-	-	5,789,900	5,749,015
Parks and recreation	6,920,693	5,999,954	-	-	6,920,693	5,999,954
Public safety	36,417,140	34,082,368	-	-	36,417,140	34,082,368
Public works	10,652,115	11,876,265	-	-	10,652,115	11,876,265
Community development	3,861,583	6,720,748	-	-	3,861,583	6,720,748
Unallocated depreciation	3,043,524	2,630,920	-	-	3,043,524	2,630,920
Interest on long-term debt	2,161,010	2,766,751	-	-	2,161,010	2,766,751
Water and sewer service	-	-	15,459,099	14,236,840	15,459,099	14,236,840
Port Fund activities	-	-	2,973,079	2,547,550	2,973,079	2,547,550
Point Cadet Development Corporation	-	-	200,000	-	200,000	-
Total expenses	68,445,965	69,826,021	18,632,178	16,784,390	87,478,143	86,610,411
Special Item	-	13,053,391	-	-	-	13,053,391
Increase (decrease) in net position						
before transfers	36,718,091	37,247,705	(833,003)	3,032,548	35,885,088	40,280,253
Transfers	(20,814,599)	(22,519,734)	20,814,599	22,519,734	-	-
Net increase (decrease) in net position	15,903,492	14,727,971	19,981,596	25,552,282	35,885,088	40,280,253
Net position, beginning of year	256,797,554	242,069,583	123,576,863	98,024,581	380,374,417	340,094,164
Net position, end of year	\$ 272,701,046	\$ 256,797,554	\$ 143,558,459	\$ 123,576,863	\$ 416,259,505	\$ 380,374,417

### Overall Financial Position and Results of Operations

The net position of governmental activities increased by \$15.9 million while the fund balances of governmental funds increased by \$25.4 million. The positive change in net assets is reconciled to the increase in fund balances of governmental funds in the schedule titled Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities. One major reconciling item is capital expenditures which decrease fund balance in the governmental fund financial statements. These capital expenditures are reported as increases in capital assets in the Statement of Net Assets rather than as an expense on the statement of Changes in Net Assets.

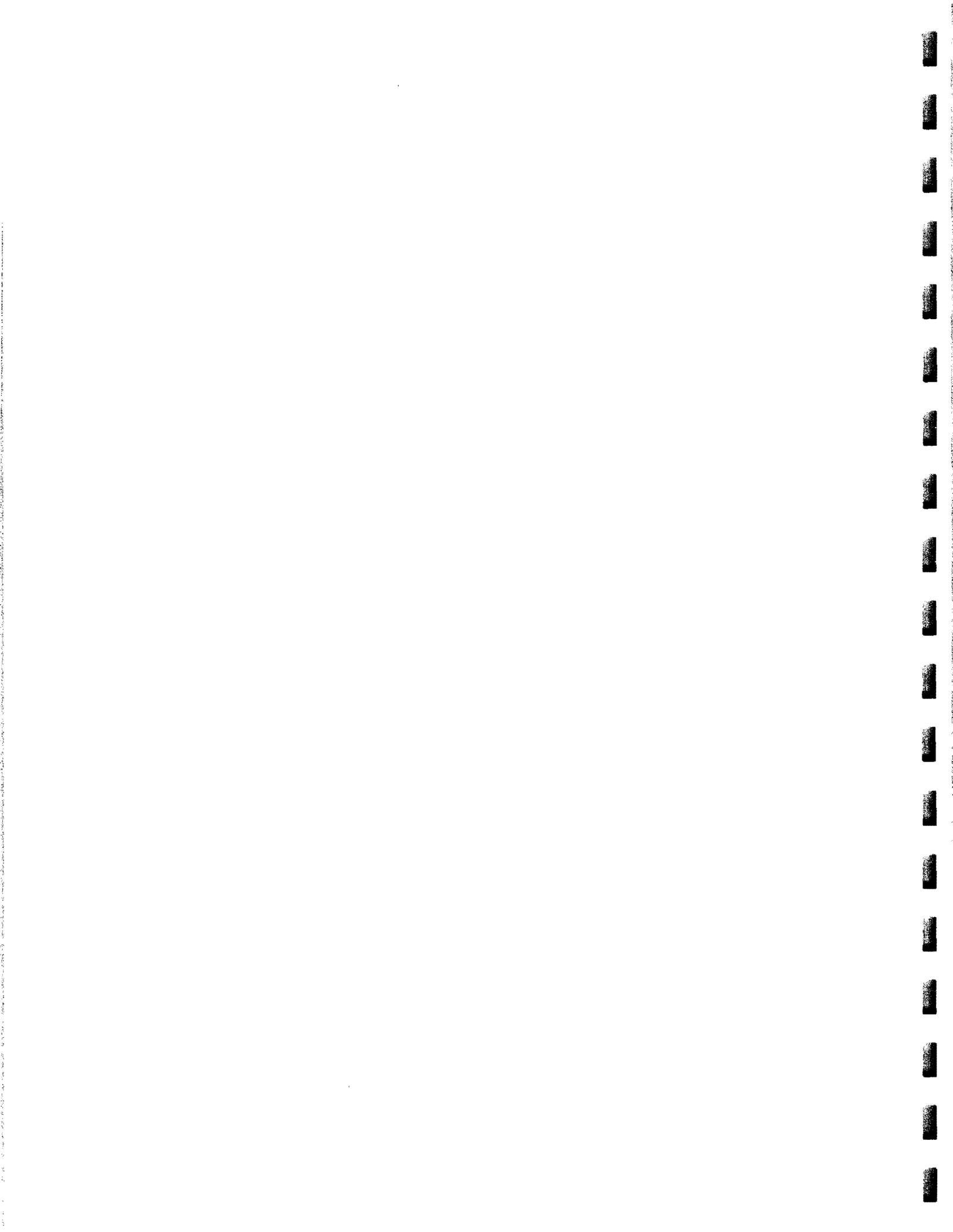
The net position of business-type activities (Water and Sewer Fund and Port Fund) increased by \$20 million during FY 13/14. The increase was due to transfers from the City's General Fund and Capital Projects Fund. City management expects water and sewer rates to be adequate to pay the costs of water and sewer utility services for FY 13/14.

### Analysis of Significant Balances and Operation of Individual Funds

#### Fund Balances

**General Fund** - The General Fund is the City's primary operating fund. The City began fiscal year 13/14 with a General Fund balance of \$11.7 million and ended the year with a fund balance of \$7.5 million. The decrease of \$4.2 million is attributable to a decrease in revenues.

**Debt Service Fund** - The fund balance in the City's debt service funds is required to pay



principal and interest maturities due at the beginning of each fiscal year before ad valorem tax revenues collections for the year are sufficient to cover debt service for the year. Ad valorem tax revenue is the primary resource of the Debt Service Fund for payment of interest and principal.

**Water and Sewer Fund** – In prior years, revenues and other Water and Sewer Fund resources were not been adequate to pay the cost of operations. The Water and Sewer Fund incurred an operating loss of \$1,226,758 which includes depreciation expense of \$1,911,944 million. The City incurred an operating income before depreciation of \$685,186 thousand for FY 13/14. The City's water and sewer rates were relatively low compared to other service providers in Mississippi. The loss of a significant number of utility customers due to destruction of residences and businesses by Hurricane Katrina further exacerbated this problem. At the end of fiscal 08/09 the Governing Authority increased water and sewer rates by approximately 150 percent and again increased rates at the end of FY 09/10. The Governing Authority slightly lowered rates in FY 10/11. The City's governing authority states that current and future rate adjustments will provide sufficient revenue to stabilize the Water and Sewer Fund in future fiscal years.

**General Capital Projects Fund** – The General Capital Projects Fund holds bond proceeds and insurance claim proceeds which will be expended as projects progress. The increase in fund balance of the General Capital Projects Fund resulted from federal grants received for infrastructure improvements paid by the City in the prior fiscal year.

#### **Budget Variance in the General Fund**

The Basic Financial Statements include a budget to actual comparison for the City's General Fund revenues and expenditures. The comparison is made on the cash basis which differs from modified accrual because receivables and payables are not recognized. An explanation of the budget basis is provided in Note II.A. For FY 13/14 the City's governing authority originally budgeted a reduction in the City's General Fund, budget basis fund balance of \$317 thousand. At year-end, the actual reduction was \$2.3 million. The City's General Fund, budget basis fund balance fell from \$5 million to \$2.7 million. Revenues of the City's General Fund were below expectations by \$1.6 million. City management was able to keep actual expenditures below the budgeted expenditures by \$3.5 million. The net transfers in were below budget by \$2.6 million. During the year the City Council amended the budget, primarily, for grant awards and related expenditures.

#### **Capital Assets Activity**

During FY 13/14 the City increased its investment in capital assets for governmental activities by \$23.2 million, net of dispositions and depreciation. For business type activities (Water/Sewer and Port) the City increased its investment in capital assets by \$20.2 million after dispositions and depreciation. Most of the additions were for construction of facilities and infrastructure. Much of the City's capital outlay was financed by FEMA grants. See Detail Note III. F, for additional information concerning capital asset activity for the fiscal year ended September 30, 2014.

#### **Long-term Debt**

At the beginning of the fiscal year the City of Biloxi had outstanding debt consisting of general obligation bonds, notes, limited obligation bonds and notes, and pollution control loans. These outstanding debts totaled \$57,918,368 at the beginning of the fiscal year 13/14. During the fiscal year 13/14, the City paid \$5,353,156 of principal and paid \$2,011,880 of interest on all debt. The City borrowed \$169,579 from the Mississippi Pollution Control Loans to fund capital project spending. The City also issued three bonds: (1) a \$14,000,000 bond to fund capital



projects, (2) a \$21,000,000 to construct a minor league baseball stadium, and (3) a \$1,995,000 tax increment finance bond to fund capital projects. So, total outstanding debt increased by \$31,811,423 in fiscal 13/14. In the Supplemental Information section of the financial report is a schedule titled Schedule of Long-Term Debt which discloses the beginning balances of each debt, new debt incurred and the principal amount paid during the year.

State laws limit the amount of debt a municipality may incur. General obligation bonded debt, excluding debt issued for utility purposes, is limited to 15% of assessed valuation. All debt, excluding utility revenue debt and tax increment financing bonds, is subject to a limit of 20% of assessed value. Note III. H discloses the City's compliance with statutory debt limitations.

### **Credit Rating**

When a governmental entity issues bonds, it may obtain a rating from one or more of the bond rating agencies. The rating is a measure of the issuer's ability to repay the debt and provides a means whereby investors may measure the risk of their investment in the bonds.

On May 21, 2012, Standard & Poor's Rating Services raised its standard long-term rating from BBB+ to AA- with a stable outlook. On March 30, 2014, Standard & Poor's Rating Service affirmed that AA- for the City's long-term rating. Standard & Poor's Rating Services' rationale was based on:

- Historically very strong financial reserves that allowed it to absorb the loss of revenues associated with the impact of Hurricane Katrina;
- Stable tax base; and
- Moderate overall debt burden.

On August 11, 2006 Moody's Investors Service announced that they "affirmed the City of Biloxi's general obligation rating of "Baa1" with a stable outlook." Prior to Hurricane Katrina, Moody's Investors Service rated the City's debt "A2". See Detail Note III. H and the Supplementary Information section of the CAFR for additional information concerning the City's debt. The City's credit ratings have not been reviewed or changed since the above ratings by Standard and Poor's Ratings Services and Moody's Investors Service. The City of Biloxi \$34,020,000 Tax Increment Limited Obligation Refunding Bond, Series 2006A and B, issued during FY 06/07 were not rated.

### **Contact Information**

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, Scott McElroy, City of Biloxi, P.O. Box 429, Biloxi, MS 39533.



**Basic Financial Statements**



**City of Biloxi, Mississippi**  
**Statement of Net Position**  
September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 25,539,290	\$ 3,673,430	\$ 29,212,720
Restricted cash and cash equivalents	600	1,252,426	1,253,026
Investments	31,745,919	851,135	32,597,054
Receivables:			
Taxes	6,247,043	4,243	6,251,286
Customer accounts, net	138,783	1,642,247	1,781,030
Grants	8,999,882	5,683,173	14,683,055
Other	1,680,633	715,374	2,396,007
Prepays	1,038,687	-	1,038,687
Net pension obligation	9,448,671	-	9,448,671
Inventories	-	226,988	226,988
Mortgage loans receivable	12,337	-	12,337
Capital assets			
Land and construction in progress	91,031,053	69,277,089	160,308,142
Other (net of accumulated depreciation)	201,934,827	81,260,443	283,195,270
<b>Total assets</b>	<u>377,817,725</u>	<u>164,586,548</u>	<u>542,404,273</u>
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Accounts payable	21,575,187	309,777	21,884,964
Accounts payable from restricted assets	-	25,622	25,622
Customer deposits payable from restricted assets	-	1,190,328	1,190,328
Internal balances	(13,509,461)	13,509,461	-
Unearned revenue	196,920	-	196,920
Noncurrent liabilities			
Due within one year			
Bonds and notes	4,840,605	433,712	5,274,317
Compensated absences	2,037,729	88,680	2,126,409
Claims payable from restricted assets	4,611,509	-	4,611,509
Due beyond one year			
Bonds and notes	79,251,004	5,204,470	84,455,474
Compensated absences	6,113,186	266,039	6,379,225
<b>Total liabilities</b>	<u>105,116,679</u>	<u>21,028,089</u>	<u>126,144,768</u>
Net position			
Net investment in capital assets	208,874,271	144,899,350	353,773,621
Restricted for:			
Public safety	2,118,923	-	2,118,923
Claims	424,796	-	424,796
Debt service	17,694,871	415,575	18,110,446
Grant expenditures	42,899	-	42,899
Capital improvements	35,284,221	435,560	35,719,781
Endowment, expendable	31,028	-	31,028
Unrestricted	8,230,037	(2,192,026)	6,038,011
<b>Total net position</b>	<u>\$ 272,701,046</u>	<u>\$ 143,558,459</u>	<u>\$ 416,259,505</u>

*The Accompanying Notes are an Integral Part of the Financial Statements.*

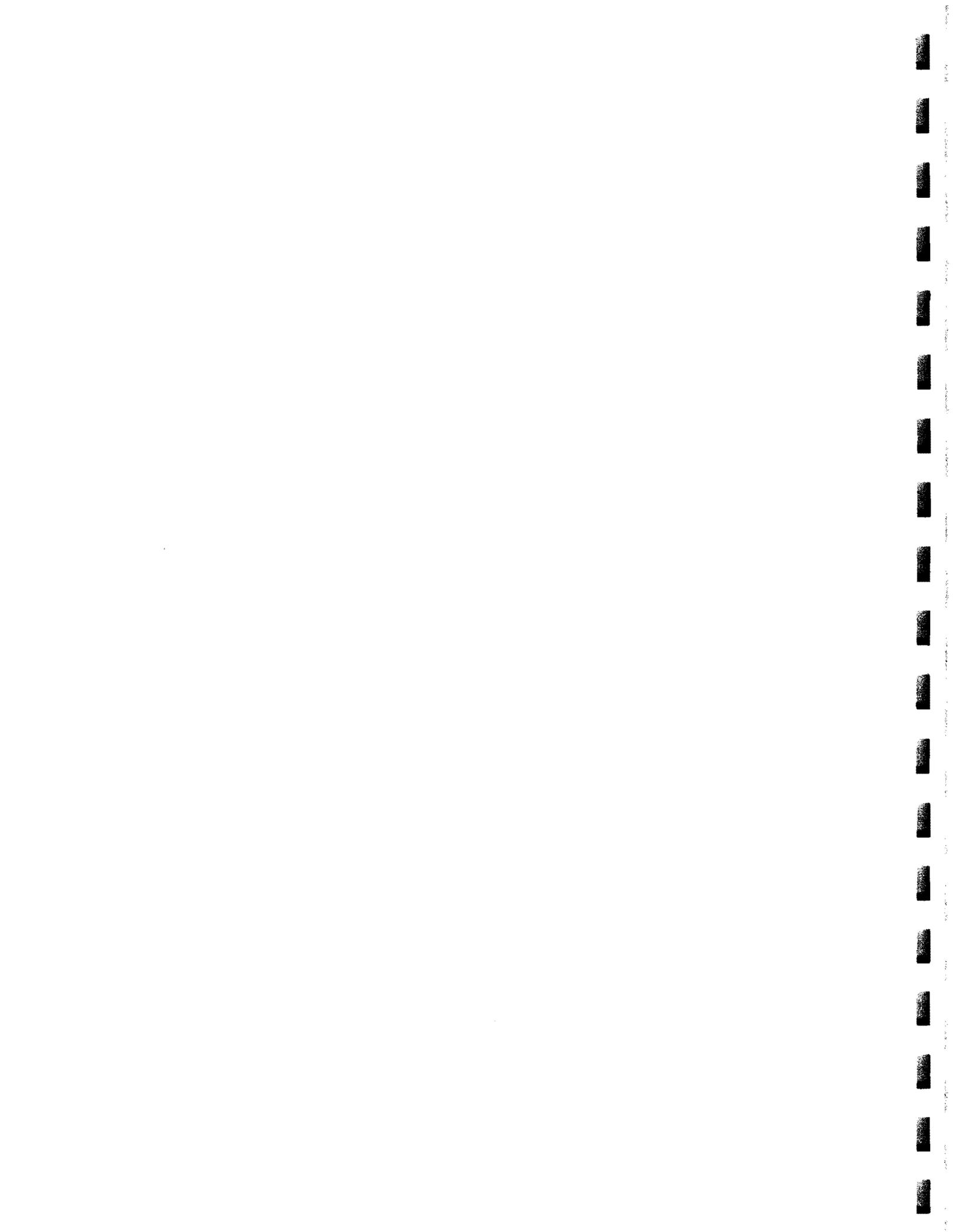


**City of Biloxi, Mississippi**  
**Statement of Activities**  
For the Fiscal Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 5,789,900	\$ 675	\$ 75,429	\$ -	\$ (5,713,796)	\$ -	\$ (5,713,796)
Parks and Recreation	6,920,693	523,550	-	370,316	(6,026,827)	-	(6,026,827)
Public Safety	36,417,140	1,222,643	428,942	370,100	(34,395,455)	-	(34,395,455)
Public Works	10,652,115	1,455,771	94,867	37,353,757	28,252,280	-	28,252,280
Community Development	3,861,583	4,167,428	303,108	5,887,694	6,496,647	-	6,496,647
Unallocated Depreciation, Infrastructure	3,043,524	-	-	-	(3,043,524)	-	(3,043,524)
Interest and Other, Long-term Debt	2,161,010	-	-	-	(2,161,010)	-	(2,161,010)
<b>Total Governmental Activities</b>	<b>68,845,965</b>	<b>7,370,067</b>	<b>902,346</b>	<b>43,981,867</b>	<b>(16,591,685)</b>	<b>-</b>	<b>(16,591,685)</b>
<b>Business-Type Activities</b>							
Water and Sewer	15,459,099	14,120,797	-	989,091	-	(349,211)	(349,211)
Biloxi Port Fund	2,973,079	1,477,090	-	950,084	-	(545,905)	(545,905)
Point Cadet Development Corporation	200,000	24,929	-	-	-	(175,071)	(175,071)
<b>Total Business-Type Activities</b>	<b>18,632,178</b>	<b>15,622,816</b>	<b>-</b>	<b>1,939,175</b>	<b>-</b>	<b>(1,070,187)</b>	<b>(1,070,187)</b>
<b>Total Primary Government</b>	<b>87,478,143</b>	<b>22,992,883</b>	<b>902,346</b>	<b>45,921,042</b>	<b>(16,591,685)</b>	<b>(1,070,187)</b>	<b>(17,661,872)</b>
<b>General revenues</b>							
Property taxes					18,061,043	223,650	18,284,693
Intergovernmental, unrestricted					14,493,067	-	14,493,067
Gaming taxes					18,805,326	-	18,805,326
Other taxes					519,032	-	519,032
Grants and contributions not restricted to specific programs					1,200,000	-	1,200,000
Unrestricted investment earnings					20,323	13,534	33,857
Miscellaneous					210,985	-	210,985
Transfers					(20,814,599)	20,814,599	-
<b>Total general revenues and transfers</b>					<b>32,495,177</b>	<b>21,051,783</b>	<b>53,546,960</b>
Change in net position					15,903,492	19,981,596	35,885,088
Net position - beginning of period					256,797,554	123,576,863	380,374,417
Net position - end of period					<b>\$ 272,701,046</b>	<b>\$ 143,558,459</b>	<b>\$ 416,259,505</b>

*The Accompanying Notes are an Integral Part of the Financial Statements.*

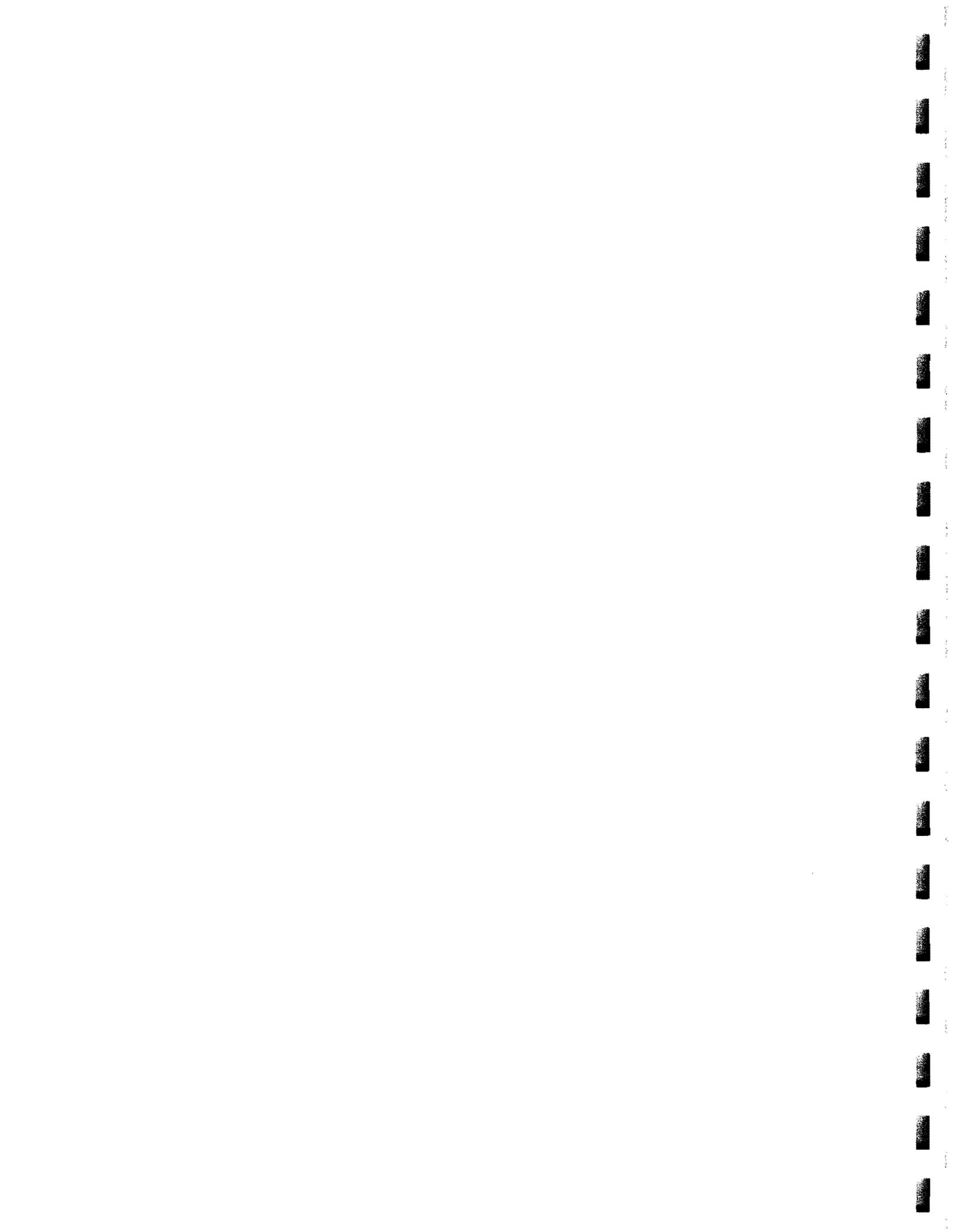
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**City of Biloxi, Mississippi**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2014**

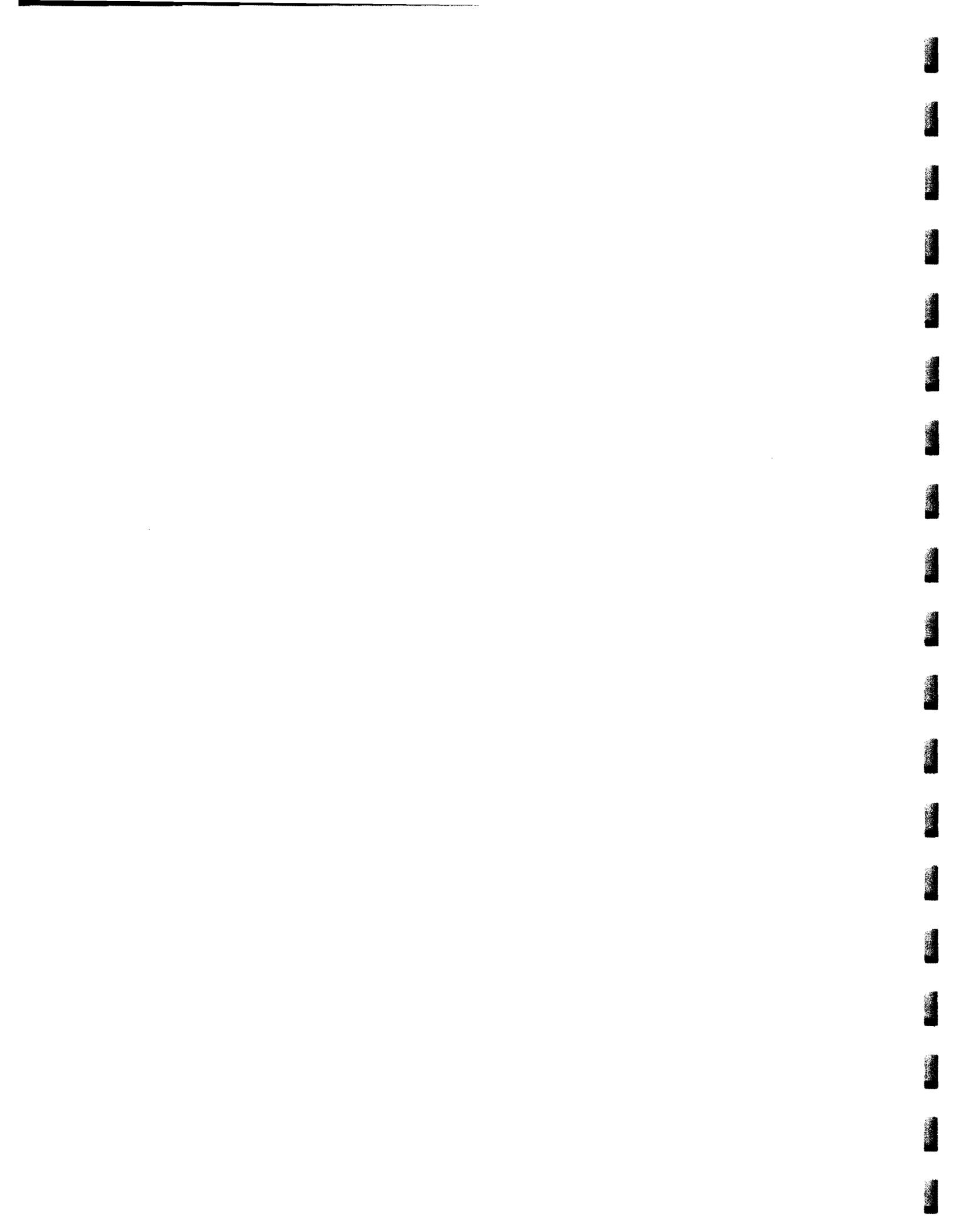
	General Fund	General Capital Projects Fund	Debt Service Fund	Tax Increment			Other Non-Major Governmental Funds	Total Governmental Funds
				Junior Lien Bond Series 2014	2014 General Obligation Bond Fund	2014 Special Obligation Bond Series		
<b>Assets</b>								
Cash and cash equivalents	\$ 5,896,793	\$ 8,994,934	\$ 7,605,420	\$ 3,319	\$ -	\$ -	\$ 485,120	\$ 22,985,586
Restricted cash and cash equivalents	600	-	-	-	-	-	-	600
Investments	-	-	12	-	12,757,587	17,226,027	1,762,293	31,745,919
Receivables:								
Taxes	6,215,124	-	25,010	-	-	-	6,909	6,247,043
Customer accounts, net	138,783	-	-	-	-	-	-	138,783
Grants	251,418	8,748,464	-	-	-	-	-	8,999,882
Other	460,900	-	1,200,000	-	-	-	19,733	1,680,633
Due from other city funds	76,082	19,078,302	8,925,819	-	17,972	-	-	28,098,175
Prepays	1,038,687	-	-	-	-	-	-	1,038,687
Mortgage loans receivable	-	-	-	-	-	-	12,337	12,337
<b>Total assets</b>	<b>\$ 14,078,387</b>	<b>\$ 36,821,700</b>	<b>\$ 17,756,261</b>	<b>3,319</b>	<b>\$ 12,775,559</b>	<b>\$ 17,226,027</b>	<b>\$ 2,286,392</b>	<b>\$ 100,947,645</b>
<b>Liabilities and Fund Balance</b>								
<b>Liabilities</b>								
Accounts payable and accrued liabilities	\$ 4,567,267	\$ 18,989,192	\$ 43,418	\$ -	\$ -	\$ -	\$ 13,039	\$ 23,612,916
Due to other city funds	1,946,802	13,304,992	17,972	-	359,161	1,096,089	-	16,725,016
Deferred revenue	38,253	158,667	-	-	-	-	-	196,920
<b>Total liabilities</b>	<b>6,552,322</b>	<b>32,452,851</b>	<b>61,390</b>		<b>359,161</b>	<b>1,096,089</b>	<b>13,039</b>	<b>40,534,852</b>
<b>Fund Balances</b>								
<b>Nonspendable</b>								
Prepays	1,038,687	-	-	-	-	-	-	1,038,687
Long-term Receivables	-	-	-	-	-	-	12,337	12,337
<b>Restricted for</b>								
Public Safety	2,118,923	-	-	-	-	-	-	2,118,923
Claims	-	-	-	-	-	-	424,796	424,796
Endowment	-	-	-	-	-	-	31,028	31,028
<b>Committed for</b>								
Grant Expenditures	-	-	-	-	-	-	42,899	42,899
Capital Improvements	603,424	4,368,849	-	3,319	12,416,398	16,129,938	1,762,293	35,284,221
Debt Service	-	-	17,694,871	-	-	-	-	17,694,871
<b>Unassigned</b>								
Total fund balances	7,526,065	4,368,849	17,694,871	3,319	12,416,398	16,129,938	2,273,353	60,412,793
<b>Total liabilities and fund balances</b>	<b>\$ 14,078,387</b>	<b>\$ 36,821,700</b>	<b>\$ 17,756,261</b>	<b>\$ 3,319</b>	<b>\$ 12,775,559</b>	<b>\$ 17,226,027</b>	<b>\$ 2,286,392</b>	<b>\$ 100,947,645</b>

*The Accompanying Notes are an Integral Part of the Financial Statements.*



**City of Biloxi, Mississippi**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
September 30, 2014

Total fund balances of governmental funds on the balance sheet, page 22		\$ 60,412,793
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		292,965,880
Internal service funds are used by management to account for the costs of the City's risk management, including insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		78,497
Net pension obligation		9,448,671
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.		
Notes Payable	(5,350,497)	
Bonds Payable	(78,485,000)	
Capital leases payable	(256,112)	
Compensated absences	(6,113,186)	(90,204,795)
Net position of governmental activities, page 20		<u>\$ 272,701,046</u>



**City of Biloxi, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Fiscal Year Ended September 30, 2014

	General Fund	General Capital Projects Fund	Debt Service Fund	Tax Incremental Junior Lien Limited Obligation Bond Series 2014	2014 General Obligation Bond Fund	2014 Special Obligation Bond Series	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Ad valorem taxes	\$ 10,157,816	\$ -	\$ 6,561,534	\$ -	\$ -	\$ -	\$ 1,341,693	\$ 18,061,043
Licenses and permits	4,105,012	-	-	-	-	-	-	4,105,012
Intergovernmental	31,253,214	42,235,386	1,233,608	-	-	-	303,108	75,025,316
Charges for services	1,930,054	-	-	-	-	-	-	1,930,054
Fines	1,582,593	-	-	-	-	-	-	1,582,593
Other	3,337,288	-	13,058	1	817	870	131,448	3,483,482
Total revenues	<u>52,365,977</u>	<u>42,235,386</u>	<u>7,808,200</u>	<u>1</u>	<u>817</u>	<u>870</u>	<u>1,776,249</u>	<u>104,187,500</u>
<b>Expenditures</b>								
Current:								
General government	4,828,819	-	-	-	-	-	12,923	4,841,742
Parks and recreation	4,154,492	-	-	-	-	-	-	4,154,492
Public safety	28,971,027	-	-	-	-	-	1,341,693	30,312,720
Public works	9,008,665	-	-	-	-	-	-	9,008,665
Community development	3,432,459	-	-	-	-	-	420,062	3,852,521
Non-departmental	5,390,673	-	-	-	-	-	-	5,390,673
Debt service								
Principal retirement	-	-	4,742,428	-	-	-	-	4,742,428
Interest and other	-	-	1,848,628	-	-	-	-	1,848,628
Bond issue costs	-	-	-	59,000	318,588	245,500	-	623,088
Capital outlay, projects	-	30,460,296	-	-	-	-	-	30,460,296
Total expenditures	<u>55,786,135</u>	<u>30,460,296</u>	<u>6,591,056</u>	<u>59,000</u>	<u>318,588</u>	<u>245,500</u>	<u>1,774,678</u>	<u>95,235,253</u>
Excess (deficiency) of revenues over expenditures	<u>(3,420,158)</u>	<u>11,775,090</u>	<u>1,217,144</u>	<u>(58,999)</u>	<u>(317,771)</u>	<u>(244,630)</u>	<u>1,571</u>	<u>8,952,247</u>
<b>Other financing sources (uses)</b>								
Issuance of bonds	-	-	-	1,995,000	14,310,706	21,000,000	-	37,305,706
Transfers in	-	9,301,508	-	-	-	-	-	9,301,508
Transfers out	(828,922)	(21,011,900)	-	(1,932,682)	(1,576,537)	(4,625,432)	(140,634)	(30,116,107)
Total other financing sources (uses)	<u>(828,922)</u>	<u>(11,710,392)</u>	<u>-</u>	<u>62,318</u>	<u>12,734,169</u>	<u>16,374,568</u>	<u>(140,634)</u>	<u>16,491,107</u>
Net change in fund balance	<u>(4,249,080)</u>	<u>64,698</u>	<u>1,217,144</u>	<u>3,319</u>	<u>12,416,398</u>	<u>16,129,938</u>	<u>(139,063)</u>	<u>25,443,354</u>
Fund balances, beginning of year	11,775,145	4,304,151	16,477,727	-	-	-	2,412,416	34,969,439
Fund balances, end of year	<u>\$ 7,526,065</u>	<u>\$ 4,368,849</u>	<u>\$ 17,694,871</u>	<u>\$ 3,319</u>	<u>\$ 12,416,398</u>	<u>\$ 16,129,938</u>	<u>\$ 2,273,353</u>	<u>\$ 60,412,793</u>

*The Accompanying Notes are an Integral Part of the Financial Statements.*



**City of Biloxi, Mississippi**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
For the Fiscal Year Ended September 30, 2014

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

Net change in fund balances of governmental funds, page 24 \$ 25,443,354

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

Expenditures for capital assets	30,447,577	
Less: current year depreciation	<u>(8,841,095)</u>	21,606,482

The issuance of long-term debt (bonds payable) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of borrowed principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position. This is the amount by which proceeds exceeds repayments.

Bond proceeds	(36,995,000)	
Principal payments	4,742,428	
Lease payments	<u>188,747</u>	(32,063,825)

Some revenues reported in the statement of activities do not provide current financial resources and there are not reported as revenues in governmental funds.

Donated assets	1,376,381	
Seized assets	370,100	
Basis of assets sold	<u>(104,045)</u>	1,642,436

Some expenses reported in the statement of activities do not require the use of current financial resources and there are not reported as expenditures in governmental funds.

Change in net pension obligation	(386,530)	
Change in long-term compensated absences	<u>(338,600)</u>	(725,130)

Internal service funds are used by management to allocate the cost of self insuring to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

175

Change in net position of governmental activities, page 21 \$ 15,903,492



**City of Biloxi, Mississippi**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2014**

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash	\$ 2,259,585	\$ 1,241,875	\$ 171,970	\$ 3,673,430	\$ 2,553,704
Restricted cash	1,147,294	105,132	-	1,252,426	-
Investments	-	851,135	-	851,135	-
Receivables:					
Customer accounts, net	1,001,528	30,158	-	1,031,686	-
Customer accounts earned but not billed	610,561	-	-	610,561	-
Grants	2,513,136	3,170,037	-	5,683,173	-
Taxes	-	4,243	-	4,243	-
Other	715,374	-	-	715,374	-
Due from other city funds	4,303,091	-	-	4,303,091	2,136,302
Supplies inventory	226,988	-	-	226,988	-
<b>Total current assets</b>	<u>12,777,557</u>	<u>5,402,580</u>	<u>171,970</u>	<u>18,352,107</u>	<u>4,690,006</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	112,446,734	37,974,716	116,082	150,537,532	-
<b>Total noncurrent assets</b>	<u>112,446,734</u>	<u>37,974,716</u>	<u>116,082</u>	<u>150,537,532</u>	<u>-</u>
<b>Total assets</b>	<u>125,224,291</u>	<u>43,377,296</u>	<u>288,052</u>	<u>168,889,639</u>	<u>4,690,006</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	284,168	25,609	-	309,777	-
Accounts payable from restricted assets	25,622	-	-	25,622	-
Customer deposits payable from restricted assets	1,085,196	105,132	-	1,190,328	-
Current portion of bond and notes	278,712	155,000	-	433,712	-
Compensated absences	37,293	51,387	-	88,680	-
Due to other city funds	117,450	17,695,102	-	17,812,552	-
Claims contingency payable from restricted assets	-	-	-	-	4,611,509
<b>Total current liabilities</b>	<u>1,828,441</u>	<u>18,032,230</u>	<u>-</u>	<u>19,860,671</u>	<u>4,611,509</u>
Non-current liabilities:					
Compensated absences	111,878	154,161	-	266,039	-
Notes payable, non-current	4,269,470	935,000	-	5,204,470	-
<b>Total non-current liabilities</b>	<u>4,381,348</u>	<u>1,089,161</u>	<u>-</u>	<u>5,470,509</u>	<u>-</u>
<b>Total liabilities</b>	<u>6,209,789</u>	<u>19,121,391</u>	<u>-</u>	<u>25,331,180</u>	<u>4,611,509</u>
<b>Net position</b>					
Net investment in capital assets	107,898,552	36,884,716	116,082	144,899,350	-
Restricted for capital projects	-	435,560	-	435,560	-
Restricted for debt service	-	415,575	-	415,575	-
Unrestricted	11,115,950	(13,479,946)	171,970	(2,192,026)	78,497
<b>Total net position</b>	<u>\$ 119,014,502</u>	<u>\$ 24,255,905</u>	<u>\$ 288,052</u>	<u>\$ 143,558,459</u>	<u>\$ 78,497</u>

*The Accompanying Notes are an Integral Part of the Financial Statements.*

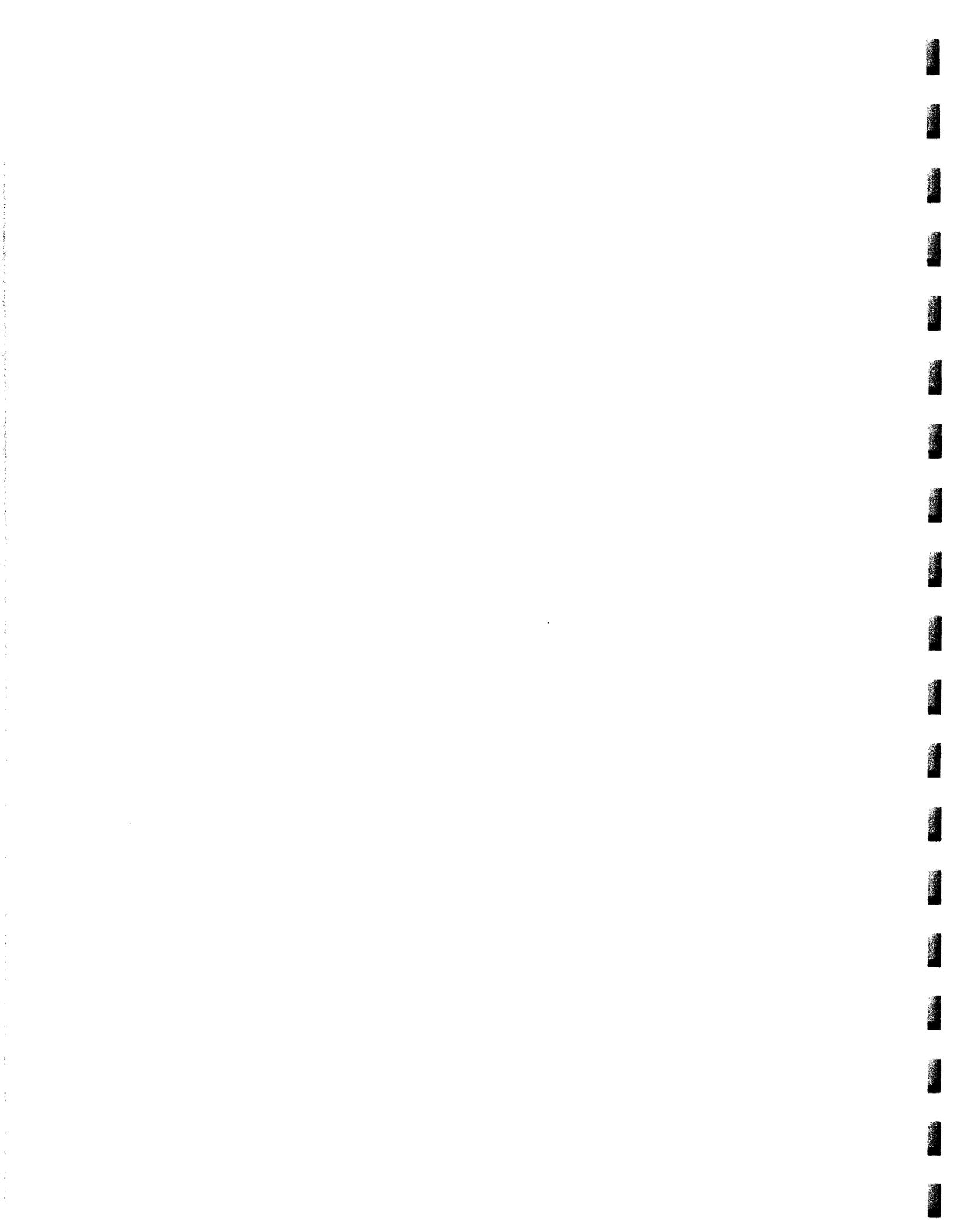


**City of Biloxi, Mississippi**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2014

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenues</b>					
Charges for services:					
Water sales, sewer revenues					
penalties & installations, net	\$ 13,480,766	\$ -	\$ -	\$ 13,480,766	\$ -
Keesler Air Force Base. sewer	636,206	-	-	636,206	-
Harbor fees and rents	-	1,464,090	24,929	1,489,019	-
Insurance billings	-	-	-	-	12,398,428
Total charges for service	14,116,972	1,464,090	24,929	15,605,991	12,398,428
Cobra contributions	-	-	-	-	123,994
Other income	3,825	13,000	-	16,825	-
Total operating revenues	14,120,797	1,477,090	24,929	15,622,816	12,522,422
<b>Operating expenses</b>					
Personal services	1,642,573	1,109,342	-	2,751,915	-
Contracted services	10,275,078	70,419	200,000	10,545,497	12,525,055
Other services and charges	1,517,960	315,251	-	1,833,211	-
Depreciation	1,911,944	1,406,555	-	3,318,499	-
Total operating expenses	15,347,555	2,901,567	200,000	18,449,122	12,525,055
Operating income (loss)	(1,226,758)	(1,424,477)	(175,071)	(2,826,306)	(2,633)
Non-operating revenues (expenses)					
Interest income	10,461	2,785	288	13,534	2,808
Interest expense	(91,740)	(71,512)	-	(163,252)	-
Loss on retirement of fixed assets	(19,804)	-	-	(19,804)	-
Intergovernmental tax revenues	-	223,650	-	223,650	-
Grant revenues	989,091	404,547	-	1,393,638	-
Total non-operating revenues (expenses)	888,008	559,470	288	1,447,766	2,808
Income before contributions and transfers	(338,750)	(865,007)	(174,783)	(1,378,540)	175
Capital contributions	545,537	-	-	545,537	-
Transfers in	21,034,519	-	-	21,034,519	-
Transfers out	-	(219,920)	-	(219,920)	-
Change in net position	21,241,306	(1,084,927)	(174,783)	19,981,596	175
Net position, beginning of year	97,773,196	25,340,832	462,835	123,576,863	78,322
Net position, end of year	\$ 119,014,502	\$ 24,255,905	\$ 288,052	\$ 143,558,459	\$ 78,497

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**City of Biloxi, Mississippi**  
**Statement of Cash Flow**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2014

	Business-Type Activities-Enterprise Funds				Governmental Activities Internal Service Funds
	Major Fund		Non-Major Fund		
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	
<b>Cash flows from operating activities</b>					
Receipts from customers	\$ 14,366,692	\$ 1,485,475	\$ 24,929	\$ 15,877,096	\$ -
Receipts from interfund services provided	-	-	-	-	12,522,422
Payments to suppliers	(12,518,147)	(386,775)	(200,000)	(13,104,922)	(12,843,873)
Payments for services of employees	(1,613,850)	(1,087,962)	-	(2,701,812)	-
Net cash provided by (used in) operating activities	<u>234,695</u>	<u>10,738</u>	<u>(175,071)</u>	<u>70,362</u>	<u>(321,451)</u>
<b>Cash flows from non-capital financing activities</b>					
Intergovernmental tax revenues	-	225,308	-	225,308	-
Transfers (to) from other funds	-	-	-	-	-
Loans (to) from other funds	90,932	-	-	90,932	(1,323,027)
Net cash provided by (used in) non-capital financing activities	<u>90,932</u>	<u>225,308</u>	<u>-</u>	<u>316,240</u>	<u>(1,323,027)</u>
<b>Cash flows from capital and related financing activities</b>					
Grant revenues	(502,379)	34,528	-	(467,851)	-
Proceeds from loans	169,579	-	-	169,579	-
Transfers (to) from other funds	(510,750)	(219,920)	-	(730,670)	-
Loans (to) from other funds	17,936	175,327	-	193,263	-
Acquisition of capital assets	(3,935)	-	-	(3,935)	-
Retirement of debt	(271,981)	(150,000)	-	(421,981)	-
Interest paid on debt	(91,740)	(71,512)	-	(163,252)	-
Net cash provided by (used in) capital and related financing activities	<u>(1,193,270)</u>	<u>(231,577)</u>	<u>-</u>	<u>(1,424,847)</u>	<u>-</u>
<b>Cash flows from investing activities</b>					
Interest and dividends on investments	10,461	2,785	288	13,534	2,808
Purchase of investments	-	(6,495)	-	(6,495)	-
Net cash provided by (used in) investing activities	<u>10,461</u>	<u>(3,710)</u>	<u>288</u>	<u>7,039</u>	<u>2,808</u>
Net increase (decrease) in cash and cash equivalents	(857,182)	759	(174,783)	(1,031,206)	(1,641,670)
Cash and cash equivalents, beginning of period	4,264,061	1,346,248	346,753	5,957,062	4,195,374
Cash and cash equivalents, end of period	<u>\$ 3,406,879</u>	<u>\$ 1,347,007</u>	<u>\$ 171,970</u>	<u>\$ 4,925,856</u>	<u>\$ 2,553,704</u>
Classified as:					
Current assets	\$ 2,259,585	\$ 1,241,875	\$ 171,970	\$ 3,673,430	\$ 2,553,704
Restricted assets	1,147,294	105,132	-	1,252,426	-
Totals	<u>\$ 3,406,879</u>	<u>\$ 1,347,007</u>	<u>\$ 171,970</u>	<u>\$ 4,925,856</u>	<u>\$ 2,553,704</u>

Continued on next page

*The Accompanying Notes are an Integral Part of the Financial Statements.*



**City of Biloxi, Mississippi**  
**Statement of Cash Flow**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2014  
(Continued)

	Business-Type Activities-Enterprise Funds			Total Enterprise Funds	Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation		Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (1,226,758)	\$ (1,424,477)	\$ (175,071)	\$ (2,826,306)	\$ (2,633)
Adjustments not affecting cash					
Depreciation	1,911,944	1,406,555	-	3,318,499	-
Changes in assets and liabilities:					
Accounts receivable	229,583	4,114	-	233,697	-
Supplies inventory	(857,128)	-	-	(857,128)	-
Accounts payable and accrued expenses	160,742	20,275	-	181,017	-
Customer deposits	16,312	4,271	-	20,583	-
Net cash provided by (used in) operating activities	<u>\$ 234,695</u>	<u>\$ 10,738</u>	<u>\$ (175,071)</u>	<u>\$ 70,362</u>	<u>\$ (2,633)</u>
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	545,537	-	-	-	-
Contributions of capital assets from government	21,522,650	1,475,154	-	-	-

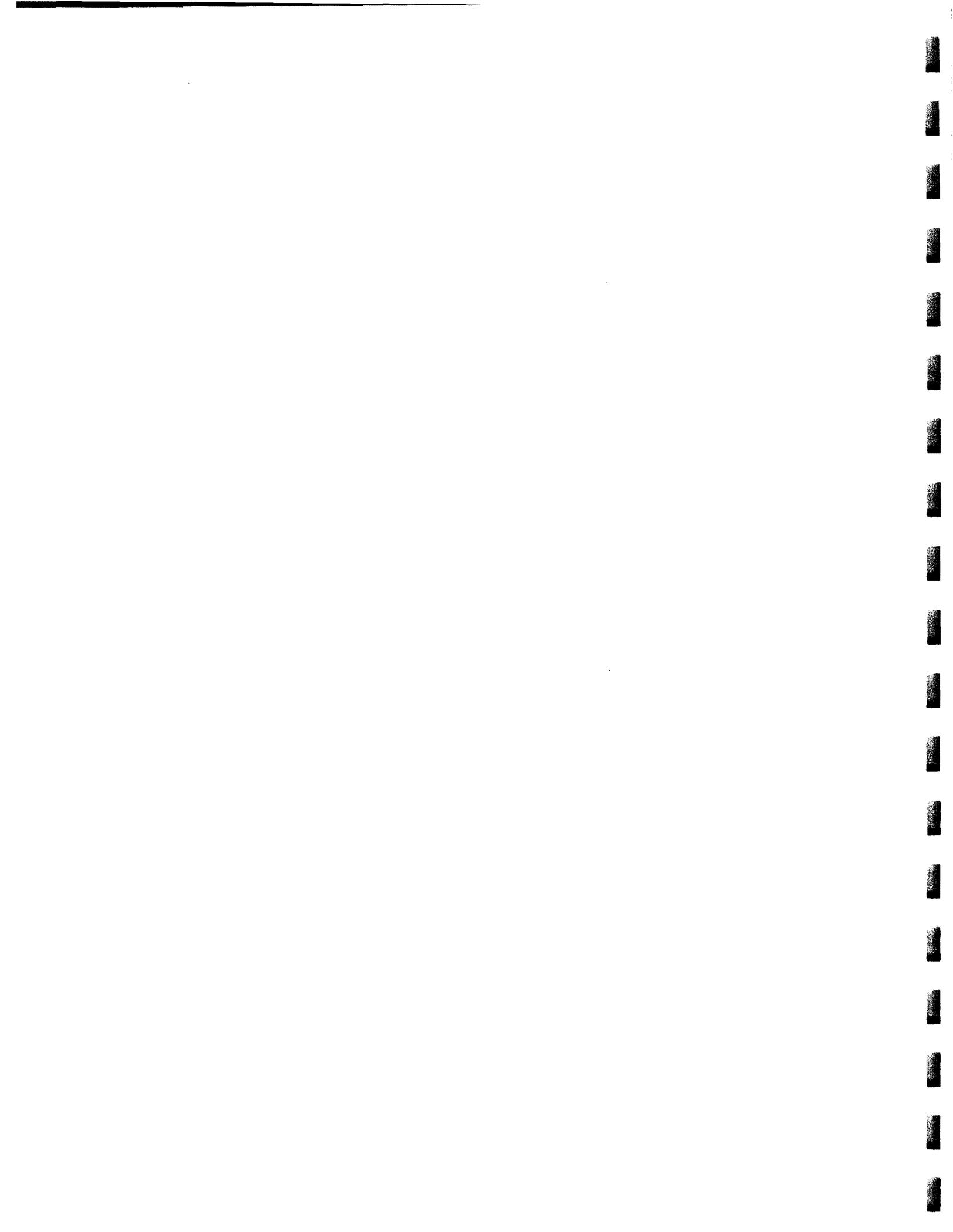
*The Accompanying Notes are an Integral Part of the Financial Statements.*



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
September 30, 2014

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**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2014

**I. Summary of Significant Accounting Policies**

The financial statements of the City of Biloxi, Mississippi (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The following is a summary of the more significant accounting policies of the City:

**(A) Reporting Entity**

The City of Biloxi, Mississippi was incorporated on February 8, 1838 under the laws of the State of Mississippi. The City operates under a Mayor-Council form of government and provides the following services: public safety, (police, fire and civil defense), public works (highways, streets, and sanitation), health and social services, culture-recreation, community development, planning and zoning, and general administrative services.

The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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. As required by GAAP, these financial statements present the City of Biloxi, Mississippi (the primary government) and its components. The component unit discussed in Note I (B) below is included in the City's reporting entity because of the significance of its operation and financial relationships with the City.

**(B) Component Unit Disclosure**

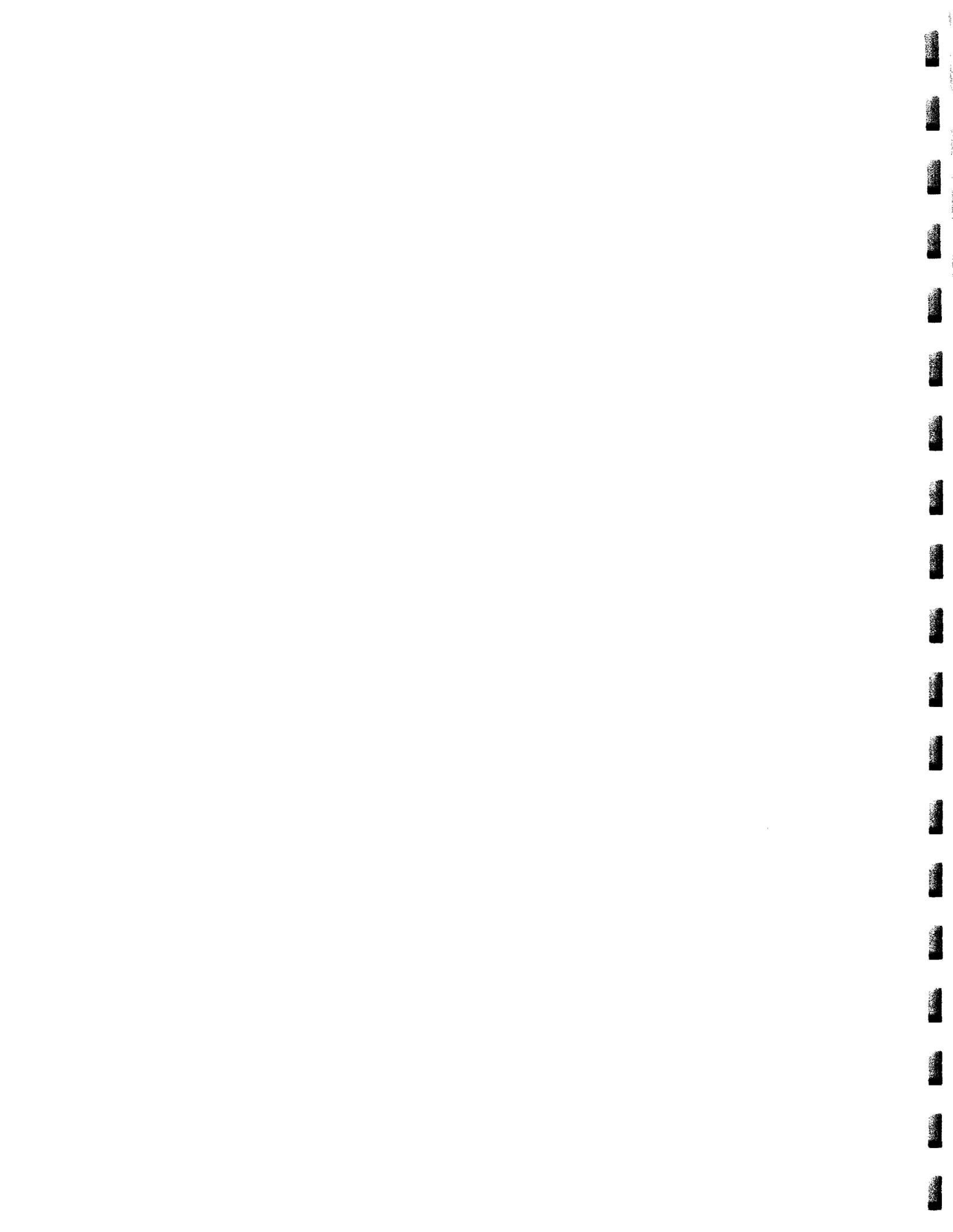
The criteria for including component units consist of identification of legally separate organizations for which the elected officials of the City are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the governments-wide financial statements to emphasize that they are legally separate from the government. The City presents its component unit using the blending method.

**(1) Blended Component Unit: Point Cadet Development Corporation**

The Point Cadet Development Corporation (PCDC), a non-profit corporation, is governed by a three member board whose president is always the current Mayor of the City of Biloxi, Mississippi. Although it is legally separate from the City, PCDC is reported as part of the primary government because its sole purpose is to finance, develop and manage City owned property. PCDC provides services solely to the City of Biloxi, Mississippi and is reported as an enterprise fund using the blending method. PCDC does not issue separate financial statements.

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**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

**(2) Biloxi Port Commission / Biloxi Port Fund**

The Biloxi Port Commission (Commission) provides various services, including rental of pleasure and commercial berths, industrial building rentals, maintenance and operation of various harbors, wharves, piers, and channels, etc. The Commission had going concern issues and on July 24, 2003, the City assumed all of its management responsibilities. The Commissions' assets and liabilities were completely absorbed by the City during the fiscal year ending September 2004. Separate financial statements are no longer available.

**(C) Related Organizations**

The Biloxi Municipal Separate School District has been excluded from the reporting entity, because it is an "other stand-alone government". The school district is a related organization of, but not a component unit of the City of Biloxi, Mississippi. The governing authorities of the City do select a majority of the school district's board, but do not have ongoing financial accountability for the school district.

**(D) Joint Ventures and Jointly Governed Organizations**

Additionally, during its evaluation of potential component units, management identified one joint venture (Harrison County Utility Authority), and two jointly governed organizations (the Harrison County Library System and the Gulfport-Biloxi Regional Airport Authority).

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share the costs, risks and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients.

A jointly governed organization is similar in nature to a joint venture in that they provide goods and services to the citizenry of two or more governments. However, they do not meet the definition of a joint venture because there is no ongoing significant financial interest or responsibility by the participating governments.

**(E) Basic Financial Statements**

**Government-Wide and Fund Financial Statements**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

The government-wide financial statements, including the *statement of net position* and the *statement of activities*, report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from the statements. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely extensively on fees and charges for support. In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

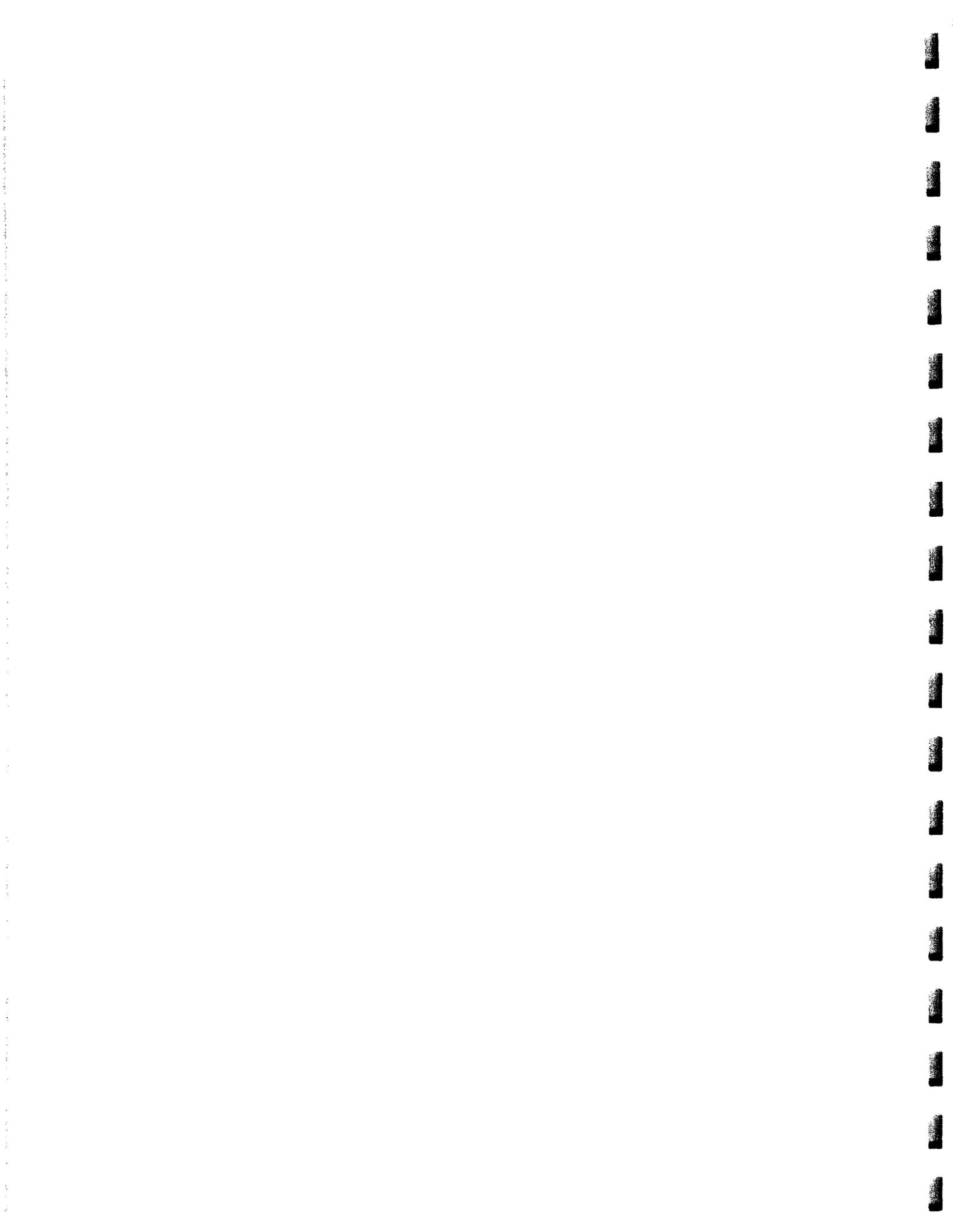
Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial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

**(F) Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, i.e., measurable and available to pay liabilities of the current period. *Available* means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recognized when the related fund liability is incurred, if measurable, except for interest on long-term debt and the long-term portion of accumulated compensated absences, which are recognized when due.

Year-end accruals of ad valorem taxes, sales taxes, gaming taxes and franchise fees are based upon actual collections of amounts remitted to the City within 60 days of year end. Anticipated refunds of taxes are recorded as liabilities and reductions of revenue when they are measurable.



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

Other licenses and permits, charges for services, fines and penalties, and miscellaneous revenues are recorded as revenues when they are received as they are generally not measurable until actually received; however, charges for services which are measurable are recorded as revenue in the period earned.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33 the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

The financial transactions of the City are recorded in the individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets liabilities, reserves, fund equity, revenues and expenditures / expenses. The various funds are reported by generic classification within the financial statements.

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The City has electively added the General Bond and Interest Fund as a major fund. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

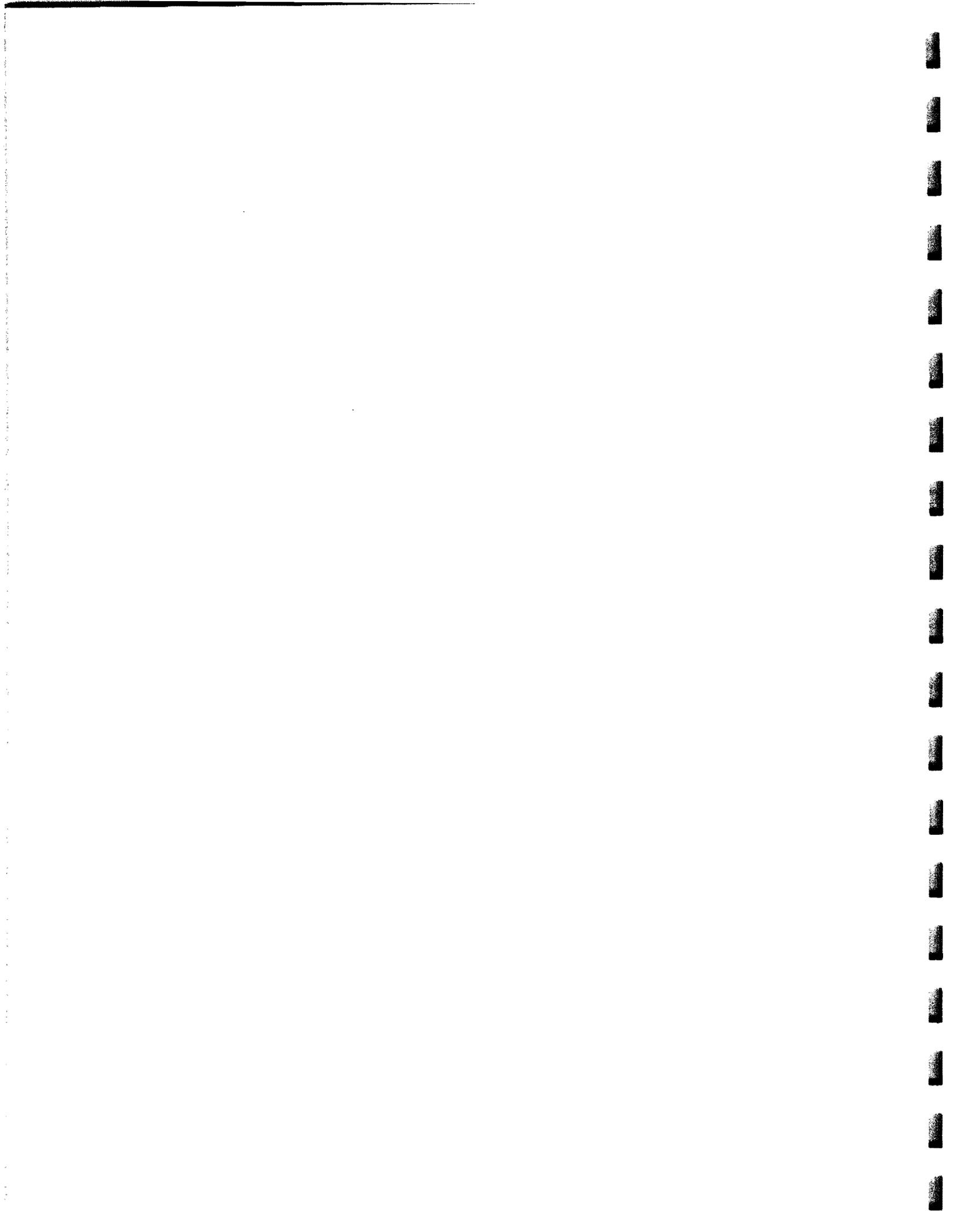
The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal operations. The principal operating revenues of the Water and Sewer fund and PCDC are charges to customers for sales and services. The City insurance funds bill the other funds to cover insurance premiums and claims. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of the basic financial statements in conformity with GAAP requires management to make use of estimates that affect reported amounts in the basic financial statements. Actual results could differ from estimates.

**(G) Fund Types and Major Funds**

**Governmental Funds**

Governmental funds are those funds through which the City finances most of its municipal services and are accounted for on the basis of a spending measurement focus. The focus on governmental funds is on the determination of changes in financial position rather than upon net income determination. The City's governmental funds are as follows:



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

**General Fund** is the City's primary operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in a separate fund.

**General Capital Projects Fund** is used to account for the City's capital projects. Revenues are received primarily from the General Fund.

**Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Other Non-Major Governmental Funds** is a summarization of all of the non-major governmental funds including:

**Special Revenue Funds**

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Capital Projects Funds**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Proprietary Funds**

The focus of Proprietary Fund measurement is upon determination of operating income, changes in fund net position, financial position, and cash flows, which is similar to businesses. The following is a description of the Proprietary Funds of the City:

**Water and Sewer Fund** accounts for the activities of the City's water and sewer system.

**Biloxi Port Fund** accounts for the activities of the City's harbors, wharves, piers and channels.

**Non-Major Proprietary Fund** – Point Cadet Development Corporation (a blended component unit) accounts for the activities of PCDC.

**Internal Service Funds**

Like commercial enterprises, a governmental unit may decide to accept certain risk rather than insure against those risks. As part of the City's self-insurance program, Internal Service Self-Insurance Reserve Funds have been established to account for the actual cost of claims, reinsurance, and reserves. The City's Internal Service Funds administer the risk for workman's compensation, liability, automobile, casualty, health insurance and revenue interruption due to catastrophic damage to the gaming industry. The Internal Service Funds in turn charge the other City funds for their allocable share of these net costs.

**Non-Current Governmental Assets / Liabilities**

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

Activities column in the government-wide Statement of Net Position.

**(H) Assets, Liabilities and Net Position or Equity**

**Cash and Cash Equivalents**

The City considers cash on hand, cash with fiscal agents, demand deposit, certificates of deposit and bank repurchase agreements as cash and cash equivalents. In addition, each fund's equity in the City's investment pool has been treated as a cash equivalent since cash may be deposited or withdrawn from the pool at any time without prior notice or penalty.

**Investments**

Investments are stated at fair value.

**Accounts Receivable**

Accounts receivable are recorded in the Governmental, Business-type, and Component Unit Funds. Where appropriate, an associated allowance for doubtful accounts has been established in the related fund.

**Inventories and Prepaids**

Governmental and Proprietary Fund inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Prepaids consist of premiums paid on insurance policies extending beyond year end.

**Capital Assets**

Capital assets, including land, buildings, improvements other than buildings, infrastructure (i.e., roads, bridges, street lighting and other similar items) and equipment are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. The City's capitalization levels are as follows: purchased assets costing more than \$500 are capitalized; building renovations are capitalized when their cost exceeds 25% of the building's previously capitalized cost and if the repair extends the building's estimated useful life; contributed capital assets are capitalized and recorded at the estimated market value at the time of the contribution. Assets acquired using capital lease obligations are treated in the same manner as purchased capital assets.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40-50 years
Improvements	40-50 years
Infrastructure	20-60 years
Equipment	3-15 years



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

**Compensated Absences**

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. For proprietary funds and the government-wide statements, the current portion is the amount estimated to be used in the following year.

**Post Employment Health Care Benefits**

The City does not have costs associated with post-employment benefits for retired employees.

**Interfund Transactions**

Numerous interfund transactions occur during the normal course of operations of the City. Disbursements made by one fund which are properly chargeable to another fund result in the creation of interfund receivables and payables. This type of transaction is normally settled by a cash payment between the funds. All other interfund transactions are accounted for as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government wide columnar presentation.

**Advances to Other Funds**

Various funds have made short-term advances to other funds. These advances, shown as "Due From Other Funds", are temporary in nature, bear no interest, and are considered "available spendable resources". Long-term advances, if any, are those for which the timing of repayment is uncertain: thus, an allocable portion of fund balance would be reserved in governmental funds.

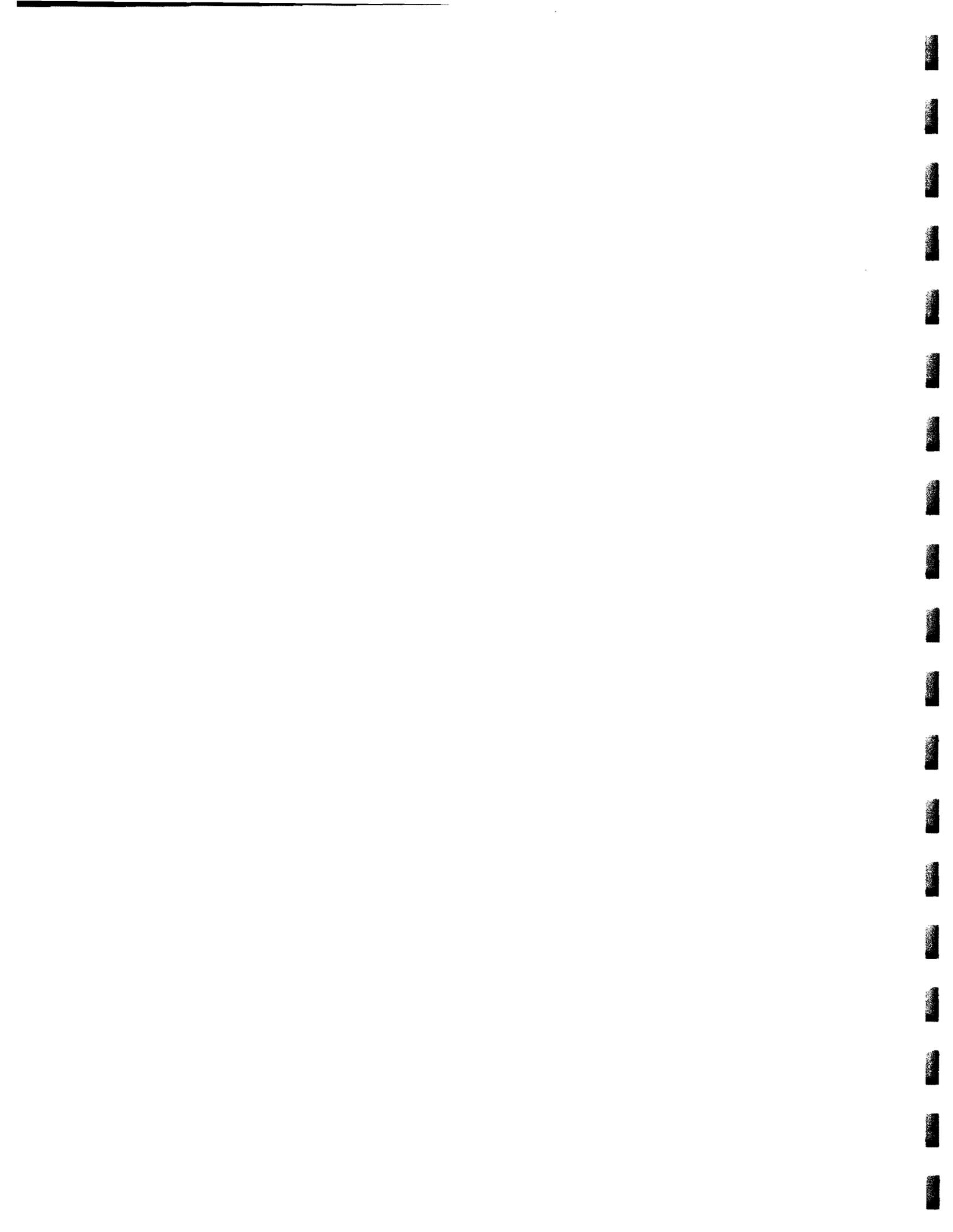
**Estimated Insurance Claims Payable**

The City is self insured for general liability, property, automobile, workers' compensation and employee health claims. The operating funds are charged premiums by the City's insurance internal service funds. The accrued liabilities for estimated claims represent an estimate of the eventual loss on claims arising prior to year-end including claims incurred and not yet reported.

**Long-Term Debt**

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 Position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financing uses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

Historically, the City's bond discounts/premiums have not been material.

**Unearned Revenue and Deferred Inflows of Resources**

Unearned revenue is a liability that arises when resources are obtained before revenue recognition criteria, other than time recognition criteria, have been satisfied. Resources that are obtained before time recognition criteria have been satisfied are classified as deferred inflows of resources.

**Fund Equity**

Beginning with fiscal year 2011, the City implemented, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (Statement). This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the related strength of spending constraints:

**Nonspendable fund balance**—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

**Restricted fund balance**—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**Committed fund balance**—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

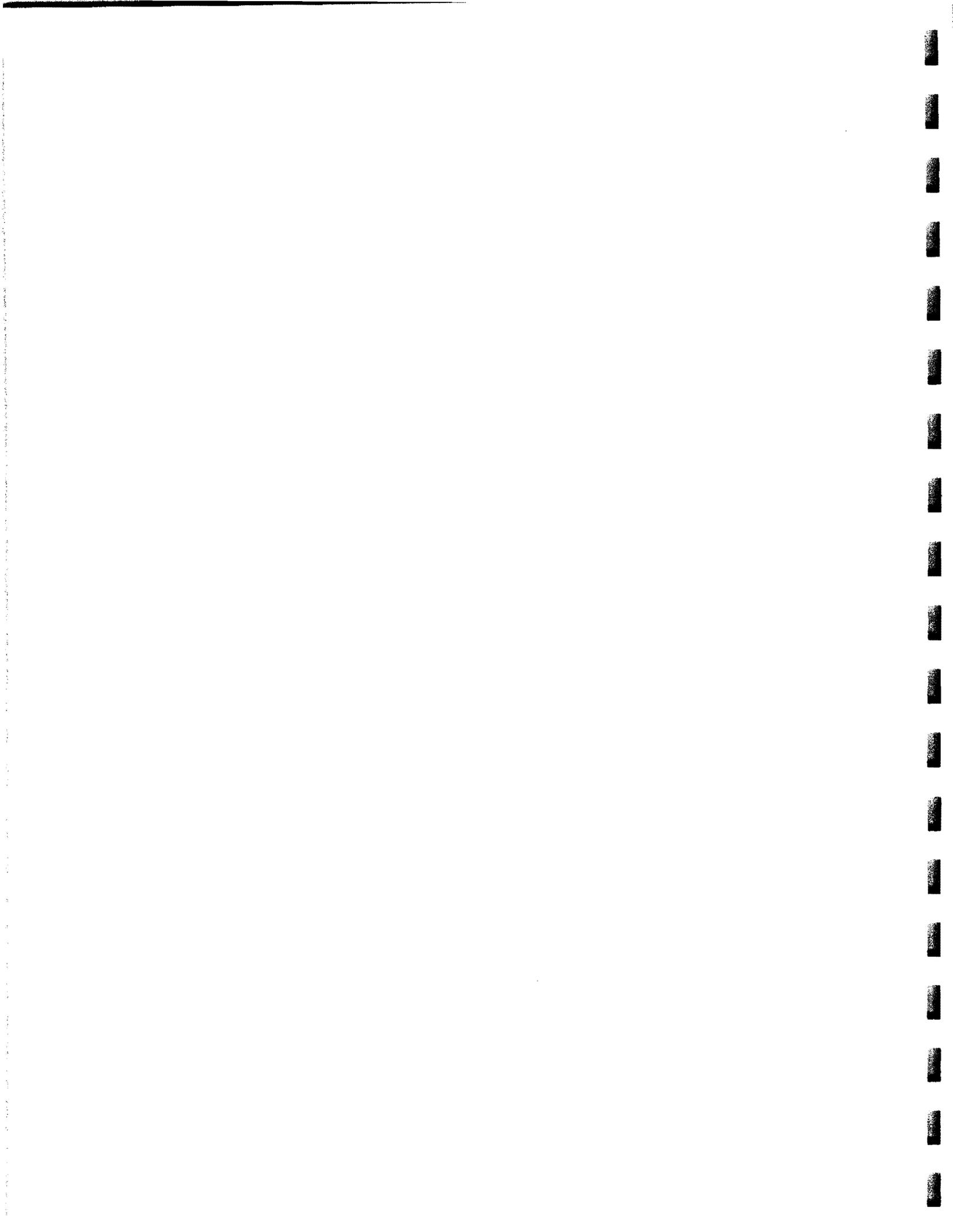
**Assigned fund balance**—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates authority.

**Unassigned fund balance**—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment of actions.

**II. Stewardship, Compliance, and Accountability**

**A. Budgetary Data**

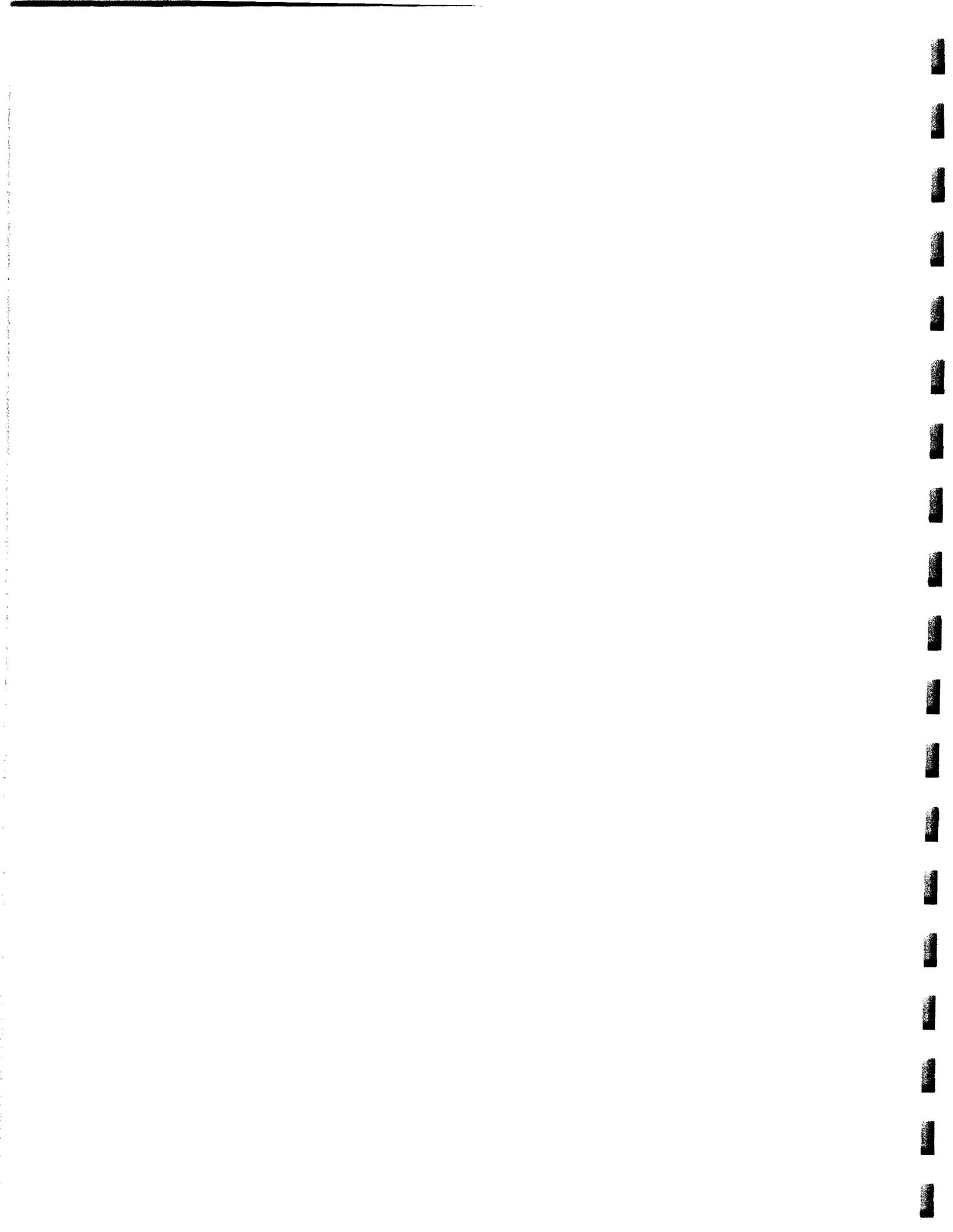
The procedures used by the City in establishing the budgetary data reflected in the combined financial statements are as follows:

1. Prior to October 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Not later than September 15, the budget is legally enacted through passage of a resolution.
4. The budgetary comparisons present budget figures at the legal level of control. The City legally adopts annual budgets for all funds. The City Council formally adopts the annual budget for the general fund with revenues segregated by source (ad valorem tax, licenses and permits, intergovernmental, etc.). The general fund expenditure budget is set at the character level (current, capital outlay, debt service) for each department (function) with current expenditures further detailed at the object class level (personal services, supplies, other services and charges, and contractual services).

For special revenue and debt service funds, the budgets for revenues are set up at the source level and expenditures budgets are set at the total expenditure level by fund type.

The budget for capital project funds is adopted at total fund type level with the revenue budget set at the source level and expenditures set at the total expenditure level. Proprietary fund budgets are adopted for the Water and Sewer Fund and for the Port Fund with revenues delineated at the source level (total intergovernmental revenue and total charges for services) and expenditure budgets delineated by character (current, capital outlay debt service).

State statutes authorize the State Auditor to regulate the municipal budget process. Expenditures must be defined to the minimum level prescribed by the State Auditor. The State Auditor has set this level at the purpose level. Municipalities are prohibited from spending in excess of the lowest level adopted in the budget except for the capital outlay, election expense and emergency warrants.



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

Formal budgetary integration at the “account level” is employed by management for expenditure control purposes. Management may transfer budget between expenditure accounts within each character grouping of the expenditure accounts for each department.

The City’s budgets are adopted in accordance with state statutes and regulations of the State Auditor and not on a basis consistent with Generally Accepted Governmental Accounting Principles. The budgets for revenues are on a cash basis – revenue is recognized if actually received within the year. Budgeted expenditures are on the cash basis with allowance for encumbrances for goods and services actually received prior to year-end and liquidated (paid) within thirty days after year-end. Accounting principles applied in preparation of the budget comparison statements differ from the generally accepted accounting principles used in preparation of the fund financial statements. These differences in the principles used results in timing differences in the recognition of revenues and expenditures. Below is a reconciliation of the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual – Budget Basis to the General Fund column of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds:

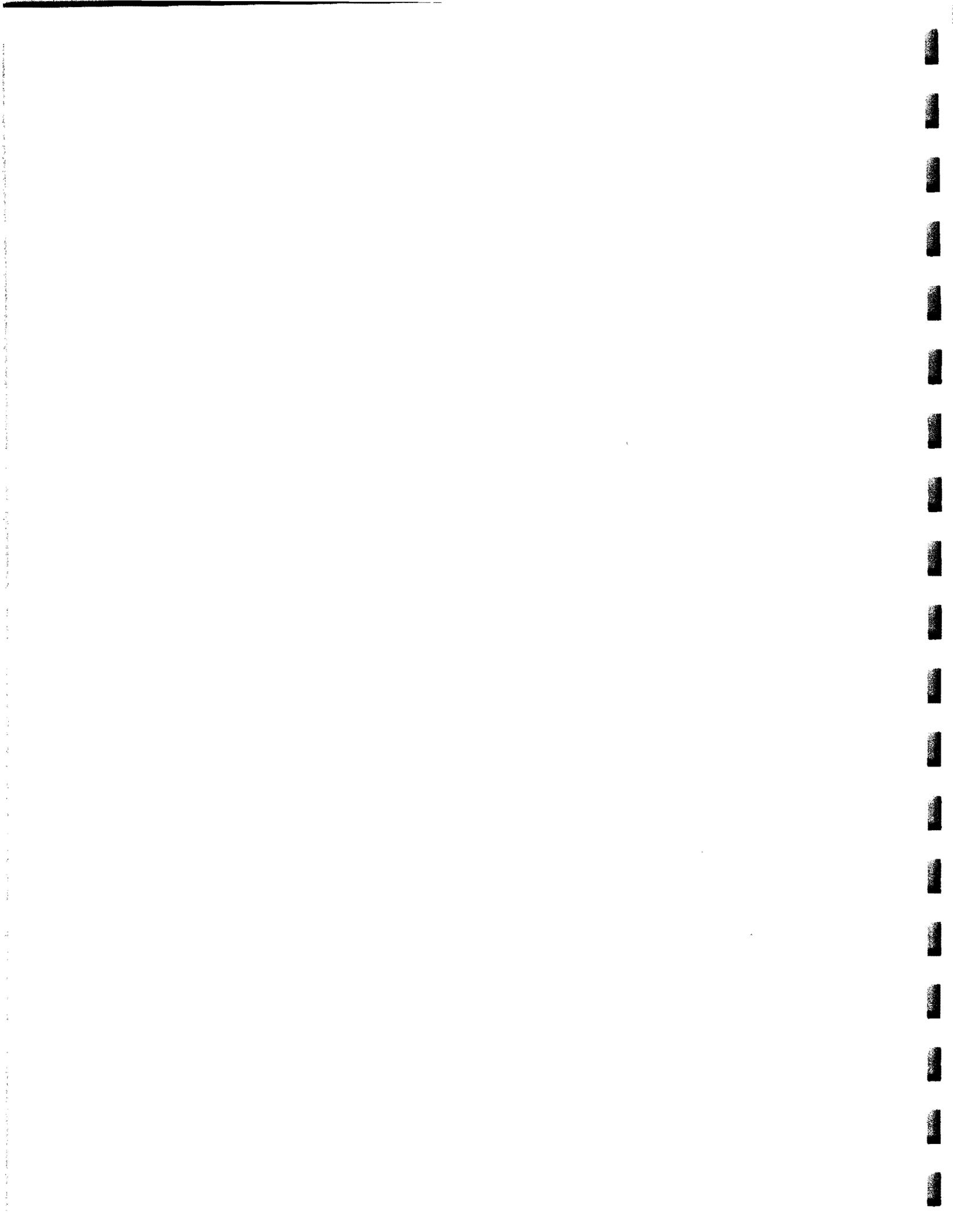
	General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	\$( 2,306,992)
<b>Adjustments</b>	
To convert receivables	( 794,808)
To convert prepaids	( 567,671)
To convert liabilities	( 579,609)
Totals, GAAP basis	<u>\$( 4,249,080)</u>

**B. Excess Expenditures Over Appropriations in Individual Funds**

For the year ended September 30, 2014, expenditures exceeded appropriations in the nondepartmental (the legal level of budgetary control) of the general fund by \$43,786. This over expenditure was funded by the general fund balance.

**C. Deficit Fund Equity**

There were no funds with net equity in a deficit position.



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

**III. Detail Notes - All Funds**

**A. Property and Gaming Tax Revenues**

**Property Tax**

The City levies a tax on real and personal property based on the assessed value of property as compiled by the Harrison County Tax Assessor. The taxes on real and personal property attach as an enforceable lien on the property as of January 1 of each year. Taxes on real and personal property are levied by the City Council at the first regular meeting in September. Through an inter-local agreement, all of the property taxes of the City of Biloxi, Mississippi are collected by the Harrison County Tax Collector and remitted as tax settlements (less an appropriate collection fee) to the City on a monthly basis. Taxes for the Biloxi Municipal Separate School District are also billed and collected by the county and remitted to the schools through the City.

In accordance with the Mississippi Code of 1972, as amended, the City Council may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for any one year may not exceed one hundred and ten percent (110%) of the taxes collected for the prior assessment year. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation. In addition, the City Council may levy additional taxes for specific purposes, such as culture and recreation, as authorized by law.

The tax levies for the calendar years 2014, 2013 and 2012 (taxes collected in the fiscal years ending 9/30/15, 9/30/14, and 9/30/13) are as follows:

	<u>9/30/15</u>	<u>9/30/14</u>	<u>9/30/13</u>
	Millage	Millage	Millage
<b>City Funds</b>			
General Fund	18.65	17.15	17.15
Special revenue funds:			
Disability and Relief (Pension) Funds	2.50	2.50	2.50
Debt Service Funds	7.70	9.20	9.20
Solid waste collection and disposal	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>
Total City administered funds	<u>30.10</u>	<u>30.10</u>	<u>30.10</u>
<b>School Funds</b>			
District maintenance	37.96	36.82	35.16
School debt	<u>5.41</u>	<u>6.23</u>	<u>7.89</u>
Total School administered funds	<u>43.37</u>	<u>43.05</u>	<u>43.05</u>
 Total levy	 <u><u>73.47</u></u>	 <u><u>73.15</u></u>	 <u><u>73.15</u></u>



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

**Gaming Revenue**

In 1992, the citizens of Harrison County voted to allow dockside casino gaming as defined by the Mississippi Gaming Control Act of 1990. In August of 1992, the first casino opened at Biloxi's Point Cadet development. As of September 30, 2014, there were seven casinos operating within the City of Biloxi, Mississippi. Gaming activities are taxed in a variety of ways. The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City of Biloxi, Mississippi receive .4 to .8 percent. This tax is divided 73.4% to the County, and 26.6% to the City of Biloxi, Mississippi. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City of Biloxi, Mississippi, through local ordinance in accordance with state law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the General Fund, (20% of which is designated for public safety); 20% to the Biloxi Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County Schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. The following is an analysis of the gaming revenues reported in the General Fund:

Local option 3.2% tax	\$ 15,615,077
Local share of state tax	1,521,934
Gaming licenses and permits	<u>1,668,315</u>
Total gaming revenues	<u>\$ 18,805,326</u>

**B. Deposits and Investments**

The City deposits funds in financial institutions selected by the City Council in accordance with state statutes. Furthermore, the City invests excess funds in various investment instruments that are allowed by statutes. Various restrictions on deposits and investments are imposed by statutes. Deposits and investments are summarized below.

**Deposits –**

Deposits consist of cash amounts in demand accounts and certificates of deposit. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. By using this multiple financial institution collateral pool, all of the City's deposits at September 30, 2014 fall into the credit risk category of "*Insured or collateralized with securities held by the entity or by its agent in the entity's name*". Deposits are summarized as follows:



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 29,183,908	\$ 32,389,137
Certificates of deposit	<u>1,281,838</u>	<u>1,281,838</u>
Total deposits	<u>\$ 30,465,746</u>	<u>\$ 33,670,975</u>

Cash and cash equivalents for cash flows of Proprietary Funds include all cash accounts and certificates of deposit.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository failure, the City’s deposits may not be returned to it. The City does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer’s office to manage that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions’ trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. By signed agreement the Mississippi State Treasurer’s office is acting on behalf of the City.

**Investments**

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved. At September 30, 2014, investments consisted of the following:

	<u>Reported Amount</u>	<u>Fair Value</u>
Investments held by the City or the City’s safekeeping agent, and registered in the name of the City:		
Investments not categorized:		
Money Market Mutual Funds	\$ <u>32,597,054</u>	\$ <u>32,597,054</u>

Interest Rate Risk. This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. 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. Most of the City’s investments are in Money Market Mutual funds which have an investment maturity of less than one year.



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. More than 5 percent of the City's investments are in Money Market Mutual Funds. These are 100% of the City's total investments.

Credit Risk. Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. All of the City's investments have been given the AAA rating.

**C. Receivables**

The Statement of Net Position of the City of Biloxi, Mississippi includes the following receivables at September 30, 2014:

Taxes receivable:	
Utility franchise taxes	\$ 897,058
Sales taxes	1,869,081
Ad valorem taxes	87,487
Gaming taxes and fees	<u>3,397,660</u>
Total taxes receivable	<u>\$ 6,251,286</u>
Customer accounts receivable:	
Garbage fees	\$ 278,679
Water and sewer utility charges (billed)	1,334,822
Port berth rentals	111,468
Less allowance for doubtful accounts	( 554,500)
Customer accounts receivable earned but not billed	<u>610,561</u>
Total customer accounts receivable, net	<u>\$ 1,781,030</u>
Grants receivable:	
Federal and state grants	<u>\$ 14,683,055</u>
Other receivables:	
Special assessments	\$ 106,916
Less allowance for doubtful accounts	( 99,217)
Liquor privilege tax	76,350
Due from county for debt service	1,200,000
Other	<u>1,111,958</u>
Total other receivables	<u>\$ 2,396,007</u>

**D. Prepays**

Prepays at September 30, 2014 consist of the following:

Prepaid insurance premiums	\$ <u>1,038,687</u>
Total prepaids	<u>\$ 1,038,687</u>



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

**E. Interfund Receivables and Payables**

<u>Individual Interfund Balances at September 30, 2014</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund		
General Capital Projects to fund project costs	\$ 76,082	\$ -
Claims contingency fund for claims and expenses	<u>-</u>	<u>1,946,802</u>
Total General Fund	<u>76,082</u>	<u>1,946,802</u>
General Capital Projects Fund:		
General Fund to fund project costs	-	76,082
2014 General Obligation Bond Fund to fund project costs	359,161	-
2014 Special Obligation Bond Series to fund project costs	1,096,089	-
Debt Service Fund to fund project costs	-	8,925,819
Water and Sewer Fund to fund project costs	-	4,303,091
Biloxi Port Fund to fund project costs	<u>17,623,052</u>	<u>-</u>
Total General Capital Projects Fund	<u>19,078,302</u>	<u>13,304,992</u>
Debt Service Fund		
2014 General Obligation Bond Fund for interest expenses		17,972
General Capital Projects Fund to fund project costs	<u>8,925,819</u>	<u>-</u>
Total Debt Service Fund	<u>8,925,819</u>	<u>17,972</u>
2014 General Obligation Bond Fund		
Debt Service Fund for interest expenses	17,972	-
General Capital Projects Fund to fund project costs	<u>-</u>	<u>359,161</u>
Total 2014 TIF Capital Projects Bond Fund	<u>17,972</u>	<u>359,161</u>
2014 Special Obligation Bond Series		
General Capital Projects Fund to fund project costs	<u>-</u>	<u>1,096,089</u>
Total 2014 Special Obligation Bond Series	<u>-</u>	<u>1,096,089</u>
Enterprise Fund:		
Water and Sewer Fund for claims and expenses	-	117,450
Water and Sewer Fund to General Capital Projects Fund	4,303,091	-
Biloxi Port Fund for claims and expenses	-	72,050
Biloxi Port Fund to General Capital Projects Fund	<u>-</u>	<u>17,623,052</u>
Total Enterprise Fund	<u>4,303,091</u>	<u>17,812,552</u>
Internal Service Self-Insurance:		
Claims Contingency Fund from General Fund for claims and expenses	1,946,802	-
Claims Contingency Fund from Water and Sewer Fund for claims and expenses	117,450	-
Claims Contingency Fund from Biloxi Port Fund for claims and expenses	<u>72,050</u>	<u>-</u>
Total Internal Service Self-Insurance	<u>2,136,302</u>	<u>-</u>
Totals	<u>\$ 34,537,568</u>	<u>\$ 34,537,568</u>



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

The composition of interfund transfers for the year ended September 30, 2014 was as follows:

Transfers From	Transfers Into		
	General Capital Projects Fund	Water & Sewer Fund	Total
General Fund	\$ 806,303	\$ 22,619	\$ 828,922
General Capital Projects Fund	-	21,011,900	21,011,900
2014 General Obligation Bond Fund	1,576,537	-	1,576,537
Tax Increment Junior Lien Limited Obligation Bond Series 2014	1,932,682	-	1,932,682
2014 Special Obligation Bond Series	4,625,432	-	4,625,432
Nonmajor governmental funds			
2012 GO Capital Projects Bond Fund	99,876	-	99,876
2002 TIF Capital Projects Bond Fund	40,758	-	40,758
Total nonmajor governmental funds	140,634	-	140,634
Total governmental funds	9,081,588	21,034,519	30,116,107
Biloxi Port Fund	219,920	-	219,920
Totals	<u>\$9,301,508</u>	<u>\$ 21,034,519</u>	<u>\$ 30,336,027</u>

Transfers are used to 1) move revenues from the fund with the collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

During the year ended September 30, 2014, all transfers to the General Capital Projects Fund were to provide funding for current or future capital projects. Transfers from the General Capital Projects Fund to the proprietary funds were for completed capital projects to be utilized by each individual proprietary fund. Transfers from the Internal Service Fund to the General Fund were made to support the fund balance for the General Fund. Transfers from the General Fund to the Water & Sewer Fund were fixed assets for use by that fund.



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

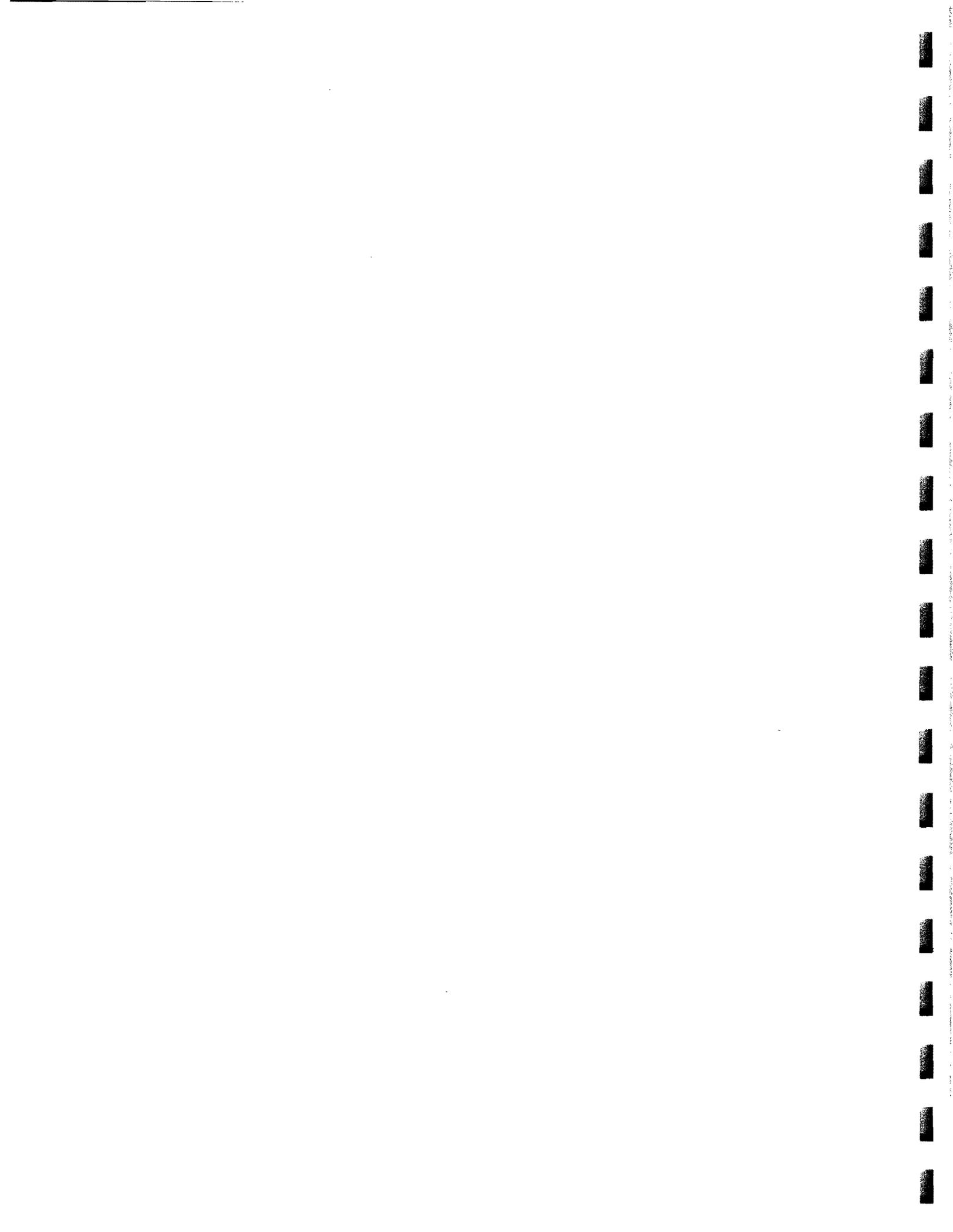
**F. Capital Asset Activity**

Capital assets activity for year ended September 30, 2014 was as follows:

	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 46,304,367	\$ 589,970	\$ -	\$ 46,894,337
Construction in progress	25,516,606	29,643,174	11,023,064	44,136,716
Total capital assets not being depreciated	<u>71,820,973</u>	<u>30,233,144</u>	<u>11,023,064</u>	<u>91,031,053</u>
Capital assets being depreciated				
Buildings	69,870,088	7,497,092	-	77,367,180
Improvements other than buildings	23,042,841	1,177,170	-	24,220,011
Machinery and equipment	38,927,548	1,178,801	905,883	39,200,466
Infrastructure - streets and drainage	160,770,157	3,130,915	-	163,901,072
Total capital assets being depreciated	<u>292,610,634</u>	<u>12,983,978</u>	<u>905,883</u>	<u>304,688,729</u>
Less accumulated depreciation for:				
Buildings	10,831,036	2,417,295	-	13,248,331
Improvements other than buildings	2,673,874	1,267,299	-	3,941,173
Machinery and equipment	30,196,150	2,112,977	801,838	31,507,289
Infrastructure - streets and drainage	51,013,585	3,043,524	-	54,057,109
Total accumulated depreciation	<u>94,714,645</u>	<u>8,841,095</u>	<u>801,838</u>	<u>102,753,902</u>
Net capital assets being depreciated	<u>197,895,989</u>	<u>4,142,883</u>	<u>104,045</u>	<u>201,934,827</u>
Net governmental activities assets	<u>\$ 269,716,962</u>	<u>\$ 34,376,027</u>	<u>\$ 11,127,109</u>	<u>\$ 292,965,880</u>
<b>Business type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 829,243	\$ -	\$ -	\$ 829,243
Construction in progress	58,381,570	22,997,805	12,931,529	68,447,846
Total capital assets not being depreciated	<u>59,210,813</u>	<u>22,997,805</u>	<u>12,931,529</u>	<u>69,277,089</u>
Capital assets being depreciated				
Equipment	5,573,401	58,699	234,082	5,398,018
Water and sewer system	77,975,338	7,480,382	-	85,455,720
Port buildings & improvements	40,514,242	5,996,684	-	46,510,926
Total capital assets being depreciated	<u>124,062,981</u>	<u>13,535,765</u>	<u>234,082</u>	<u>137,364,664</u>
Less accumulated depreciation for:				
Equipment	3,211,964	273,532	182,132	3,303,364
Water and sewer system	41,131,546	1,655,064	-	42,786,610
Port buildings and improvements	8,624,344	1,389,903	-	10,014,247
Total accumulated depreciation	<u>52,967,854</u>	<u>3,318,499</u>	<u>182,132</u>	<u>56,104,221</u>
Net capital assets being depreciated	<u>71,095,127</u>	<u>10,217,266</u>	<u>51,950</u>	<u>81,260,443</u>
Net business type activities assets	<u>\$ 130,305,940</u>	<u>\$ 33,215,071</u>	<u>\$ 12,983,479</u>	<u>\$ 150,537,532</u>

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**City of Biloxi, Mississippi**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 211,125
Community development	637,222
Cultural affairs	517,957
Parks and recreation	2,104,309
Public safety	1,995,706
Public works	331,252
Infrastructure	<u>3,043,524</u>
Total depreciation expense – governmental activities	<u>\$ 8,841,095</u>
Business-type activities	
Water and sewer	\$ 1,911,944
Port Fund	<u>1,406,555</u>
Total depreciation expense – business-type activities	<u>\$ 3,318,499</u>

**Leased assets**

The City is the lessor of certain real property in both its governmental and enterprise funds. The following is a summary of this leased property:

	<u>Govern- Mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Cost	\$ 2,032,642	\$ 48,171,814	\$ 50,204,456
Accumulated depreciation	<u>-</u>	<u>(10,197,098)</u>	<u>(10,197,098)</u>
Carrying amount	<u>\$ 2,032,642</u>	<u>\$ 37,974,716</u>	<u>\$ 40,007,358</u>
Depreciation expense	<u>\$ -</u>	<u>\$ 1,406,555</u>	<u>\$ 1,406,555</u>

**G. Leases**

**Capital Leases**

During the fiscal year ended September 30, 2008 the City entered into a capital lease with Hancock Bank to finance a lighting project. The amount financed was \$438,782 at the fixed, simple interest rate of 4.15% for seven years. Title to the equipment is held in the name of the City and Hancock Bank as lien holder. The lease terms include a non-appropriation clause; however, the possibility of non-appropriation is remote. The lease does not include any contingent or purchase option payments or penalties. There are no restrictions on the City's use of the lighting equipment and the City insures the equipment. The City has accounted for the lease as a financing arrangement.



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

During the fiscal year ended September 30, 2012 the City entered into three capital leases with Hancock Bank to finance the purchase of various equipment. The total purchase amount financed was \$603,200 at the fixed, simple interest rate of 1.99% for five years. Title to the equipment is held in the name of the City and Hancock Bank as lien holder. The lease terms include a non-appropriation clause; however, the possibility of non-appropriation is remote. The lease does not include any contingent or purchase option payments or penalties. There are no restrictions on the City's use of the equipment and the City insures the equipment. The City has accounted for the lease as a financing arrangement.

The City will make the following payments of principal and interest:

Fiscal Year Ended September 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 132,851	\$ 4,920	\$ 137,771
2016	<u>123,261</u>	<u>2,453</u>	<u>125,714</u>
	<u>\$ 256,112</u>	<u>\$ 7,373</u>	<u>\$ 263,485</u>

Assets acquired through capital leases are:

<u>Asset</u>	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>
Fire Truck	\$ 897,699	\$ -
Lighting	438,782	-
Breathing Apparatus	274,275	-
Radio Equipment	208,073	-
Four (4) 2012 Chevy Tahoes	<u>120,852</u>	-
	<u>\$ 1,939,681</u>	<u>\$ -</u>

Future minimum lease payments and the net present value of the lease payments are:

<u>Year Ended September 30</u>	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>
2015	\$ 137,771	\$ -
2016	<u>125,714</u>	-
Total minimum lease payments	263,485	-
Less: amount representing interest	<u>(7,373)</u>	-
Present value of minimum lease payments	<u>\$ 256,112</u>	<u>\$ -</u>



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

**H. Long-Term Debt**

The following is a summary of bond and other long-term debt transactions of the City for the year ended September 30, 2014:

	Beginning 10/01/13	Additions	Deletions	Ending 9/30/14	Amounts Due Within One Year
<b>Governmental activities</b>					
General Obligation Bonds and Notes	\$ 15,080,000	\$ 35,000,000	\$ 2,290,000	\$ 47,790,000	\$ 2,195,000
Limited Obligation Bonds	36,502,925	1,995,000	2,452,428	36,045,497	2,512,754
Capital leases	444,859	-	188,747	256,112	132,851
Compensated absences	<u>7,699,448</u>	<u>2,057,935</u>	<u>1,606,468</u>	<u>8,150,915</u>	<u>2,037,729</u>
Total governmental activities	<u>\$ 59,727,232</u>	<u>\$ 39,052,935</u>	<u>\$ 6,537,643</u>	<u>\$ 92,242,524</u>	<u>\$ 6,878,334</u>
<b>Business-type Activities</b>					
Water and Sewer, pollution control loans	\$ 3,528,580	\$ 169,579	\$ 223,972	\$ 3,474,187	\$ 229,759
Water and Sewer, drinking water improvement loans	1,122,004	-	48,009	1,073,995	48,953
Limited tax port bonds	1,240,000	-	150,000	1,090,000	155,000
Compensated absences	<u>307,516</u>	<u>158,191</u>	<u>110,989</u>	<u>354,718</u>	<u>88,680</u>
Total business-type activities	<u>\$ 6,198,100</u>	<u>\$ 327,770</u>	<u>\$ 532,970</u>	<u>\$ 5,992,900</u>	<u>\$ 522,392</u>

Bonds, notes, and other long-term debt payable at September 30, 2014 are comprised of the following individual issues:

<b>Governmental Activities</b>	Original Issue	Range of Interest Rates	Amount Outstanding 9/30/14
<b>General Obligation Bonds and Notes:</b>			
General Obligation Refunding Bonds, series 2011, due in annual installments of \$380,000 to \$1,240,000 through 12/1/2022	9,350,000	2.00%-2.625%	\$ 7,420,000
General Obligation Bonds, series 2012, due in annual installments of \$335,000 to \$505,000 through 4/1/2027	6,000,000	2.00%-2.40%	5,370,000
General Obligation Bonds, series 2014, due in annual installments of \$755,000 to \$1,140,000 through 1/1/2029	14,000,000	3.00%-4.00%	14,000,000
Mississippi Development Bank Special Obligation Bonds, series 2014, due in annual installments of \$765,000 to \$1,590,000 through 3/1/2034	21,000,000	3.50%-4.75%	<u>21,000,000</u>
Total General Obligation Bonds			<u>\$ 47,790,000</u>

(Continued)



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

	Original Issue	Range of Interest Rates	Amount Outstanding 9/30/14
<b>Limited Obligation Bonds and Notes:</b>			
Mississippi Development Bank promissory note, due in monthly installments of \$58,126 plus interest through 2/28/2015, monthly installments of \$41,459 plus interest through 3/30/2018 and then monthly installments of \$22,642 plus interest through 1/31/2019. Interest is based upon The Bond Market Association (TBMA) index plus 105 basis points.	\$10,000,000	TBMA plus 1.05%	\$ 2,069,730
Mississippi Development Association loan, due in annual installments of \$33,608, through 12/31/2022, secured by City sales tax, payable by Harrison County Development Commission	500,000	3.00%	228,083
Tax Increment Limited Obligation Refunding Bonds, series 2006 A, due in annual installments of \$1,420,000 to \$2,700,000 through 11/1/2027	31,685,000	4.50%-5.00%	28,700,000
Mississippi Development Bank promissory note, due in monthly installments of \$24,618 plus interest through 1/31/2025. Interest rate is variable.	4,500,000	1.5%-2.5%	3,052,684
Tax Increment Junior Lean Limited Obligation Bonds, series 2014, due in annual installments of \$120,000 to \$145,000 through 4/15/2029	1,995,000	4.07%	<u>1,995,000</u>
Total Limited Obligation Bonds and Notes			<u>\$ 36,045,497</u>
<b>Other General Long-Term Debt:</b>			
Hancock Bank capital lease, amortized in monthly installments of \$6,028 through 11/29/2014	\$ 438,782	4.15%	\$ 11,994
Hancock Bank capital lease, amortized in annual installments of \$125,714 through 8/1/2016	603,200	1.99%	<u>244,118</u>
Total Other General Long-Term Debt			256,112
Compensated absences			<u>8,150,915</u>
Total governmental long-term debt			<u>\$ 92,242,524</u>
<b>Business Type Activities</b>			
<b>Water and Sewer Fund</b>			
State of Mississippi Pollution Control Loans, due in varying installments through 1/15/2036	\$ 9,480,015	1.75%-4.5%	\$ 3,474,187
State of Mississippi Drinking Water Improvement Loans, due in monthly installments of \$5,788 through 2/15/2033	1,133,861	1.95%	1,073,995
<b>Biloxi Port Fund</b>			
Limited Tax Port Bonds, series 1999 due in annual installments of \$155,000 to \$210,000 through 12/1/2019	2,500,000	5.80%-6.00%	<u>1,090,000</u>
Total business-type activities bonds and notes			<u>5,638,182</u>
Compensated absences			<u>354,718</u>
Total business-type activities long-term debt			<u>\$ 5,992,900</u>



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

The annual requirements to pay principal and interest on the bonds, notes and loans outstanding at September 30, 2014 follow and include interest on the variable rate debt.

Year Ended September 30.	Governmental Activities				Business-Type Activities	
	General Obligation		Limited Obligation		Port Bonds & Water and Sewer Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,195,000	\$ 2,328,566	\$ 2,512,754	\$ 1,471,821	\$ 433,712	\$ 144,912
2016	3,015,000	1,562,269	2,510,255	1,397,457	453,644	129,935
2017	3,115,000	1,475,681	2,596,075	1,303,327	475,067	114,492
2018	3,215,000	1,386,269	2,582,794	1,205,140	458,503	96,919
2019	3,310,000	1,294,094	2,360,809	1,105,317	468,015	79,776
2020-2024	13,055,000	5,249,077	12,629,336	4,061,794	1,376,863	236,119
2025-2029	12,620,000	2,998,698	10,853,474	1,277,236	1,144,036	128,009
2030-2034	7,265,000	891,203	-	-	814,960	26,664
2035-2036	-	-	-	-	13,382	166
Totals	<u>\$ 47,790,000</u>	<u>\$ 17,185,857</u>	<u>\$ 36,045,497</u>	<u>\$ 11,822,092</u>	<u>\$ 5,638,182</u>	<u>\$ 956,992</u>

The City's legal debt limit for general obligation bonds is as follows:

Assessed valuations 2013 (inside the City):

Real property	\$ 433,584,144
Personal property	86,086,954
Public utility	38,561,283
Autos and mobile homes, estimated	<u>44,272,817</u>
Total assessed valuations	<u>\$ 602,505,198</u>

Fifteen percent (15%) of total assessed valuation	\$ 90,375,780
Less outstanding general issues at 9/30/14	<u>47,790,000</u>
Legal debt margin	<u>\$ 42,585,780</u>



**City of Biloxi, Mississippi**  
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The City Council annually adopts a resolution providing for the amount of property tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City. The millage rate for the year ended September 30, 2014, was 7.70 mills or \$7.70 per \$1,000 of assessed value.

Other general long-term debt of the Enterprise Funds is \$4,548,182 of pollution control/state revolving loans and drinking water improvement loans from the State of Mississippi. The State Tax Commission, in accordance with a signed agreement with the City of Biloxi, Mississippi is currently deducting \$30,310 each month from the sales tax remittances to the City to apply as payments on these loans.

The City has authorized the issuance of limited tax port bonds for the purpose of making improvements to property belonging to the Biloxi Port Fund (previously the Biloxi Port Commission). The bonds are secured by an irrevocable pledge of the avails of a direct and continuing one (1) mill ad valorem tax to be levied by Harrison County, Mississippi. The bonds are payable solely from the avails of the Harrison County tax levy. At September 30, 2014, the aggregate, outstanding principal amount of the issues was \$1,090,000.

**I. Retirement Plans**

The City of Biloxi, Mississippi participates in two retirement system administered by the Public Employees' Retirement System of Mississippi (PERS). Both systems are defined benefit plans and include a multiemployer, cost-sharing pension plan and an agent multi-employer pension plan as described below:

**1. Firemen's and Policemen's Disability and Relief Plan and Employee's Disability and Relief Plan**

All firemen and policemen hired prior to March 1, 1976, are covered by the Firemen's and Policemen's Disability and Relief Plan. All other City employees employed prior to February 5, 1975, are covered by the Employees' Disability and Relief Plan. Both the Firemen's and the Policemen's Disability and Relief Plan and the Employee's Disability and Relief Plan are agent multiple-employer defined benefit pension plan administered by the Public Employees Retirement System of Mississippi.

Under the provisions of Chapter No. 511 of the General Laws of the State of Mississippi, 1987, effective October 1, 1987, the administrative responsibility for these retirement systems was assigned to the Mississippi Municipal Retirement System, a program of the Public Employees' Retirement System of Mississippi. The City is authorized by law to require membership contributions from 1% to a maximum of 10% of the total compensation of each participating employee. City employee contributions are 9%. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the Municipal Retirement Systems' Disability and Relief Plans. That information may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 800-444-PERS. Based upon annual actuarial data provided by PERS, the City levies a tax millage sufficient to fund the current obligations for retirement



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

payments and also provide the recommended amount to reduce the balance of the unfunded employer liability. For the year ended September 30, 2014 the combined millage was 2.5 mills. The City has no control over the administration of the plans.

The City is required by statute to set a tax levy sufficient to fund the annual required contribution. The plan administrator, the Mississippi Public Employees Retirement System, provides actuarial data for the two plans combined. The City accounts for these closed plans as a single, agent multiple-employer defined benefit plan.

Current membership in the City's Mississippi Municipal Retirement System is composed of the following:

Active members	-
Retirees and beneficiaries	<u>116</u>
Total	<u><u>116</u></u>

Participating employees who retire, regardless of age, with at least 20 years of credited service are entitled to an annual retirement allowance, payable monthly in an amount equal to 50% of their average monthly compensation plus an additional 1.7% for each year of credited service in excess of 20 years with a maximum of 66 2/3% of average monthly compensation. Average monthly compensation is the average for the last 6 months of service. Certain death and disability benefits are also provided by these plans which are governed by State statute and City ordinances.

**The Annual Required Contribution (ARC)**  
(based on the valuation as of June 30, 2014)

Normal	\$ -
Accrued liability	<u>1,430,885</u>
Total	<u><u>\$ 1,430,885</u></u>



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

Additional information as of June 30, 2014 follows.

Valuation date	6/30/2014
Actuarial cost method	Entry age
Amortization method	Level dollar closed
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases**	4.50 – 6.00%
* Includes price inflation at	3.50%*
** Includes wage inflation at	4.25%
Cost of living adjustments	3% per year, not to exceed 64.4%, for each year of retirement after 6/30/2000, with compounding after the member turns age 55, in addition to any previously granted COLAs.

During the year ended September 30, 2014, employer contributions totaling \$1,347,149 were made in accordance with contribution requirements determined by an actuarial valuation of the system as of June 30, 2014.

Schedule of employer contributions:

Fiscal Year Ended	Annual Required Contribution	Interest on the NPO	Adjustment to Remove Amortization of Past Under/Over Contribution	Annual Pension Cost	Employer Pension Contribution	Percentage	Change in the NPO	NPO at Year End
9/30/2012	1,329,064	(810,223)	(958,617)	1,477,458	1,336,298	100.54%	141,160	(9,986,631)
9/30/2013	1,415,714	(798,931)	(961,039)	1,577,822	1,351,736	95.48%	226,086	(9,760,545)
9/30/2014	1,463,984	(780,844)	(975,884)	1,659,024	1,347,150	92.02%	311,874	(9,448,671)

The City's negative Net Pension Obligation (NPO) as of September 30, 2014 was \$9,448,671.

**Actuarial Accrued Liability (AAL)**

Retirees and beneficiaries currently receiving benefits	\$ 23,622,819
Active members	-
Vested terminated members not yet receiving benefits	-
Total actuarial accrued liability	<u>23,622,819</u>
<b>Less: Actuarial value of assets</b>	<u>9,328,323</u>
Unfunded Actuarial Accrued Liability	<u>\$ 14,294,496</u>

During the year ended June 30, 2014, the Plan experienced a net change of \$(513,763) in the AAL. Additional information may be found in Required Supplementary Information, page 65.



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

The funded status of the Plan as of June 30, 2014, the most recent actuarial valuation date is as follows:

Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry Age	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
6/30/14	9,328	23,623	39.5	14,295	-	N/A

**2. Public Employees' Retirement System Defined Benefit Pension Plan**

All full-time City employees hired after June 30, 1987, participate in the Public Employees' Retirement System of Mississippi (PERS). Other City employees hired prior to July 1, 1987 may elect to participate in the retirement system under an option offered by PERS.

**Plan Description:** The City of Biloxi, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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.

**Funding Policy:** PERS' members are required to contribute 9.00% of their annual covered salary and City of Biloxi is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Biloxi, Mississippi's contributions to PERS for the years ending September 30, 2014, 2013, and 2012 were \$4,250,441, \$3,912,605, and \$3,605,496, respectively. These amounts were 100% of the required contributions.

**Deferred Compensation Plan**

The City also offers to its employees voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, Group Flexible Fund Retirement Contracts, administered by Nationwide Retirement Solutions, Inc., permits employees to defer a portion of their salary until future years. All plan assets are held in trust by Nationwide for the exclusive benefit of the participants and their beneficiaries and not subject to the claims of the City's general creditors. Accordingly, the assets and liabilities for the compensation deferred by plan participants is not reflected in the City's financial statements. During the year ended September 30, 2014, contributions by participants employed by the City totaled \$505,068.



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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**J. Community Development Block Grant Program**

**Status of Grants**

The City of Biloxi, Mississippi is awarded an entitlement grant every year by the Department of Housing and Urban Development Community Block Grant Program. The following represents the status of the award of grant funds as of September 30, 2014:

	<u>Award</u>	<u>Drawn Prior to FYE 9/30/14</u>	<u>Drawn During FYE 9/30/14</u>	<u>Balance</u>
CDBG B-12-MC-28-0001	\$ 391,232	\$ 168,246	\$ 222,986	\$ -
CDBG B-13-MC-28-0001	377,951	-	150,349	227,602
CDBG B-14-MC-28-0001	<u>415,068</u>	<u>-</u>	<u>-</u>	<u>415,068</u>
Totals	<u>\$ 1,184,251</u>	<u>\$ 168,246</u>	<u>\$ 373,335</u>	<u>\$ 642,670</u>

**Waterfront Development**

Through the use of certain Department of Housing & Urban Development (HUD) grants and loans, the City has acquired and developed property commonly known as the Point Cadet Waterfront Development Project. These federal grants and loans contain restrictions which require that 6% of the income (such as rents), generated by these properties, be restricted as to use for CDBG eligible activities only.

The City of Biloxi, Mississippi has negotiated three leases with Landry's Inc. who operates the "Golden Nugget Casino" at the Point Cadet Waterfront Development. A portion of the lease revenues are considered program income under the CDBG and HUD Section 108 loan programs, and are restricted to use for such eligible purposes. The initial lease (casino lease), dated August 1, 1992, calls for an initial term of seven (7) years with seven additional five (5) year renewal options. Minimum annual rentals are \$500,000. Minimum annual rentals for each renewal option period are adjusted by the Consumer Price Index. In addition to the minimum annual rentals, the lease calls for an additional annual amount equal to three percent (3%) of the tenant's gross annual revenues in excess of \$25,000,000.

Another lease (hotel lease), dated April 13, 1994, calls for an initial term of twenty-five (25) years with six additional ten (10) year renewal options and a final option period with a termination date of December 31, 2085. Minimum annual rentals began at \$404,000 and are adjusted every five years by reference to the Consumer Price Index. In addition to the minimum annual rentals, the lease calls for an additional amount equal to four percent (4%) of the tenant's gross revenues.

A third lease (podium lease), dated August 15, 2002, calls for an initial term of forty (40) years (although the tenant has the right to terminate on July 31, 2009, and on every fifth anniversary of that date), with one additional twenty-five (25) year renewal option. The final period would terminate on August 14, 2067. Minimum rent is computed as a function of the total annual minimum and percentage rent from the casino lease and hotel lease. When coupled with four percent (4%) of the tenant's gross revenues from the property covered by the podium lease, the annual guaranteed rent is \$2,733,000 plus one-third (1/3)



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

of all scheduled contingent increases. The guaranteed rent is to be adjusted every five years by reference to the Consumer Price Index.

**Mortgage Loans Receivable**

Under the CDBG Program, the City of Biloxi, Mississippi makes installment mortgage loans to eligible parties. These loans are secured by a deed of trust and have varying interest rates and terms.

Mortgage loans receivable at September 30, 2014, consisted of the following:

Nixon Street home acquisition mortgages	\$ 2,028
Revolving Loan Program	<u>10,309</u>
Total deferred mortgage loans receivable	<u>\$ 12,337</u>

**K. Self-Insured Risk, Claims and Other Contingencies**

As described in Note 1 to the financial statements, the City has established a self-insurance risk retention program administered through an internal service fund. The following is a summary of the City's insurance coverage and self-insured risk retention (SIR):

**Property damage for windstorm and hail**

	5% subject to a minimum of
Per occurrence deductible (SIR)	\$1,000,000
Specific excess coverage in force	90,633,643

**Property damage for all other perils**

Per occurrence deductible (SIR)	100,000
Specific excess coverage in force	90,633,643

**Workers' compensation**

Per occurrence deductible for police, firefighters, first responders (SIR)	750,000
Per occurrence deductible for all other employees (SIR)	500,000
Specific excess coverage in force	Statutory

**General and other liability coverage**

Per occurrence deductible (SIR)	\$ 50,000
Specific excess coverage in force	1,000,000

**Annual aggregate coverage to:**

General liability	900,000
Law enforcement liability	900,000
Automobile liability	900,000

**Health**

Per individual deductible (SIR)	125,000
Annual aggregate risk of loss through deductibles	7,465,093
Specific excess coverage in force	1,000,000

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**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

The following is a summary of the City's self-insurance reserves at September 30, 2014:

	Employee Medical Claims	Property, Liability & Workers' Compen- sation	<u>Total</u>
Total estimated liability and reserves – October 1, 2013	\$ 2,386,019	\$ 3,054,249	\$ 5,440,268
Claims incurred and changes in estimates	5,224,479	918,937	6,143,416
Claims paid	(6,040,171)	( 613,186)	( 6,653,357)
Total estimated liability and reserves – September 30, 2014	\$ 1,570,327	\$ 3,360,000	\$ 4,930,327
Claims incurred and changes in estimates	5,403,856	1,608,613	7,012,469
Claims paid	(6,258,386)	( 1,072,901)	( 7,331,287)
Total estimated liability and reserves – September 30, 2015	\$ <u>715,797</u>	\$ <u>3,895,712</u>	\$ <u>4,611,509</u>

The City's reserves, including estimates for claims incurred but not reported, are developed by the City's third-party claims administrator. Administrative officials have reviewed the reserve estimates and consider them fairly stated. Additionally, the liability has been actuarially evaluated and found to be reasonable.

The City is involved in various other legal matters arising during the normal course of business activities. Management, after consulting legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the City.

**L. Related Party Commitments**

**Joint Venture**

The City of Biloxi, Mississippi 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 two members from each of the counties who are members of the Authority. Through a fifty-year contract, the City of Biloxi, Mississippi 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 of Biloxi, Mississippi and the other members. The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2014, a complete copy of which is on file at the administrative offices of the Authority.



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

**Harrison County Utility Authority Synopsis**

**Statement of Net Position**

**Assets and Deferred Outflow of Resources**

<b>Assets</b>	
Current assets	\$ 8,031,944
Restricted assets	28,629,163
Property, plant and equipment	<u>283,300,419</u>
Total assets	<u>319,961,526</u>
<b>Deferred outflow of resources</b>	<u>19,505,379</u>

**Liabilities & Net Position**

<b>Liabilities</b>	
Current, unrestricted	\$ 6,655,328
Current, restricted	15,247,921
Long-term liabilities	<u>123,464,554</u>
Total liabilities	<u>145,367,803</u>
<b>Net position</b>	<u>194,099,102</u>
Total liabilities and net position	<u>\$ 339,466,905</u>

**Statement of Revenues and Expenses**

Operating revenues	\$ 19,035,621
Operating expenses	( 19,443,106)
Depreciation and amortization	( 8,591,598)
Non-operating revenues (expenses)	<u>12,395,705</u>
Changes in net position	<u>\$ 3,396,622</u>



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

The following financial information concerning transactions with the Authority have been included in the City of Biloxi, Mississippi's financial statements under the following captions:

**General Fund**

Statement of net position;  
Accounts payable \$ 112,922

Statement of revenues, expenditures and changes in fund balance:  
Public works expenditures:  
Other services and charges (solid waste charges) \$ 1,558,006

**Water and Sewer Enterprise Fund**

Statement of net position:  
Accounts receivable \$ 693,574

Statement of revenues, expenses and changes in net position:  
Operating expenses:  
Contracted services (wastewater treatment) \$ 8,886,599

**Jointly Governed Organizations**

**Harrison County Library System** – On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Biloxi Public Library, the City of Gulfport, Mississippi, the Board of Supervisors of Harrison County, Mississippi, the Board of Trustees of the Gulfport-Harrison County Library, the City of Pass Christian, Mississippi, and the Board of Trustees of the Pass Christian Public Library to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Harrison County Library System. There are no specific monetary terms in the agreement and the City of Biloxi, Mississippi has no equity interest in the organization. However, a budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources. The City of Biloxi, Mississippi contributed \$695,000 for the year ended September 30, 2014. The amount budgeted for the City of Biloxi, Mississippi for the fiscal year ended September 30, 2015 is \$695,000. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City of Biloxi, Mississippi does not have an ongoing financial responsibility.

**Gulfport-Biloxi Regional Airport Authority** – The Gulfport-Biloxi Regional Airport Authority was chartered on August 25, 1977, and assumed control of the Airport on October 1, 1977. The Authority is comprised of one appointee each from the local governmental units of the City of Gulfport, Mississippi, the City of Biloxi, Mississippi, and Harrison County, Mississippi. These governmental units have agreed to subsidize the Airport annually. During the past fiscal year, the City of Biloxi, Mississippi provided no subsidy to the Gulfport-Biloxi Regional Airport. The City has budgeted \$0 for the 2014-2015 fiscal year. The City of Biloxi, Mississippi has no equity interest in the organization.



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

**M. Other Commitments**

**Property Leases**

On August 15, 2002, the City of Biloxi, Mississippi entered into the Point Cadet Compromise and Settlement Agreement with the State Institutions of Higher Learning (IHL) and the Secretary of State on behalf of the State of Mississippi, and the Golden Nugget Casino. The purpose of the agreement was to resolve public trust tidelands issues affecting the Point Cadet Waterfront Development property. In lieu of the December 2, 1985, lease with the Board of Trustees of State Institutions of Higher Learning, this agreement provides that the City has an undivided one third interest in the entire Point Cadet Development site. The first \$2,733,000 of revenue from this property each year is received by the City of Biloxi. All additional annual revenue which exceeds \$2,733,000 is allocated by thirds to the City of Biloxi, IHL, and the State Tidelands Trust Fund.

The two tidelands lease agreements with the State of Mississippi dated July 15, 1988, continue in effect until June 30, 2018. Lease payments under those leases are now established at \$500,000 per year, but the Isle of Capri is obligated to make those payments.

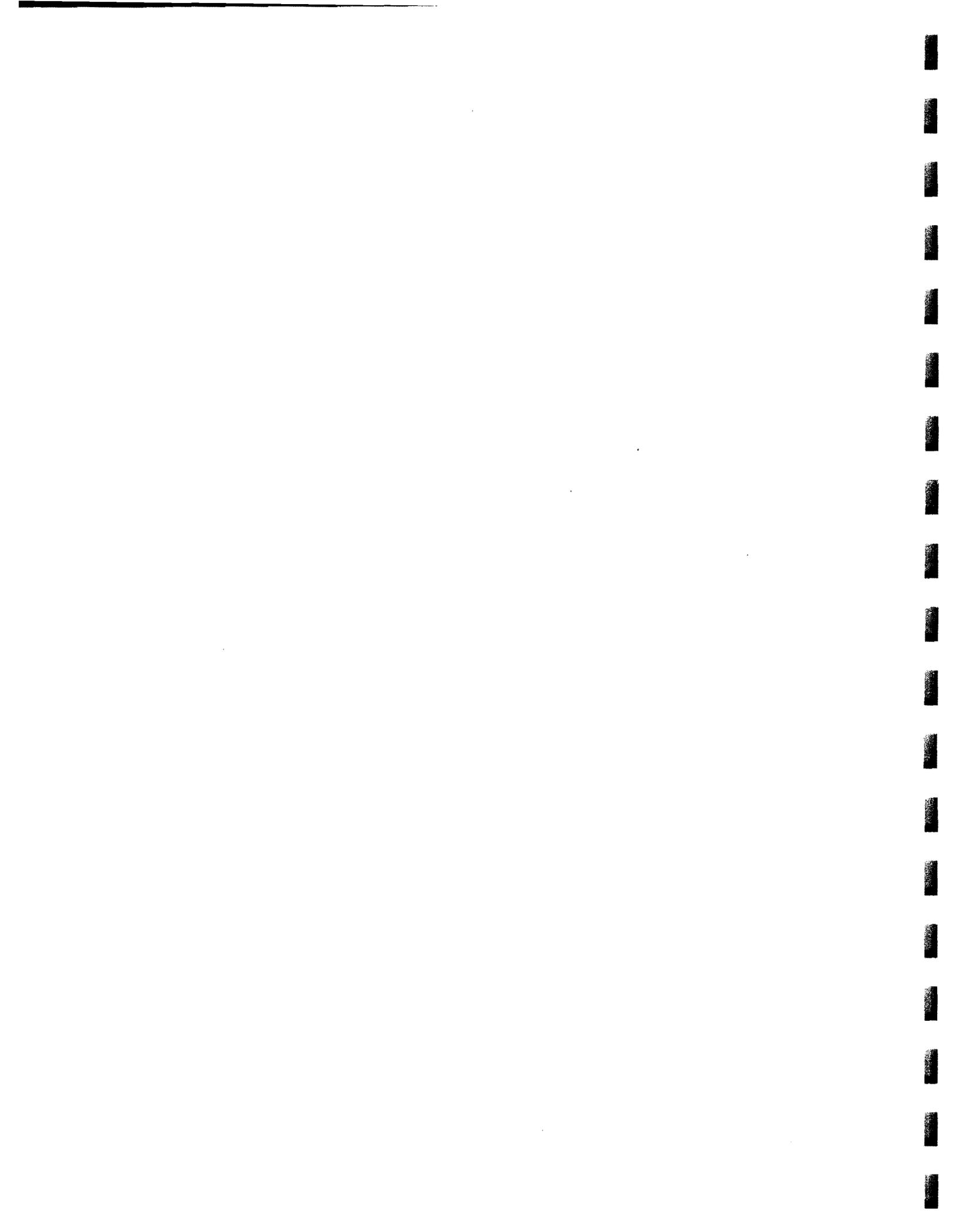
**Capital Projects**

In connection with the Capital Projects Funds, the City has budgeted certain commitments for engineering services, construction and other capital project costs. The projects are to be funded, in part, with State and Federal grants. The remainder of the required funds will be generated by local sources and insurance claim proceeds. The following is a summary of the budgeted commitment for capital projects at September 30, 2014:

Total commitment for general Capital Projects	<u>\$ 382,685,087</u>
Funding sources:	
Federal and State Grants	\$ 341,896,710
Bond Funds	37,720,870
Enterprise Funds	1,456,076
Insurance claim proceeds received	1,361,725
General Fund surplus and other future sources of funds to be provided	<u>249,706</u>
Total fund sources	<u>\$ 382,685,087</u>

**Matching Funds – USM Advanced Education Center**

In 1997, the City pledged its support and agreed to participate with the county and other cities in funding the local matching contribution for the construction of the Advanced Education Center at the USM Gulf Park campus. The City's 20.5% portion of the annual debt service for the \$2,000,000 in bonds issued by Harrison County will be approximately \$40,000 annually through September 2016.



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

**N. New Pension Standard**

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, that revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The statement requires employers to recognize a liability in their financial statements as employees earn their pension benefits (that is, as they provide services to the government) effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

**O. Subsequent Events**

The City's management has evaluated events occurring subsequent to year end through August 19, 2015, which is the date the statements were available to be issued. On July 7, 2015 City Council authorized the Mayor to accept an offer of \$4.9 million to settle the City's BP Deepwater Horizon oil spill for economic losses caused by the 2010 oil spill.



**Required Supplementary Information**



**City of Biloxi, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Budget Basis**  
For the Fiscal Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 10,247,486	\$ 10,247,486	\$ 10,206,177	\$ (41,309)
Licenses and permits	4,137,982	4,137,982	4,072,670	(65,312)
Intergovernmental	31,889,000	31,889,000	30,677,876	(1,211,124)
Federal & state grants	357,734	373,819	(100,877)	(474,696)
Charges for services	1,983,400	1,983,400	1,937,578	(45,822)
Fines	1,510,000	1,510,000	1,212,493	(297,507)
Other	4,210,440	4,210,440	4,784,771	574,331
Total revenues	<u>54,336,042</u>	<u>54,352,127</u>	<u>52,790,688</u>	<u>(1,561,439)</u>
<b>Expenditures</b>				
Administration				
Personnel services	1,559,708	1,559,708	1,537,782	21,926
Supplies	19,375	14,774	14,774	-
Other services & charges	795,450	1,362,772	1,354,447	8,325
Contractual services	281,325	273,604	280,353	(6,749)
Capital outlay	15,000	15,000	11,142	3,858
Total	<u>2,670,858</u>	<u>3,225,858</u>	<u>3,198,498</u>	<u>27,360</u>
Executive				
Personnel services	238,734	238,734	238,007	727
Supplies	4,700	4,416	4,053	363
Other services & charges	10,250	10,734	10,711	23
Contractual services	15,250	15,050	11,434	3,616
Total	<u>268,934</u>	<u>268,934</u>	<u>264,205</u>	<u>4,729</u>
Legislative				
Personnel services	522,189	522,189	501,039	21,150
Supplies	9,700	9,650	6,809	2,841
Other services & charges	127,000	141,659	91,799	49,860
Contractual services	6,500	7,891	6,931	960
Capital outlay	2,500	2,500	-	2,500
Total	<u>667,889</u>	<u>683,889</u>	<u>606,578</u>	<u>77,311</u>
Judicial				
Personnel services	165,530	165,530	165,530	-
Contractual services	1,250	1,250	1,045	205
Total	<u>166,780</u>	<u>166,780</u>	<u>166,575</u>	<u>205</u>
Legal				
Personnel services	622,452	622,452	614,444	8,008
Supplies	10,550	9,778	7,229	2,549
Other services & charges	9,750	9,125	6,910	2,215
Contractual services	36,870	38,267	35,594	2,673
Capital outlay	5,700	5,700	5,014	686
Total	<u>685,322</u>	<u>685,322</u>	<u>669,191</u>	<u>16,131</u>

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**City of Biloxi, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Budget Basis**  
For the Fiscal Year Ended September 30, 2014  
(Continued)

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Community development				
Personnel services	2,061,303	2,061,303	1,998,599	62,704
Supplies	143,000	164,050	133,672	30,378
Other services & charges	968,000	972,742	768,232	204,510
Contractual services	507,600	481,808	318,539	163,269
Capital outlay	57,000	57,000	239,317	(182,317)
Total	<u>3,736,903</u>	<u>3,736,903</u>	<u>3,458,359</u>	<u>278,544</u>
Parks & recreation				
Personnel services	3,475,265	3,475,265	3,212,936	262,329
Supplies	362,075	352,311	325,349	26,962
Other services & charges	770,250	813,863	811,473	2,390
Contractual services	404,200	363,051	343,596	19,455
Capital outlay	-	16,300	15,558	742
Total	<u>5,011,790</u>	<u>5,020,790</u>	<u>4,708,912</u>	<u>311,878</u>
Public safety				
Personnel services	25,175,833	25,430,598	23,853,925	1,576,673
Supplies	1,368,710	1,312,466	1,257,659	54,807
Other services & charges	659,416	690,962	673,382	17,580
Contractual services	1,327,473	1,378,124	1,328,897	49,227
Capital outlay	438,800	810,100	727,921	82,179
Total	<u>28,970,232</u>	<u>29,622,250</u>	<u>27,841,784</u>	<u>1,780,466</u>
Public works				
Personnel services	4,708,272	4,708,272	4,238,984	469,288
Supplies	881,950	739,419	726,676	12,743
Other services & charges	1,159,350	1,295,194	1,289,483	5,711
Contractual services	3,086,765	3,093,452	2,483,932	609,520
Capital outlay	131,100	166,100	160,507	5,593
Total	<u>9,967,437</u>	<u>10,002,437</u>	<u>8,899,582</u>	<u>1,102,855</u>
Nondepartmental				
Other services & charges	3,487,465	3,487,465	3,517,008	(29,543)
Contractual services	1,189,507	1,291,752	1,305,995	(14,243)
Total	<u>4,676,972</u>	<u>4,779,217</u>	<u>4,823,003</u>	<u>(43,786)</u>
Total expenditures	<u>56,823,117</u>	<u>58,192,380</u>	<u>54,636,687</u>	<u>3,555,693</u>
Excess (deficiency) of revenues over expenditures	<u>(2,487,075)</u>	<u>(3,840,253)</u>	<u>(1,845,999)</u>	<u>1,994,254</u>
<b>Other financing sources (uses)</b>				
Transfers in	2,773,546	2,773,546	-	(2,773,546)
Transfers out	(603,424)	(603,424)	(460,993)	142,431
Total other financing sources (uses)	<u>2,170,122</u>	<u>2,170,122</u>	<u>(460,993)</u>	<u>(2,631,115)</u>
Net change in fund balances	(316,953)	(1,670,131)	(2,306,992)	(636,861)
Fund balances, beginning of year	4,983,712	4,983,712	4,983,712	
Fund balances, end of year	<u>\$ 4,666,759</u>	<u>\$ 3,313,581</u>	<u>\$ 2,676,720</u>	<u>\$ (636,861)</u>

*See Independent Auditors' Report.*



**City of Biloxi, Mississippi**  
**Required Supplementary Information**  
**Disability and Retirement Plans**

Schedule of Funding Progress  
(\$Thousands)

Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry Age	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
9/30/2005	\$ 9,087	\$ 23,874	38.1%	\$ 14,787	\$ 259	5,709.3%
9/30/2006	9,926	23,485	42.3	13,559	150	9,039.3%
9/30/2007	10,766	22,899	47.0	12,133	110	11,030.0%
9/30/2008	11,365	22,317	50.9	10,952	124	8,832.3%
9/30/2009	11,870	25,916	45.8	14,046	128	10,973.4%
9/30/2010	11,062	24,511	45.1	13,449	131	10,266.4%
9/30/2011	10,456	24,285	43.1	13,829	125	11,063.3%
9/30/2012	9,480	24,053	39.4	14,573	73	19,963.0%
6/30/2013	9,216	24,137	38.2	14,921	-	N/A
6/30/2014	9,328	23,623	39.5	14,295	-	N/A

Schedule of Employer Contributions

Fiscal Year 10-1 / 9-30	Valuation Date	Annual Required Contribution	Percentage Contributed
2005-06	9/30/2005	\$ 1,334,850	167.7%
2006-07	9/30/2006	1,230,451	165.0%
2007-08	9/30/2007	1,107,435	187.3%
2008-09	9/30/2008	1,012,412	243.8%
2009-10	9/30/2009	1,314,910	107.7%
2010-11	9/30/2010	1,273,514	106.1%
2011-12	9/30/2011	1,329,064	99.8%
2012-13	9/30/2012	1,415,714	N/A
2013-14	6/30/2013	1,463,984	N/A
2014-15	6/30/2014	1,430,885	N/A



Combining Financial Statements



**City of Biloxi, Mississippi**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
September 30, 2014

Assets	Special Revenue				Capital Projects			2002 TIF Capital Projects Bond Fund	Total
	Community Development Block Grant	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	General Obligation Public Improvement				
					2000 Bond Fund	2003 Bond Fund	2012 Bond Fund		
Cash	\$ 29,296	\$ -	\$ 424,796	\$ 31,028	\$ -	\$ -	\$ -	\$ -	\$ 485,120
Investments	-	-	-	-	83,929	634,910	789,434	254,020	1,762,293
Receivables:									
Taxes	-	6,909	-	-	-	-	-	-	6,909
Other	19,733	-	-	-	-	-	-	-	19,733
Mortgage loans receivable	12,337	-	-	-	-	-	-	-	12,337
<b>Total assets</b>	<b>\$ 61,366</b>	<b>\$ 6,909</b>	<b>\$ 424,796</b>	<b>\$ 31,028</b>	<b>83,929</b>	<b>\$ 634,910</b>	<b>\$ 789,434</b>	<b>\$ 254,020</b>	<b>\$ 2,286,392</b>
<b>Liabilities &amp; Fund Balance</b>									
<b>Liabilities</b>									
Accounts payable	\$ 6,130	\$ 6,909	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,039
<b>Total liabilities</b>	<b>6,130</b>	<b>6,909</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,039</b>
<b>Fund balances</b>									
Nonspendable									
Long-term receivables	12,337	-	-	-	-	-	-	-	12,337
Restricted for									
Claims	-	-	424,796	-	-	-	-	-	424,796
Endowment	-	-	-	31,028	-	-	-	-	31,028
Committed to									
Grant expenditures	42,899	-	-	-	-	-	-	-	42,899
Capital improvements	-	-	-	-	83,929	634,910	789,434	254,020	1,762,293
<b>Total fund balances</b>	<b>55,236</b>	<b>-</b>	<b>424,796</b>	<b>31,028</b>	<b>83,929</b>	<b>634,910</b>	<b>789,434</b>	<b>254,020</b>	<b>2,273,353</b>
<b>Total liabilities &amp; fund balances</b>	<b>\$ 61,366</b>	<b>\$ 6,909</b>	<b>\$ 424,796</b>	<b>\$ 31,028</b>	<b>\$ 83,929</b>	<b>\$ 634,910</b>	<b>\$ 789,434</b>	<b>\$ 254,020</b>	<b>\$ 2,286,392</b>

*See Independent Auditors' Report.*



**City of Biloxi, Mississippi**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
For the Year Ended September 30, 2014

	Special Revenue				Capital Projects			2002 TIF Capital Projects Bond Fund	Total
	Community Development Block Grant	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	General Obligation Public Improvement				
					2000 Bond Fund	2003 Bond Fund	2012 Bond Fund		
<b>Revenues</b>									
Ad valorem taxes	\$ -	\$ 1,341,693	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,341,693
Intergovernmental	303,108	-	-	-	-	-	-	-	303,108
Other income	130,853	-	964	69	(51)	64	(418)	(33)	131,448
Total revenues	433,961	1,341,693	964	69	(51)	64	(418)	(33)	1,776,249
<b>Expenditures</b>									
Community Development	420,062	-	-	-	-	-	-	-	420,062
Benefit payments	-	1,341,693	12,923	-	-	-	-	-	1,354,616
Total expenditures	420,062	1,341,693	12,923	-	-	-	-	-	1,774,678
Excess (deficiency) of revenues over expenditures	13,899	-	(11,959)	69	(51)	64	(418)	(33)	1,571
<b>Other financing sources (uses)</b>									
Transfers out	-	-	-	-	-	-	(99,876)	(40,758)	(140,634)
Total other financing sources uses	-	-	-	-	-	-	(99,876)	(40,758)	(140,634)
Net change in fund balances	13,899	-	(11,959)	69	(51)	64	(100,294)	(40,791)	(139,063)
Fund balances, beginning of year	41,337	-	436,755	30,959	83,980	634,846	889,728	294,811	2,412,416
Fund balances, end of year	\$ 55,236	\$ -	\$ 424,796	\$ 31,028	\$ 83,929	\$ 634,910	\$ 789,434	\$ 254,020	\$ 2,273,353

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**City of Biloxi, Mississippi**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
(for self-insured risks)  
September 30, 2014

<b>Assets</b>	<u>Liability, Property &amp; Workers Comp.</u>	<u>Employee Medical Claims</u>	<u>Gaming Revenue Interruption</u>	<u>Total</u>
<b>Restricted assets</b>				
Cash	\$ 1,759,410	\$ 715,797	\$ 78,497	\$ 2,553,704
Due from other City funds	<u>2,136,302</u>	<u>-</u>	<u>-</u>	<u>2,136,302</u>
Total restricted assets	<u>\$ 3,895,712</u>	<u>\$ 715,797</u>	<u>\$ 78,497</u>	<u>\$ 4,690,006</u>
<b>Liabilities &amp; Net Position</b>				
<b>Liabilities payable from restricted assets</b>				
Claims contingency payable	<u>\$ 3,895,712</u>	<u>\$ 715,797</u>	<u>\$ -</u>	<u>\$ 4,611,509</u>
<b>Net position</b>				
Unrestricted	<u>-</u>	<u>-</u>	<u>78,497</u>	<u>78,497</u>
Total liabilities and net position	<u>\$ 3,895,712</u>	<u>\$ 715,797</u>	<u>\$ 78,497</u>	<u>\$ 4,690,006</u>

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**City of Biloxi, Mississippi**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds**  
(for self-insured risks)  
For the Year Ended September 30, 2014

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
<b>Operating revenues</b>				
Charges for services, insurance billings	\$ 5,436,007	\$ 6,962,421	\$ -	\$ 12,398,428
COBRA contributions	-	123,994	-	123,994
Total operating revenues	<u>\$ 5,436,007</u>	<u>\$ 7,086,415</u>	<u>\$ -</u>	<u>\$ 12,522,422</u>
<b>Operating expenses</b>				
Insurance and reinsurance	\$ 2,490,596	\$ 346,463	\$ -	\$ 2,837,059
Claims expense	2,945,411	6,742,585	-	9,687,996
Total operating expenses	<u>5,436,007</u>	<u>7,089,048</u>	<u>-</u>	<u>12,525,055</u>
Operating income (loss)	-	(2,633)	-	(2,633)
<b>Non-operating revenues (expenses)</b>				
Interest income	-	2,633	175	2,808
Income before transfers	-	-	175	175
Change in net position	-	-	175	175
Net position, beginning	-	-	78,322	78,322
Net position, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,497</u>	<u>\$ 78,497</u>

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**City of Biloxi, Mississippi**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
(for self-insured risks)  
For the Year Ended September 30, 2014

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 5,436,007	\$ 7,086,415	\$ -	\$ 12,522,422
Payments to suppliers	(4,900,295)	(7,943,578)	-	(12,843,873)
Net cash provided by (used in) operating activities	<u>535,712</u>	<u>(857,163)</u>	<u>-</u>	<u>(321,451)</u>
<b>Cash flows from non-capital financing activities</b>				
Loans (to) other funds	(1,323,027)	-	-	(1,323,027)
Net cash provided by (used in) non-capital financing activities	<u>(1,323,027)</u>	<u>-</u>	<u>-</u>	<u>(1,323,027)</u>
<b>Cash flows from investing activities</b>				
Interest and dividends on investments	-	2,633	175	2,808
Net cash provided by (used in) investing activities	<u>-</u>	<u>2,633</u>	<u>175</u>	<u>2,808</u>
Net increase (decrease) in cash and cash equivalents	(787,315)	(854,530)	175	(1,641,670)
Cash and cash equivalents, beginning of period	2,546,725	1,570,327	78,322	4,195,374
Cash and cash equivalents, end of period	<u>\$ 1,759,410</u>	<u>\$ 715,797</u>	<u>\$ 78,497</u>	<u>\$ 2,553,704</u>

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**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual – Budget Basis**  
**Debt Service Fund**  
For the Year Ended September 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 6,582,009	\$ 6,622,386	\$ (40,377)
Intergovernmental	1,233,608	1,233,608	-
Other income	13,059	22,100	(9,041)
	<u>7,828,676</u>	<u>7,878,094</u>	<u>(49,418)</u>
<b>Expenditures</b>			
Principal retirement	4,742,428	5,060,630	318,202
Interest expense	1,837,328	1,986,175	148,847
Paying agents' fees	11,300	27,000	15,700
Total expenditures	<u>6,591,056</u>	<u>7,073,805</u>	<u>482,749</u>
Excess (deficiency) of revenues over expenditures	<u>1,237,620</u>	<u>804,289</u>	<u>433,331</u>
<b>Other financing sources (uses)</b>			
Transfers out	-	(2,773,546)	2,773,546
Total other financing sources (uses)	<u>-</u>	<u>(2,773,546)</u>	<u>2,773,546</u>
Excess (deficiency) of revenues over and other sources over expenditures and other uses	<u>1,237,620</u>	<u>(1,969,257)</u>	<u>3,206,877</u>
Fund balances, beginning of year	<u>15,232,244</u>	<u>15,232,244</u>	<u>-</u>
Fund balances, end of year	<u>\$ 16,469,864</u>	<u>\$ 13,262,987</u>	<u>\$ 3,206,877</u>

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**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Budget Basis**  
**Community Development Block Grant**  
For the Year Ended September 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 315,673	\$ 902,436	\$ (586,763)
Other income	209,542	152,410	57,132
Total revenues	<u>525,215</u>	<u>1,054,846</u>	<u>(529,631)</u>
<b>Expenditures</b>			
Community Development	<u>530,631</u>	<u>813,825</u>	<u>283,194</u>
Excess (deficiency) of revenues over expenditures	(5,416)	241,021	(246,437)
Fund balances, beginning of year	<u>(29,755)</u>	<u>(29,755)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (35,171)</u>	<u>\$ 211,266</u>	<u>\$ (246,437)</u>

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**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual – Budget Basis**  
**Employees’ Disability & Relief Funds**  
For the Year Ended September 30, 2014

	Fire and Police Disability & Relief Fund	Employees' Disability & Relief Fund	Total	Budget	Variance Positive (Negative)
<b>Revenues</b>					
Ad valorem taxes	\$ 862,198	\$ 484,951	\$ 1,347,149	\$ 1,357,214	\$ (10,065)
<b>Expenditures</b>					
Benefit payments	862,198	484,951	1,347,149	1,357,214	10,065
Excess of revenues over expenditures	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -

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**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Budget Basis**  
**Employees' State Unemployment Fund**  
For the Year Ended September 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
<b>Revenues</b>			
Other income	\$ 964	\$ 1,000	\$ (36)
Total revenues	<u>964</u>	<u>1,000</u>	<u>(36)</u>
<b>Expenditures</b>			
Benefit payments	<u>12,923</u>	<u>15,000</u>	<u>2,077</u>
Excess (deficiency) of revenues over expenditures	(11,959)	(14,000)	2,041
Fund balances, beginning of year	<u>436,755</u>	<u>436,755</u>	<u>-</u>
Fund balances, end of year	<u>\$ 424,796</u>	<u>\$ 422,755</u>	<u>\$ 2,041</u>

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**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Budget Basis**  
**City Bicentennial Trust Fund**  
For the Year Ended September 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Other income	\$ 69	\$ 70	\$ (1)
Total revenues	<u>69</u>	<u>70</u>	<u>(1)</u>
<b>Expenditures</b>			
Benefit payments	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	69	70	(1)
Fund balances, beginning of year	<u>30,959</u>	<u>30,959</u>	<u>-</u>
Fund balances, end of year	<u>\$ 31,028</u>	<u>\$ 31,029</u>	<u>\$ (1)</u>

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**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Budget Basis**  
**Capital Projects Funds**  
For the Year Ended September 30, 2014

	General Capital Projects Fund	General Obligation Public Improvement		2002 TIF Capital Projects Bond Fund	2012 GO Capital Projects Bond Fund	Tax Increment Junior Lien	2014 General Obligation Bond Fund	2014 Special Obligation Bond Series	Total	Budget	Variance Positive (Negative)
		2003 Bond Fund	2000 Bond Fund			Limited Obligation Bond Series 2014					
<b>Revenues</b>											
Intergovernmental	\$ 33,807,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,807,985	\$ 357,565,809	\$ (323,757,824)
Other income	-	64	(52)	(32)	(418)	1	817	870	1,250	112	1,138
Total revenues	<u>33,807,985</u>	<u>64</u>	<u>(52)</u>	<u>(32)</u>	<u>(418)</u>	<u>1</u>	<u>817</u>	<u>870</u>	<u>33,809,235</u>	<u>357,565,921</u>	<u>(323,756,686)</u>
<b>Expenditures</b>											
Capital projects	51,042,932	-	-	-	-	-	-	-	51,042,932	410,424,424	359,381,492
Bond issue costs	-	-	-	-	-	59,000	318,588	245,500	623,088	-	(623,088)
Total expenditures	<u>51,042,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,000</u>	<u>318,588</u>	<u>245,500</u>	<u>51,666,020</u>	<u>410,424,424</u>	<u>358,758,404</u>
Excess (deficiency) of revenues over expenditures	<u>(17,234,947)</u>	<u>64</u>	<u>(52)</u>	<u>(32)</u>	<u>(418)</u>	<u>(58,999)</u>	<u>(317,771)</u>	<u>(244,630)</u>	<u>(17,856,785)</u>	<u>(52,858,503)</u>	<u>35,001,718</u>
<b>Other financing sources (uses)</b>											
Issuance of bonds	-	-	-	-	-	1,995,000	14,310,706	21,000,000	37,305,706	-	37,305,706
Issuance of notes	169,579	-	-	-	-	-	-	-	169,579	7,628,480	(7,458,901)
Transfers in	9,397,644	-	-	-	-	-	-	-	9,397,644	5,227,990	4,169,654
Transfers out	-	-	-	(40,758)	(99,876)	(1,932,682)	(1,576,537)	(4,564,128)	(8,213,981)	(1,421,776)	(6,792,205)
Total other financing sources (uses)	<u>9,567,223</u>	<u>-</u>	<u>-</u>	<u>(40,758)</u>	<u>(99,876)</u>	<u>62,318</u>	<u>12,734,169</u>	<u>16,435,872</u>	<u>38,658,948</u>	<u>11,434,694</u>	<u>27,224,254</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(7,667,724)</u>	<u>64</u>	<u>(52)</u>	<u>(40,790)</u>	<u>(100,294)</u>	<u>3,319</u>	<u>12,416,398</u>	<u>16,191,242</u>	<u>20,802,163</u>	<u>(41,423,809)</u>	<u>62,225,972</u>
Fund balances, beginning of year	(6,309,103)	634,846	83,980	294,811	889,728	-	-	-	(4,405,738)	(4,405,738)	-
Fund balances, end of year	<u>\$ (13,976,827)</u>	<u>\$ 634,910</u>	<u>\$ 83,928</u>	<u>\$ 254,021</u>	<u>\$ 789,434</u>	<u>\$ 3,319</u>	<u>\$12,416,398</u>	<u>\$16,191,242</u>	<u>\$ 16,396,425</u>	<u>\$ (45,829,547)</u>	<u>\$ 62,225,972</u>

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**City of Biloxi, Mississippi**  
**Schedule of Revenues and Expenses Compared to Budget**  
**Water and Sewer Fund**  
For the Year Ended September 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services:			
Water and sewer charges	\$13,385,810	\$12,747,000	\$ 638,810
Keesler Air Force Base, sewer	1,024,550	700,000	324,550
Intergovernmental revenues	(96,740)	-	(96,740)
Interest income	10,461	11,500	(1,039)
Other income	3,825	6,000	(2,175)
Total revenues	<u>14,327,906</u>	<u>13,464,500</u>	<u>863,406</u>
<b>Expenses</b>			
Personal services	1,607,691	1,646,059	38,368
Contracted services	10,097,721	10,107,968	10,247
Other services and charges	1,517,960	1,812,952	294,992
Debt principal	271,980	94,519	(177,461)
Interest expense	91,740	24,954	(66,786)
Capital outlay	3,934	4,800	866
Total expenses	<u>13,591,026</u>	<u>13,691,252</u>	<u>100,226</u>
Operating income (loss)	736,880	(226,752)	963,632
Income before transfers	736,880	(226,752)	963,632
Transfers out	<u>(502,750)</u>	<u>(1,883,383)</u>	<u>1,380,633</u>
Change in net position	<u>\$ 234,130</u>	<u>\$ (2,110,135)</u>	<u>\$ 2,344,265</u>

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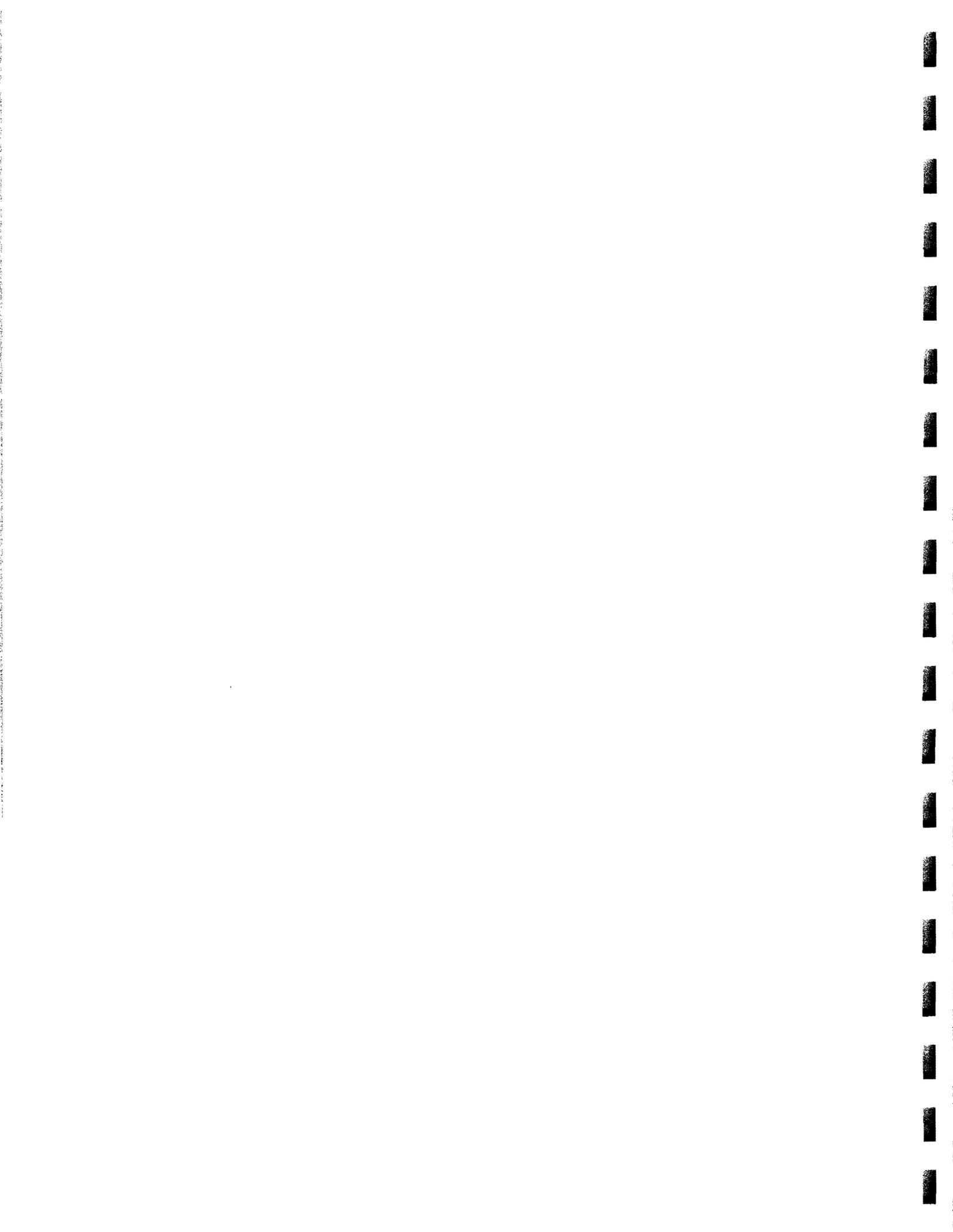
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**City of Biloxi, Mississippi**  
**Schedule of Revenues and Expenses Compared to Budget**  
**Biloxi Port Fund**  
For the Year Ended September 30, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services:			
Harbor fees and rents	\$ 1,473,991	\$ 1,497,700	\$ (23,709)
Intergovernmental revenues	259,837	609,883	(350,046)
Other income	15,785	5,100	10,685
Total revenues	<u>1,749,613</u>	<u>2,112,683</u>	<u>(363,070)</u>
<b>Expenses</b>			
Personal services	1,087,963	1,122,133	34,170
Contracted services	70,419	101,170	30,751
Other services and charges	315,251	312,447	(2,804)
Bond principal	150,000	150,000	-
Interest expense	71,512	69,783	(1,729)
Capital outlay	-	72	72
Total expenses	<u>1,695,145</u>	<u>1,755,605</u>	<u>60,460</u>
Operating income (loss)	<u>54,468</u>	<u>357,078</u>	<u>(302,610)</u>
Income before transfers	54,468	357,078	(302,610)
Transfers out	<u>(219,920)</u>	<u>(1,319,407)</u>	<u>1,099,487</u>
Change in net position	<u>\$ (165,452)</u>	<u>\$ (962,329)</u>	<u>\$ 796,877</u>

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**City of Biloxi, Mississippi**  
**Schedule of Revenues and Expenses Compared to Budget**  
**Internal Service Funds**  
(for self-insured risks)  
For the Year Ended September 30, 2014

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total	Budget	Variance Positive (Negative)
<b>Revenues</b>						
Charges for services, insurance billings	\$ 5,436,007	\$ 6,962,421	\$ -	\$ 12,398,428	\$ 12,246,000	\$ 152,428
COBRA contributions	-	123,994	-	123,994	85,000	38,994
Interest income	-	2,633	175	2,808	7,400	(4,592)
Total revenues	<u>5,436,007</u>	<u>7,089,048</u>	<u>175</u>	<u>12,525,230</u>	<u>12,338,400</u>	<u>186,830</u>
<b>Expenses</b>						
Insurance and reinsurance	2,490,596	346,463	-	2,837,059	4,617,132	1,780,073
Claims expense	2,945,411	6,742,585	-	9,687,996	7,998,868	(1,689,128)
Total expenses	<u>5,436,007</u>	<u>7,089,048</u>	<u>-</u>	<u>12,525,055</u>	<u>12,616,000</u>	<u>90,945</u>
Operating income (loss)	-	-	175	175	(277,600)	277,775
Income before transfers	-	-	175	175	(277,600)	277,775
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175</u>	<u>\$ 175</u>	<u>\$ (277,600)</u>	<u>\$ 277,775</u>

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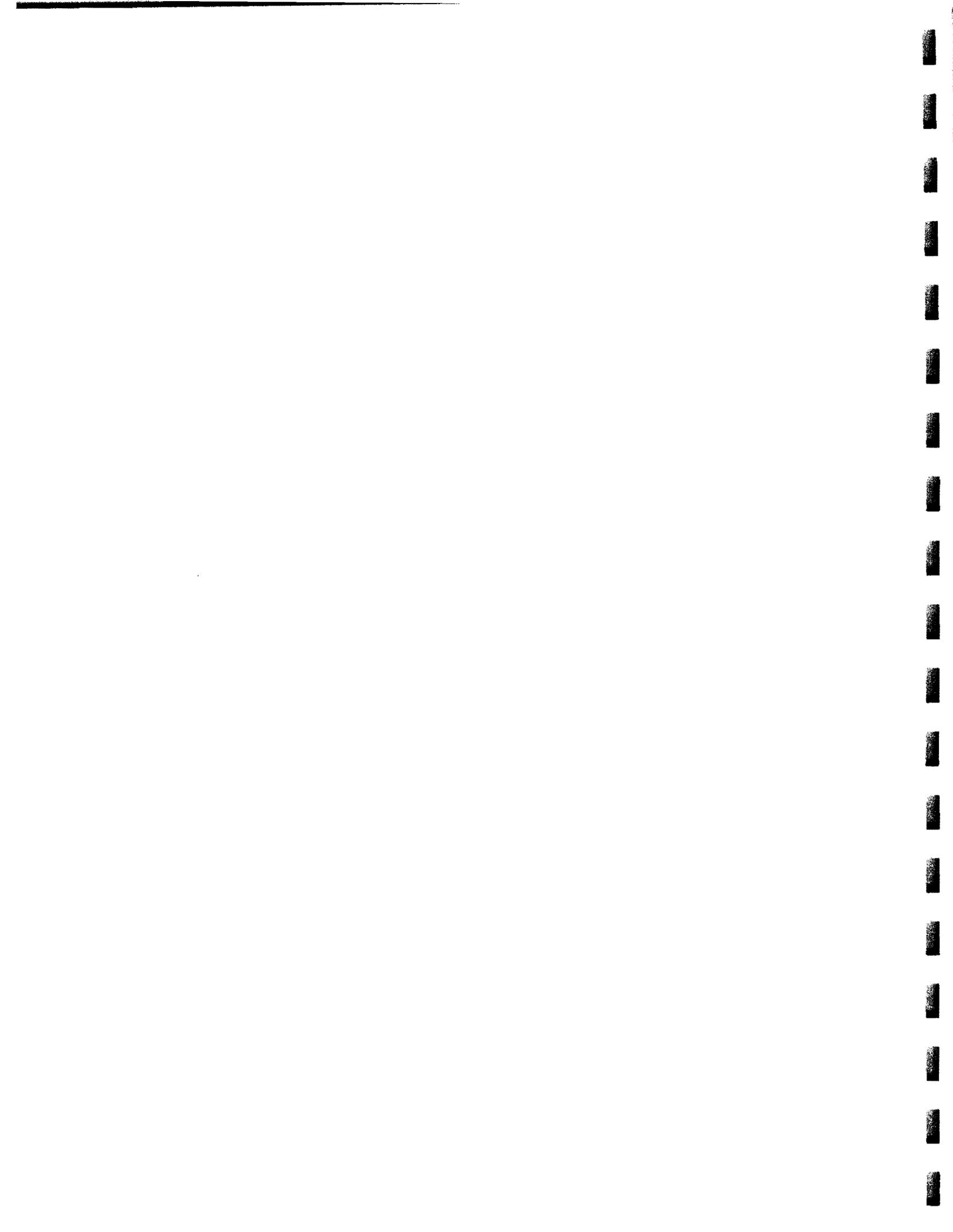
**Supplemental Information**



**City of Biloxi, Mississippi**  
**Schedule of Investments – All Funds**  
September 30, 2014

	Yield	Purchase Date	Maturity Date	Reported Amount	Fair Value
<b>Governmental Funds</b>					
<b>Capital Projects Funds</b>					
2014 GO Bond Fund					
Money Market Fund	0.01%	various	N/A	\$ 12,757,587	\$ 12,757,587
2014 TIF Capital Projects Bond Fund					
Money Market Fund	0.01%	various	N/A	17,226,027	17,226,027
GOPI 2000 Bond Fund					
Money Market Fund	0.01%	various	N/A	83,929	83,929
2003 GO Bond Fund					
Money Market Fund	0.01%	various	N/A	634,910	634,910
2012 GO Bond Fund					
Money Market Fund	0.01%	various	N/A	789,434	789,434
2002 TIF Capital Projects Bond Fund					
Money Market Fund	0.01%	various	N/A	254,020	254,020
<b>Debt Service Funds</b>					
Money Market Fund	0.01%	various	N/A	<u>12</u>	<u>12</u>
Total investments, governmental funds				31,745,919	31,745,919
<b>Proprietary funds</b>					
<b>Biloxi Port Fund</b>					
Money Market Fund	0.01%	various	N/A	435,560	435,560
Money Market Fund	0.01%	various	N/A	192,523	192,523
Money Market Fund	0.01%	various	N/A	<u>223,052</u>	<u>223,052</u>
Total investments, proprietary funds				851,135	851,135
Total investments				<u>\$ 32,597,054</u>	<u>\$ 32,597,054</u>

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**City of Biloxi, Mississippi**  
**Schedule of Long-Term Debt**  
September 30, 2014

	Date Issued	Original Issue	Balance	New Issues	Retirements	Balance	Requirements Year Ended	
			October 1, 2013			September 30, 2014	September 30, 2015	Principal
<b>General Obligation Bonds and Notes</b>								
General Obligation Bonds, Series 1998	12/01/98	\$ 10,000,000	\$ 895,000	\$ -	\$ 895,000	\$ -	\$ -	\$ -
General Obligation Refunding Bonds, Series 2011	10/28/11	9,350,000	8,495,000	-	1,075,000	7,420,000	1,105,000	169,425
General Obligation Bonds, Series 2012	04/01/12	6,000,000	5,690,000	-	320,000	5,370,000	335,000	111,469
General Obligation Bonds, Series 2014	01/15/14	14,000,000	-	14,000,000	-	14,000,000	755,000	681,900
Mississippi Development Bank Special Obligation Bonds, Series 2014	02/24/14	21,000,000	-	21,000,000	-	21,000,000	-	1,365,772
Total General Obligation Bonds and Notes			15,080,000	35,000,000	2,290,000	47,790,000	2,195,000	2,328,566
<b>Limited Obligation Bonds and Notes</b>								
Mississippi Development Bank Promissory Note 1	01/04/01	10,000,000	2,767,242	-	697,512	2,069,730	580,803	19,394
Mississippi Development Authority Loan	11/01/01	500,000	253,841	-	25,758	228,083	26,530	7,078
Tax Increment Limited Obligation Refunding Bonds, Series 2006 A	10/31/06	31,685,000	30,120,000	-	1,420,000	28,700,000	1,490,000	1,335,243
Mississippi Development Bank Promissory Note 2	10/22/09	4,500,000	3,361,842	-	309,158	3,052,684	295,421	44,926
Tax Increment Junior Lien Limited Obligation Bonds, Series 2014	06/26/14	1,995,000	-	1,995,000	-	1,995,000	120,000	65,180
Total Limited Obligation Bonds and Notes			36,502,925	1,995,000	2,452,428	36,045,497	2,512,754	1,471,821
<b>Other General Long-Term Debt</b>								
Lease/Purchase, Hancock Bank	11/29/07	438,782	82,242	-	70,248	11,994	11,994	62
Lease/Purchase, Hancock Bank	04/23/12	603,200	362,617	-	118,499	244,118	120,857	4,858
Total Other General Long-Term Debt			444,859	-	188,747	256,112	132,851	4,920
Total General Long-Term Debt			52,027,784	36,995,000	4,931,175	84,091,609	4,840,605	3,805,307
<b>Proprietary Funds Debt</b>								
Water and Sewer Pollution Control Loans	1998-2014	9,480,015	3,528,580	169,579	223,972	3,474,187	229,759	64,500
Drinking Water Improvement Loan	11/03/11	1,133,861	1,122,004	-	48,009	1,073,995	48,953	20,507
Limited Tax Port Bonds, Series 1999	12/01/99	2,500,000	1,240,000	-	150,000	1,090,000	155,000	59,905
Total Proprietary Funds Debt			5,890,584	169,579	421,981	5,638,182	433,712	144,912
Totals			\$ 57,918,368	\$ 37,164,579	\$ 5,353,156	\$ 89,729,791	\$ 5,274,317	\$ 3,950,219

*See Independent Auditors' Report.*



**City of Biloxi, Mississippi**  
**Schedule of Surety Bonds for Municipal Officials**  
**And Other Municipal Employees**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
A. J. Holloway	Mayor	Fidelity and Deposit Company of Maryland	\$ 100,000
George Lawrence	Councilman	Fidelity and Deposit Company of Maryland	100,000
Felix Gines	Councilman	Fidelity and Deposit Company of Maryland	100,000
Dixie Newman	Councilman	Fidelity and Deposit Company of Maryland	100,000
Robert L. Deming III	Councilman	Fidelity and Deposit Company of Maryland	100,000
Paul A. Tisdale	Councilman	Fidelity and Deposit Company of Maryland	100,000
Kenny Glavan	Councilman	Fidelity and Deposit Company of Maryland	100,000
David Fayard	Councilman	Fidelity and Deposit Company of Maryland	100,000
Scott McElroy	Controller	Fidelity and Deposit Company of Maryland	50,000
Stacy Thacker	City Clerk/ Tax Collector	Fidelity and Deposit Company of Maryland	50,000
Pamela Trochesset	Court Clerk	Fidelity and Deposit Company of Maryland	10,000
John Miller	Director of Police	Fidelity and Deposit Company of Maryland	50,000

**Note** – In addition to the Surety Bond Coverage detailed above, all employees are covered under a \$100,000 Honesty Blanket Bond.

*See Independent Auditors' Report.*



**Section III**  
**Statistical Section**



This part of the City of Biloxi's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Schedules of:</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	84
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	89
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	92
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	97
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	99

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**Schedule 1**  
**City of Biloxi, Mississippi**  
**Net Position by Component**  
**Last Ten Fiscal Years**

	<b>Fiscal Year</b>			
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Governmental activities				
Invested in capital assets, net of related debt	\$ 208,874,271	\$ 217,689,178	\$ 198,377,139	\$ 202,599,253
Restricted	55,596,738	26,040,170	38,699,539	25,272,915
Unrestricted	<u>8,230,037</u>	<u>13,068,206</u>	<u>4,992,905</u>	<u>9,779,655</u>
Total governmental activities net position	<u>\$ 272,701,046</u>	<u>\$ 256,797,554</u>	<u>\$ 242,069,583</u>	<u>\$ 237,651,823</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 144,899,350	\$ 129,653,322	\$ 100,198,366	\$ 78,380,815
Restricted	851,135	844,640	837,393	1,101,967
Unrestricted	<u>(2,192,026)</u>	<u>(6,921,099)</u>	<u>(3,011,177)</u>	<u>4,528,206</u>
Total business-type activities net position	<u>\$ 143,558,459</u>	<u>\$ 123,576,863</u>	<u>\$ 98,024,582</u>	<u>\$ 84,010,988</u>
Primary government				
Net investment in capital assets	\$ 353,773,621	\$ 347,342,500	\$ 298,575,505	\$ 280,980,068
Restricted	56,447,873	26,884,810	39,536,932	26,374,882
Unrestricted	<u>6,038,011</u>	<u>6,147,107</u>	<u>1,981,728</u>	<u>14,307,861</u>
Total primary government net position	<u>\$ 416,259,505</u>	<u>\$ 380,374,417</u>	<u>\$ 340,094,165</u>	<u>\$ 321,662,811</u>

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 182,350,760	\$ 162,209,803	\$ 148,298,408	\$ 137,454,714	\$ 122,446,292	\$ 125,208,731
30,767,976	35,399,734	30,633,195	10,146,382	11,814,028	13,202,408
9,948,987	19,660,287	32,009,500	70,540,236	58,845,246	26,346,700
<u>\$ 223,067,723</u>	<u>\$ 217,269,824</u>	<u>\$ 210,941,103</u>	<u>\$ 218,141,332</u>	<u>\$ 193,105,566</u>	<u>\$ 164,757,839</u>
\$ 70,719,525	\$ 61,716,508	\$ 47,402,255	\$ 41,667,384	\$ 39,094,116	\$ 39,210,473
1,117,520	1,105,935	1,121,037	1,726,398	1,684,296	1,897,170
2,002,188	(11,504,300)	7,505,527	9,620,633	13,393,377	12,549,989
<u>\$ 73,839,233</u>	<u>\$ 51,318,143</u>	<u>\$ 56,028,819</u>	<u>\$ 53,014,415</u>	<u>\$ 54,171,789</u>	<u>\$ 53,657,632</u>
\$ 253,070,285	\$ 223,926,311	\$ 195,700,663	\$ 179,122,098	\$ 161,540,408	\$ 164,419,204
31,885,496	36,505,669	31,754,232	11,872,780	13,498,324	15,099,578
11,951,175	8,155,987	39,515,027	80,160,869	72,238,623	38,896,689
<u>\$ 296,906,956</u>	<u>\$ 268,587,967</u>	<u>\$ 266,969,922</u>	<u>\$ 271,155,747</u>	<u>\$ 247,277,355</u>	<u>\$ 218,415,471</u>

**Schedule 2**  
**City of Biloxi, Mississippi**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year			
	2014	2013	2012	2011
<b>Expenses</b>				
Governmental activities:				
General government	\$ 5,789,900	\$ 5,749,015	\$ 5,024,709	\$ 5,769,907
Parks and recreation	6,920,693	5,999,954	5,216,154	5,243,857
Public safety	36,417,140	34,082,368	34,096,575	33,274,315
Public works	10,652,115	11,876,265	10,500,823	11,023,132
Community development	3,861,583	6,720,748	4,546,745	4,488,481
Unallocated depreciation, infrastructure	3,043,524	2,630,920	2,642,780	2,630,916
Interest and other, long-term debt	2,161,010	2,766,751	2,499,336	2,600,008
Total governmental activities expenses	<u>68,845,965</u>	<u>69,826,021</u>	<u>64,527,122</u>	<u>65,030,616</u>
Business-type activities:				
Water & Sewer	15,459,099	14,236,840	14,605,675	14,810,503
Biloxi Port Fund	2,973,079	2,547,550	1,770,860	1,659,485
Point Cadet Development Corporation	200,000	-	-	-
Total business-type activities expenses	<u>18,632,178</u>	<u>16,784,390</u>	<u>16,376,535</u>	<u>16,469,988</u>
Total primary government expenses	<u>\$ 87,478,143</u>	<u>\$ 86,610,411</u>	<u>\$ 80,903,657</u>	<u>\$ 81,500,604</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 675	\$ 844	\$ 715	\$ 662
Parks and recreation	523,550	529,679	544,357	482,485
Public safety	1,222,643	1,175,149	1,576,015	1,463,649
Public works	1,455,771	1,419,928	1,433,888	1,367,422
Community development	4,167,428	4,988,389	4,673,921	4,790,107
Operating grants and contributions	902,346	2,310,684	1,481,036	1,437,584
Capital grants and contributions	43,981,867	30,528,891	20,131,998	25,576,003
Total governmental activities program reviews	<u>52,254,280</u>	<u>40,953,564</u>	<u>29,841,930</u>	<u>35,117,912</u>
Business-type activities:				
Charges for services:				
Water & Sewer	14,120,797	13,755,104	13,948,734	14,714,317
Biloxi Port Fund	1,477,090	1,338,749	1,386,143	1,523,162
Point Cadet Development Corporation	24,929	23,847	25,330	22,668
Capital grants and contributions	1,939,175	4,450,601	1,287,599	477,166
Total business-type activities program revenues	<u>17,561,991</u>	<u>19,568,301</u>	<u>16,647,806</u>	<u>16,737,313</u>
Total primary government program revenues	<u>\$ 69,816,271</u>	<u>\$ 60,521,865</u>	<u>\$ 46,489,736</u>	<u>\$ 51,855,225</u>

Fiscal Year						
2010	2009	2008	2007	2006	2005	
\$ 5,293,011	\$ 6,289,441	\$ 5,545,240	\$ 4,902,940	\$ 4,444,590	\$ 4,505,044	
5,456,041	5,892,707	5,720,051	4,797,664	4,294,691	5,528,890	
36,873,912	39,554,918	36,120,835	29,601,484	27,540,929	29,591,921	
12,577,626	12,174,671	18,051,184	22,402,881	64,616,111	19,942,138	
4,810,435	7,633,964	4,332,445	4,728,570	2,364,826	7,186,148	
2,583,406	2,355,172	2,292,270	2,254,458	2,219,360	1,869,584	
2,740,362	2,750,274	2,866,857	1,996,618	2,786,442	3,327,475	
<u>70,334,793</u>	<u>76,651,147</u>	<u>74,928,882</u>	<u>70,684,615</u>	<u>108,266,949</u>	<u>71,951,200</u>	
14,080,437	13,064,569	11,475,922	9,829,590	9,925,601	12,515,510	
1,611,282	1,594,012	1,653,803	1,254,929	1,415,121	1,666,327	
34	471	18,851	131	5,730	372,659	
<u>15,691,753</u>	<u>14,659,052</u>	<u>13,148,576</u>	<u>11,084,650</u>	<u>11,346,452</u>	<u>14,554,496</u>	
<u>\$ 86,026,546</u>	<u>\$ 91,310,199</u>	<u>\$ 88,077,458</u>	<u>\$ 81,769,265</u>	<u>\$ 119,613,401</u>	<u>\$ 86,505,696</u>	
\$ 771	\$ 1,506	\$ 1,935	\$ 1,080	\$ 34,656	\$ 36,776	
462,444	407,165	398,565	442,126	522,282	596,247	
1,499,085	1,462,173	1,236,468	1,136,610	1,352,917	1,249,630	
1,035,303	585,385	603,235	591,434	544,772	702,655	
4,854,342	5,115,057	5,204,757	5,724,975	5,761,969	4,151,971	
2,180,921	4,311,030	2,453,282	13,728,661	56,706,429	1,196,313	
33,925,142	9,135,507	2,476,562	2,454,944	1,214,462	17,373,396	
<u>43,958,008</u>	<u>21,017,823</u>	<u>12,374,804</u>	<u>24,079,830</u>	<u>66,137,487</u>	<u>25,306,988</u>	
10,205,340	7,519,605	7,738,610	7,864,670	6,989,753	8,762,117	
1,127,665	1,470,994	1,246,597	1,660,968	1,768,179	1,752,748	
19,873	24,837	58,844	27,595	20,874	17,594	
3,287,713	1,379,466	7,222,126	1,801,139	2,269,780	978,930	
<u>14,640,591</u>	<u>10,394,902</u>	<u>16,266,177</u>	<u>11,354,372</u>	<u>11,048,586</u>	<u>11,511,389</u>	
<u>\$ 58,598,599</u>	<u>\$ 31,412,725</u>	<u>\$ 28,640,981</u>	<u>\$ 35,434,202</u>	<u>\$ 77,186,073</u>	<u>\$ 36,818,377</u>	

**Schedule 2**  
**City of Biloxi, Mississippi**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year			
	2014	2013	2012	2011
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (16,591,685)	\$ (28,872,457)	\$ (34,685,192)	\$ (29,912,704)
Business-type activities	(1,070,187)	2,783,911	271,271	267,325
 Total primary government net expense	<u>\$ (17,661,872)</u>	<u>\$ (26,088,546)</u>	<u>\$ (34,413,921)</u>	<u>\$ (29,645,379)</u>
 <b>General Revenues and Other Changes In Net Position</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 18,061,043	\$ 18,065,315	\$ 17,894,495	\$ 18,000,323
Intergovernmental, unrestricted	14,493,067	13,915,324	13,380,910	13,155,811
Gaming taxes	18,805,326	18,878,204	18,958,797	19,617,237
Other taxes	519,032	544,906	448,154	1,445,804
Unrestricted grants and contributions	1,200,000	1,200,000	1,543,637	1,200,000
Unrestricted investment earnings	20,323	49,425	216,010	274,424
Insurance proceeds	-	-	-	-
Miscellaneous	210,985	413,597	151,675	472,894
Transfers	(20,814,599)	(22,519,734)	(13,490,726)	(9,669,689)
Special item				
Community Disaster Loan forgiveness	-	13,053,391	-	-
Total governmental activities	<u>32,495,177</u>	<u>43,600,428</u>	<u>39,102,952</u>	<u>44,496,804</u>
Business-type activities:				
Property taxes	223,650	230,264	223,269	223,343
Investment earnings	13,534	18,373	28,328	11,398
Transfers	20,814,599	22,519,734	13,490,726	9,669,689
Total business-type activities	<u>21,051,783</u>	<u>22,768,371</u>	<u>13,742,323</u>	<u>9,904,430</u>
 Total primary government	<u>\$ 53,546,960</u>	<u>\$ 66,368,799</u>	<u>\$ 52,845,275</u>	<u>\$ 54,401,234</u>
 <b>Change in Net Position</b>				
Governmental activities	\$ 15,903,492	\$ 14,727,971	\$ 4,417,760	\$ 14,584,100
Business-type activities	19,981,596	25,552,282	14,013,594	10,171,755
 Total primary government	<u>\$ 35,885,088</u>	<u>\$ 40,280,253</u>	<u>\$ 18,431,354</u>	<u>\$ 24,755,855</u>

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ (26,376,785)	\$ (55,633,324)	\$ (62,554,078)	\$ (46,604,785)	\$ (42,129,462)	\$ (46,644,212)
(1,051,162)	(4,264,150)	3,117,601	269,722	(297,866)	(3,043,107)
<u>\$ (27,427,947)</u>	<u>\$ (59,897,474)</u>	<u>\$ (59,436,477)</u>	<u>\$ (46,335,063)</u>	<u>\$ (42,427,328)</u>	<u>\$ (49,687,319)</u>
\$ 18,148,452	\$ 18,125,894	\$ 14,850,437	\$ 11,884,058	\$ 16,859,108	\$ 15,599,678
13,053,295	13,405,142	14,131,140	14,098,356	12,519,876	14,598,133
18,902,497	19,631,434	22,030,475	22,518,892	15,187,146	20,968,845
995,736	711,062	1,065,200	1,684,283	706,999	654,641
3,367,995	6,018,256	399,672	-	527,815	1,200,000
307,179	399,787	2,009,599	4,217,134	2,298,869	1,136,693
-	-	-	12,794,680	16,306,863	1,436,097
729,762	251,009	190,307	1,444,358	756,751	906,688
(23,330,232)	3,419,459	677,019	2,998,790	(933,637)	(3,034,089)
-	-	-	-	-	-
<u>32,174,684</u>	<u>61,962,043</u>	<u>55,353,849</u>	<u>71,640,551</u>	<u>64,229,790</u>	<u>53,466,686</u>
219,590	209,134	229,178	872,186	920,215	657,426
22,430	46,799	344,644	699,508	389,262	301,696
23,330,232	(702,459)	(677,019)	(2,998,790)	(497,454)	3,034,089
<u>23,572,252</u>	<u>(446,526)</u>	<u>(103,197)</u>	<u>(1,427,096)</u>	<u>812,023</u>	<u>3,993,211</u>
<u>\$ 55,746,936</u>	<u>\$ 61,515,517</u>	<u>\$ 55,250,652</u>	<u>\$ 70,213,455</u>	<u>\$ 65,041,813</u>	<u>\$ 57,459,897</u>
\$ 5,797,899	\$ 6,328,719	\$ (7,200,229)	\$ 25,035,766	\$ 22,100,328	\$ 6,822,474
22,521,090	(4,710,676)	3,014,404	(1,157,374)	514,157	950,104
<u>\$ 28,318,989</u>	<u>\$ 1,618,043</u>	<u>\$ (4,185,825)</u>	<u>\$ 23,878,392</u>	<u>\$ 22,614,485</u>	<u>\$ 7,772,578</u>

**Schedule 3**  
**City of Biloxi, Mississippi**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year			
	2014	2013	2012	2011
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable				
Prepays	1,038,687	1,606,357	1,885,369	1,271,971
Restricted for				
Public Safety	2,118,923	2,283,789	2,147,890	2,304,194
Committed for				
Capital improvements	603,424	603,424	961,111	2,437,365
Unassigned	3,765,031	7,281,575	10,996,461	13,093,202
Total general fund	<u>\$ 7,526,065</u>	<u>\$ 11,775,145</u>	<u>\$ 15,990,831</u>	<u>\$ 19,106,732</u>
All other governmental funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
General Capital Projects Fund	-	-	-	-
Other non-major governmental funds, special revenue	-	-	-	-
Nonspendable				
Prepays	-	-	-	3,500,146
Long-term receivables	12,337	71,091	72,253	73,857
Restricted for				
Claims	424,796	436,755	-	-
Endowment	31,028	30,959	30,888	30,649
Committed for				
Grant expenditures	42,899	-	-	-
Capital improvements	34,680,797	6,207,516	16,100,494	9,027,355
Debt Service	17,694,871	-	-	-
Unassigned	-	16,447,973	19,755,268	10,786,211
Total all other governmental funds	<u>\$ 52,886,728</u>	<u>\$ 23,194,294</u>	<u>\$ 35,958,903</u>	<u>\$ 23,418,218</u>

(1) For fiscal year ended June 30, 2006, the State changed its methodology for applying GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions to individual income taxes. The State now reports an estimate of underpayments of individual — income taxes. The State also changed its method to estimate overpayments of individual income taxes (i.e., income tax refunds payable and applied refunds). For the purpose of reporting underpayments, the availability period for the General Fund individual income taxes was extended from thirty-one days to twelve months after year-end. Where the underpayments exceed overpayments, individual income tax revenues are recognized to the extent of estimated overpayments (i.e., income tax refunds payable and applied refunds).

(2) For the fiscal year ended June 30, 2011, GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented. Fiscal years prior to 2011 have not been restated.

Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ 3,142,091	\$ 3,822,099	\$ 2,345,677	\$ 2,864,621	\$ 2,525,615	\$ 2,000,359
15,040,957	23,635,948	36,736,391	55,178,878	52,281,003	26,975,995
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 18,183,048</u>	<u>\$ 27,458,047</u>	<u>\$ 39,082,068</u>	<u>\$ 58,043,499</u>	<u>\$ 54,806,618</u>	<u>\$ 28,976,354</u>
\$ 28,706,822	\$ 32,905,850	\$ 28,434,989	\$ 7,442,457	\$ 9,453,276	\$ 11,420,479
-	-	-	20,133,801	-	-
626,741	-	568,205	812,124	695,568	539,941
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 29,333,563</u>	<u>\$ 32,636,352</u>	<u>\$ 29,003,194</u>	<u>\$ 28,388,382</u>	<u>\$ 10,148,844</u>	<u>\$ 11,960,420</u>

**Schedule 4**  
**City of Biloxi, Mississippi**  
**Changes in Fund Balance,**  
**Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year			
	2014	2013	2012	2011
<b>Revenues</b>				
Taxes	\$ 18,061,043	\$ 18,065,315	\$ 17,894,496	\$ 18,000,327
Licenses and permits	4,105,012	3,971,017	3,600,317	3,972,726
Intergovernmental	75,025,316	64,224,966	52,759,556	59,699,160
Charges for services	1,930,054	1,900,722	1,945,448	1,841,049
Fines	1,582,593	1,162,496	1,461,955	1,336,302
Other	3,483,482	4,694,793	4,188,264	4,417,712
Total revenues	<u>104,187,500</u>	<u>94,019,309</u>	<u>81,850,036</u>	<u>89,267,276</u>
<b>Expenditures</b>				
General government	4,841,742	5,131,720	4,300,384	5,101,367
Parks and recreation	4,154,492	5,328,234	4,870,366	4,948,222
Public safety	30,312,720	30,479,166	29,711,155	28,495,792
Public works	9,008,665	8,946,705	9,922,377	9,383,848
Community development	3,852,521	5,969,673	3,838,829	3,481,616
Non-departmental	5,390,673	5,066,437	4,220,796	3,934,012
Retirement contribution	-	-	-	-
Capital outlay	30,460,296	18,752,843	7,596,960	22,807,930
Debt service:				
Principal	4,742,428	4,596,677	3,520,949	4,147,114
Interest	1,848,628	2,426,967	2,183,209	2,289,344
Bond issue costs	623,088	-	419,948	-
Total expenditures	<u>95,235,253</u>	<u>86,698,422</u>	<u>70,584,973</u>	<u>84,589,245</u>
Excess of revenues over (under) expenditures	8,952,247	7,320,887	11,265,063	4,678,031
<b>Other Financing Sources (Uses)</b>				
Insurance proceeds	-	-	-	-
Issuance of bonds	37,305,706	-	9,673,738	-
Payment to refunded bond escrow agent	-	(3,781,448)	(5,980,000)	-
Issuance of notes	-	-	6,083,655	-
Capital lease	-	-	-	-
Transfers in	9,301,508	7,217,108	2,588,311	811,932
Transfers out	(30,116,107)	(27,736,842)	(14,205,984)	(10,481,621)
Total other financing sources (uses)	<u>16,491,107</u>	<u>(24,301,182)</u>	<u>(1,840,280)</u>	<u>(9,669,689)</u>
Net change in fund balances	<u>\$ 25,443,354</u>	<u>\$ (16,980,295)</u>	<u>\$ 9,424,783</u>	<u>\$ (4,991,658)</u>
Debt services as a percentage of noncapital expenditures	10.2%	10.1%	9.1%	10.4%

Fiscal Year						
2010	2009	2008	2007	2006	2005	
\$ 18,148,456	\$ 18,125,894	\$ 14,850,437	\$ 11,884,058	\$ 16,859,108	\$ 15,599,678	
3,848,235	4,006,293	4,192,441	4,366,535	4,059,907	3,667,843	
69,507,081	47,334,921	37,283,930	50,509,539	83,596,269	53,337,778	
1,520,101	1,035,225	1,198,608	1,000,762	1,124,939	1,081,843	
1,404,579	1,361,195	1,202,481	1,123,537	1,346,888	1,241,663	
5,015,051	4,778,893	5,882,659	10,760,698	6,956,788	5,442,861	
<u>99,443,503</u>	<u>76,642,421</u>	<u>64,610,556</u>	<u>79,645,129</u>	<u>113,943,899</u>	<u>80,371,666</u>	
4,650,116	5,549,821	5,111,940	4,319,296	4,221,591	4,225,009	
5,213,572	5,316,864	5,344,806	3,965,717	3,766,106	4,926,209	
32,081,669	33,953,635	34,791,692	28,417,622	27,139,584	26,922,427	
12,358,655	11,340,820	15,457,386	20,885,545	63,498,853	18,802,996	
3,587,332	6,423,995	3,425,986	2,338,863	2,248,326	3,702,265	
4,956,816	4,826,960	5,003,572	4,031,368	2,919,036	5,535,248	
-	-	-	-	-	2,108,989	
25,130,739	14,560,072	11,351,010	7,986,131	3,259,444	19,299,416	
3,878,578	3,621,661	3,278,169	3,590,680	4,787,845	9,813,918	
2,367,400	2,454,374	2,570,957	1,615,844	2,786,442	3,246,883	
66,184	-	-	75,219	-	80,592	
<u>94,291,061</u>	<u>88,048,202</u>	<u>86,335,518</u>	<u>77,226,285</u>	<u>114,627,227</u>	<u>98,663,952</u>	
5,152,442	(11,405,781)	(21,724,962)	2,418,844	(683,328)	(18,292,286)	
-	-	-	12,794,680	16,306,863	5,528,315	
-	-	-	34,020,000	-	5,530,000	
4,500,000	2,717,000	2,258,000	(31,669,936)	-	2,000,000	
-	-	438,782	4,000,000	7,000,000	-	
4,234,063	6,675,931	9,168,356	-	897,699	-	
(5,189,932)	(5,973,471)	(8,491,337)	28,184,393	3,255,948	17,378,176	
<u>3,544,131</u>	<u>3,419,460</u>	<u>3,373,801</u>	<u>(28,271,562)</u>	<u>(2,758,494)</u>	<u>(15,429,874)</u>	
<u>\$ 8,696,573</u>	<u>\$ (7,986,321)</u>	<u>\$ (18,351,161)</u>	<u>\$ 21,476,419</u>	<u>\$ 24,018,688</u>	<u>\$ (3,285,669)</u>	
9.3%	8.5%	8.4%	7.9%	7.0%	15.3%	

**Schedule 5  
City of Biloxi, Mississippi  
Assessed Value and Actual  
Value of Taxable Property  
Last Ten Fiscal Years**

Fiscal Year Ended	Real Property (1)		Personal Property	
	Assessed Value	Actual Value	Assessed Value	Actual Value
2014	\$ 433,584,144	\$ 3,169,474,737	\$ 86,086,954	\$ 573,913,027
2013	435,311,024	3,182,098,129	82,773,399	551,822,660
2012	429,562,389	3,140,075,943	82,127,814	547,518,760
2011	432,803,922	3,163,771,360	81,961,919	546,412,793
2010	422,530,047	3,088,669,934	94,168,478	627,789,853
2009	416,010,814	3,041,014,722	99,426,267	662,841,780
2008	315,103,936	2,303,391,345	86,235,198	574,901,320
2007	264,457,015	1,933,165,314	42,427,809	282,852,060
2006	367,933,781	2,689,574,423	97,968,890	653,125,933
2005	358,029,587	2,617,175,344	90,986,491	606,576,607

(1) Class 1 – residential, owner occupied is assessed at 10% of true value.

Class 2 – commercial is assessed at 15% of true value

Above schedule uses estimated combined assessment ratio of 13.68% for real property.

**Schedule 6  
City of Biloxi, Mississippi  
Direct and Overlapping  
Property Tax Rates  
Last Ten Fiscal Years**

Fiscal Year Ended	Tax Year	City of Biloxi		
		Operating Millage	Debt Service	Total
2014	2013	20.90	9.20	30.10
2013	2012	20.90	9.20	30.10
2012	2011	20.90	9.20	30.10
2011	2010	20.90	9.20	30.10
2010	2009	20.90	9.20	30.10
2009	2008	20.90	9.20	30.10
2008	2007	20.90	9.20	30.10
2007	2006	20.90	9.20	30.10
2006	2005	20.90	9.20	30.10
2005	2004	22.40	7.70	30.10

Ad valorem taxes on real property are collected in arrears for each calendar year. The tax is levied in September of the tax year on all property on the tax roll as of January 1 of the same year. Consequently, ad valorem tax is collected in the fiscal year ending in the calendar year subsequent to the calendar year for which the tax is assessed.

Utility		Automobile & Mobile Home		Total		Ratio of Assessed to Actual
Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	
\$ 38,561,283	\$ 257,075,220	\$ 44,272,817	\$ 147,576,057	\$ 602,505,198	\$4,148,039,041	14.53%
35,325,443	235,502,953	45,166,010	150,553,367	598,575,876	4,119,977,109	14.53%
30,756,859	205,045,727	48,253,043	160,843,477	590,700,105	4,053,483,907	14.57%
33,429,527	222,863,513	48,500,401	161,668,003	596,695,769	4,094,715,669	14.57%
30,822,609	205,484,060	56,529,070	188,430,233	604,050,204	4,110,374,080	14.70%
30,021,990	200,146,600	60,482,827	201,609,423	605,941,898	4,105,612,525	14.76%
28,489,554	189,930,360	65,897,368	219,657,893	495,726,056	3,287,880,918	15.08%
20,810,411	138,736,073	61,828,287	206,094,290	389,523,522	2,560,847,737	15.21%
21,956,503	146,376,687	54,004,362	180,014,540	541,863,536	3,669,091,583	14.77%
23,589,400	157,262,667	46,875,398	156,251,327	519,480,876	3,537,265,945	14.69%

Harrison County			Biloxi School District			Total Millage	Total City and School
Operating Millage	Debt Service	Total	Operating Millage	Debt Service	Total		
32.58	3.37	35.95	36.82	6.23	43.05	109.10	73.15
32.58	3.37	35.95	35.16	7.89	43.05	109.10	73.15
32.58	3.37	35.95	33.78	7.77	41.55	107.60	71.65
32.58	3.37	35.95	34.13	7.42	41.55	107.60	71.65
32.58	3.37	35.95	32.97	7.11	40.08	106.13	70.18
32.58	3.37	35.95	30.64	7.39	38.03	104.08	68.13
34.24	2.37	36.61	30.44	7.59	38.03	104.74	68.13
34.35	2.14	36.49	30.44	7.59	38.03	104.62	68.13
34.14	2.35	36.49	30.58	7.45	38.03	104.62	68.13
33.39	2.31	35.70	29.01	9.02	38.03	103.83	68.13

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**Schedule 7**  
**City of Biloxi, Mississippi**  
**Principal Property Tax Payers**  
**Current Year and 10 Years Prior**

Taxpayer	2014			2004		
	Taxable Assessed	Rank	Percentage of Total Assessed Valuation	Taxable Assessed	Rank	Percentage of Total Assessed Valuation
	Value			Value		
Beau Rivage	\$ 69,451,295	1	11.64%	\$ 68,068,899	1	13.30%
Imperial Palace	34,041,516	2	5.71%	21,480,465	3	4.20%
Mississippi Power	25,604,768	3	4.29%	11,110,396	6	2.17%
Golden Nugget Casino	12,474,355	4	2.09%	17,896,829	4	3.50%
Harrah's Casino	17,251,193	5	2.89%	32,348,080	2	6.32%
Hard Rock Casino	20,516,943	6	3.44%	-		
Palace Casino	10,275,251	7	1.72%	8,603,031	8	1.68%
Boomtown Casino	5,038,308	8	0.84%	-		
American National	6,091,702	9	1.02%	-		
Merit Health Biloxi	5,717,721	10	0.96%	-		
Bell South				8,596,374	9	1.68%
Casino Magic				16,617,032	5	3.25%
Mastar				8,674,057	7	1.69%
President Casino				5,604,828	10	1.10%
<b>Total</b>	<b>\$ 206,463,052</b>		<b>34.60%</b>	<b>\$ 198,999,991</b>		<b>38.89%</b>



**Schedule 8  
City of Biloxi, Mississippi  
Property Tax Levies  
and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
<b>2014</b>	\$ 39,357,404	\$ 38,844,115	98.70%	\$ 493,109	\$ 39,337,224	99.95%
<b>2013</b>	39,416,884	38,979,025	98.89%	392,464	39,371,489	99.88%
<b>2012</b>	38,265,898	38,052,884	99.44%	403,659	38,456,543	100.50%
<b>2011</b>	38,618,482	38,598,059	99.95%	632,153	39,230,212	101.58%
<b>2010</b>	37,966,436	37,478,389	98.71%	683,980	38,162,369	100.52%
<b>2009</b>	30,784,713	29,715,851	96.53%	739,625	30,455,476	98.93%
<b>2008</b>	23,611,125	23,088,759	97.79%	1,176,800	24,265,559	102.77%
<b>2007</b>	33,817,049	33,670,317	99.57%	1,094,228	34,764,545	102.80%
<b>2006</b>	32,839,579	32,332,482	98.46%	415,459	32,747,941	99.72%
<b>2005</b>	31,900,734	31,894,516	99.98%	434,597	32,329,113	101.34%

**Schedule 9**  
**City of Biloxi, Mississippi**  
**Ratios of Outstanding**  
**Debt by Type**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Governmental Activities</b>				<b>Business-Type Activities</b>	
	<b>General Obligation Bonds</b>	<b>Limited Obligation Bonds</b>	<b>Capital Leases</b>	<b>Other General Long-Term Debt</b>	<b>Water/Sewer Revenue Bonds</b>	<b>SRF Loans</b>
2014	\$ 47,790,000	\$ 30,695,000	\$ 256,112	\$ 5,350,497	\$ -	\$ 3,474,187
2013	15,080,000	30,120,000	444,859	6,382,925	-	3,528,580
2012	20,990,000	31,485,000	628,443	18,414,602	-	2,922,390
2011	12,810,000	32,785,000	214,303	19,445,551	-	1,448,801
2010	14,465,000	34,020,000	467,234	20,702,664	-	1,121,106
2009	17,110,000	34,020,000	713,228	17,436,183	-	1,296,002
2008	19,800,000	34,020,000	949,731	15,650,854	-	1,464,905
2007	22,460,000	34,020,000	729,324	14,011,023	-	1,628,026
2006	24,995,000	30,405,000	897,699	10,542,312	-	1,628,026
2005	28,040,000	31,625,000	-	4,065,157	-	1,628,026

**Business-Type Activities**

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	<b>Port Bonds</b>		<b>Other Loans</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>	
\$	1,090,000	\$	1,073,995	\$	89,729,791	Not Available	2,002
	1,240,000		1,122,004		57,918,368	Not Available	1,299
	1,380,000		179,419		75,999,854	Not Available	1,432
	1,640,000		-		68,343,655	4.32%	1,518
	1,640,000		-		72,416,004	4.63%	1,644
	1,760,000		2,787,113		75,122,526	4.84%	1,641
	1,870,000		2,787,113		76,542,603	4.77%	1,670
	1,975,000		2,787,113		77,610,486	4.77%	1,678
	2,680,000		1,000,000		72,148,037	4.23%	1,563
	3,370,000		-		68,728,183	4.78%	1,359



**Schedule 10**  
**City of Biloxi, Mississippi**  
**Ratios of General Bonded**  
**Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year Ended 9/30	Estimated Population (1)	Actual Value of Property (2)	Gross General Obligation Debt (3)	Less Debt Service Fund	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Net Bonded Debt Per Capita
2014	44,820	\$ 4,148,039,041	\$ 47,790,000	\$ 17,694,871	\$ 30,095,129	0.73%	671
2013	44,578	4,119,977,109	15,080,000	16,477,727	(1,397,727)	-0.03%	-31
2012	44,578	4,053,483,907	20,990,000	19,459,156	1,530,844	0.04%	34
2011	44,239	4,094,715,669	12,810,000	13,910,717	(1,100,717)	-0.03%	-25
2010	44,054	4,110,374,080	14,465,000	12,487,416	1,977,584	0.05%	45
2009	45,766	4,105,612,525	17,110,000	10,826,183	6,283,817	0.15%	137
2008	45,828	3,287,880,918	19,800,000	6,524,693	13,275,307	0.40%	290
2007	46,246	2,560,847,737	22,460,000	3,716,525	18,743,475	0.73%	405
2006	46,166	3,669,091,583	24,995,000	3,651,761	21,343,239	0.58%	462
2005	50,579	3,537,265,945	28,040,000	4,421,727	23,618,273	0.67%	467

- (1) *Annual Estimates of the Resident Population for Incorporated Places in Mississippi, April 1, 2004 to July 1, 2013.*  
Retrieved April 17, 2014 from <http://www.census.gov/popest/cities>.
- (2) Schedule "Assessed and Actual Value of Property"
- (3) Includes notes; excludes tax increment debt and debt paid from Enterprise Fund revenues



**Schedule 11  
City of Biloxi, Mississippi  
Direct and Overlapping  
General Obligation Debt  
As of September 30, 2014**

	General Obligation Bonded Debt Outstanding	Applicable Percentage	Amount Applicable to City of Biloxi
Jurisdiction			
Direct:			
City of Biloxi	\$ 84,091,609	100.00%	\$ 84,091,609
Overlapping:			
Biloxi School District	26,545,472	100.00%	26,545,472
Harrison County	112,118,698	43.98%	49,309,803
City of Biloxi Limited Tax Port Bonds (1)	<u>1,090,000</u>	27.81%	<u>303,129</u>
Total overlapping	<u>139,754,170</u>		<u>76,158,404</u>
Totals	<u>\$ 223,845,779</u>		<u>\$ 160,250,013</u>

(1) Secured by the pledge of the avails of a continuing tax by Harrison County.

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**Schedule 12**  
**City of Biloxi, Mississippi**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	Fiscal Year			
	2014	2013	2012	2011
Debt Limit	\$ 90,375,780	\$ 86,506,249	\$ 89,205,082	\$ 89,504,365
Total net debt applicable to limit	<u>47,790,000</u>	<u>15,080,000</u>	<u>31,990,000</u>	<u>23,810,000</u>
Legal debt margin	<u>\$ 42,585,780</u>	<u>\$ 71,426,249</u>	<u>\$ 57,215,082</u>	<u>\$ 65,694,365</u>
Total net debt applicable to the limit as a percentage of the debt limit	52.88%	17.43%	26.69%	26.60%

<b>Fiscal Year</b>					
<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 90,607,531	\$ 90,891,285	\$ 74,358,908	\$ 58,428,528	\$ 81,279,530	\$ 77,922,131
25,465,000	28,110,000	30,800,000	33,460,000	31,995,000	31,662,672
<u>\$ 65,142,531</u>	<u>\$ 62,781,285</u>	<u>\$ 43,558,908</u>	<u>\$ 24,968,528</u>	<u>\$ 49,284,530</u>	<u>\$ 46,259,459</u>
28.10%	30.93%	41.42%	57.27%	39.36%	40.63%

**Legal Debt Margin Calculated**

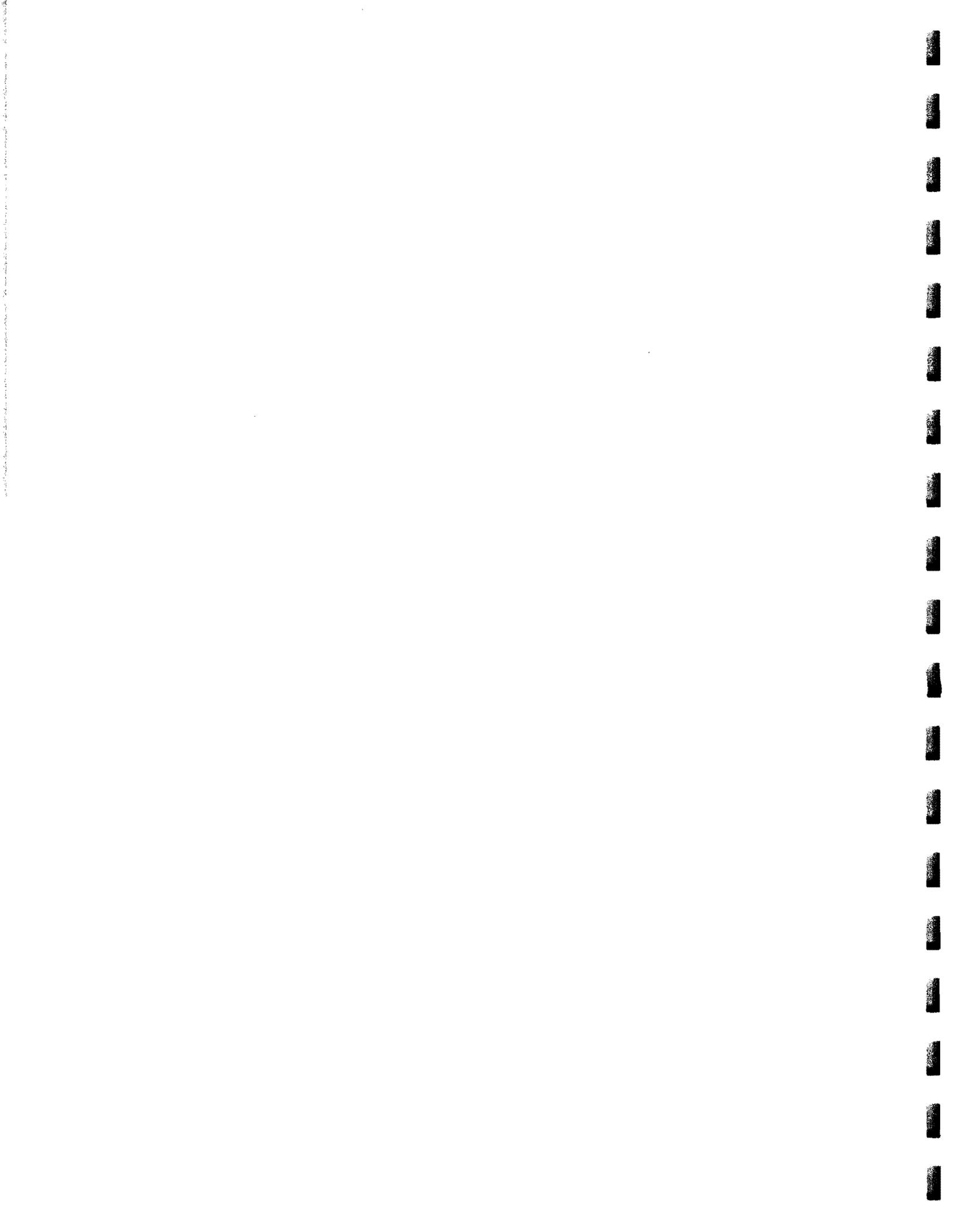
for Fiscal Year 2014	
Assessed Value	\$ 602,505,198
Debt Limit (15% of assessed value)	90,375,780
Debt applicable to limit:	
General obligation bonds	<u>47,790,000</u>
Total debt applicable to limit	<u>47,790,000</u>
Legal debt margin	<u>\$ 42,585,780</u>



**Schedule 13  
City of Biloxi, Mississippi  
Pledged-Revenue Coverage  
Last Ten Fiscal Years**

<b>Fiscal Year Ended 9/30</b>	<b>Gross Revenues</b>	<b>Operating Expenses</b>	<b>Net Revenues Available for Debt Service</b>	<b>Debt Service Requirements (1)</b>			
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2014	\$ 14,120,797	\$ 15,347,555	\$ (1,226,758)	\$ 271,981	\$ 91,740	\$ 363,721	-337.3%
2013	13,755,104	14,148,263	(393,159)	168,563	88,577	257,140	-152.9%
2012	13,948,732	14,576,313	(627,581)	161,287	29,357	190,644	-329.2%
2011	14,714,316	14,774,817	(60,501)	181,109	35,685	216,794	-27.9%
2010	10,205,341	13,959,998	(3,754,657)	174,896	41,898	216,794	-1731.9%
2009	7,399,448	12,941,452	(5,542,004)	168,903	47,891	216,794	-2556.3%
2008	7,964,405	11,346,358	(3,381,953)	163,121	53,673	216,794	-1560.0%
2007	8,264,274	9,730,830	(1,466,556)	-	-	-	N/A
2006	7,212,180	9,925,146	(2,712,966)	-	-	-	N/A
2005	9,002,050	12,450,570	(3,448,520)	118,210	58,531	176,741	-1951.2%

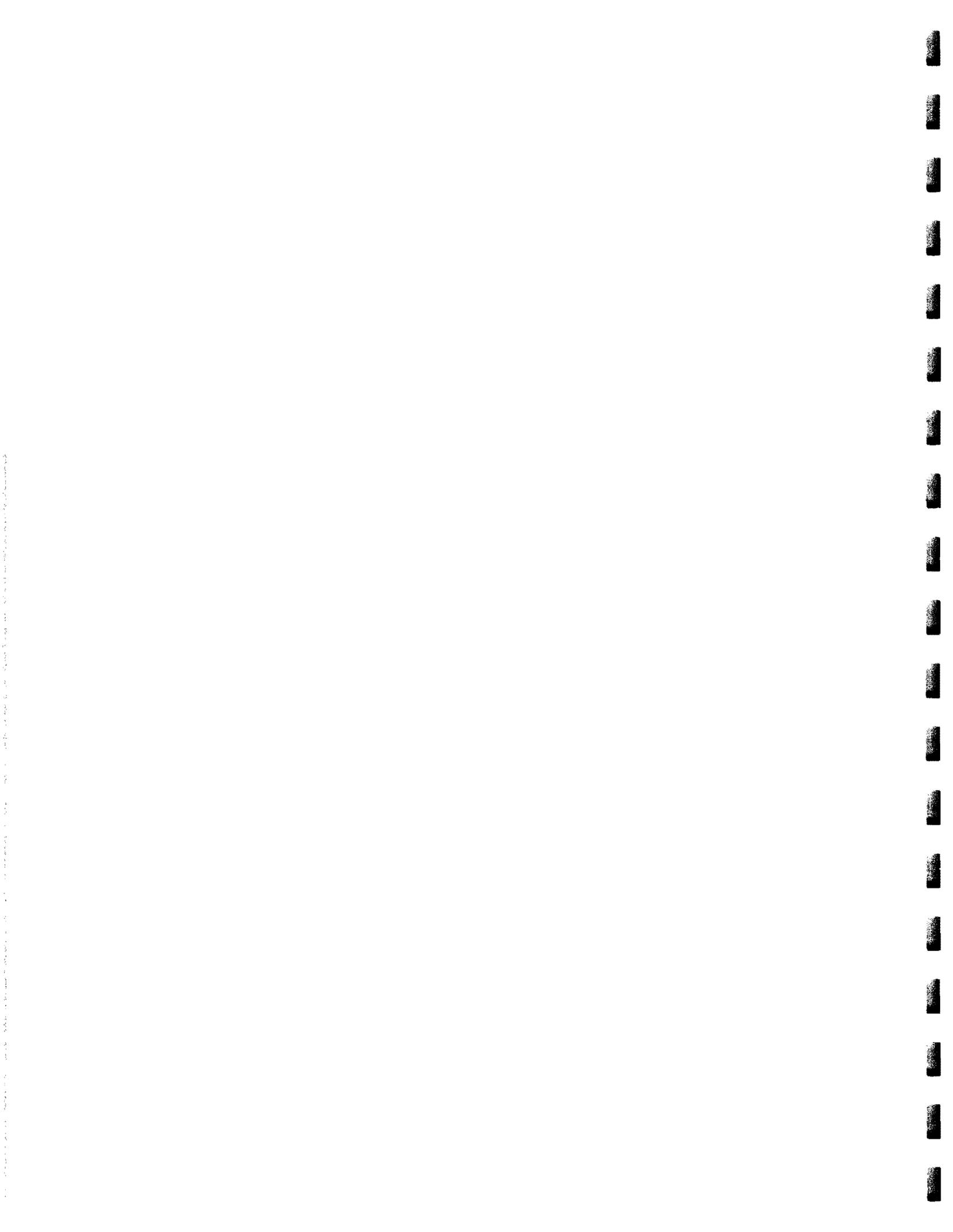
(1) State Pollution Control loans. Debt service deferred for 2007 and 2008.



**Schedule 14  
City of Biloxi, Mississippi  
Demographic and  
Economic Statistics  
Last Ten Calendar Years**

<b>Year</b>	<b>Estimated Population (1)</b>	<b>Per Capita</b>		<b>School Enrollment (4)</b>	<b>Unemployment Rate (5)</b>
		<b>Personal Income (2)</b>	<b>Personal Income (3)</b>		
2014	44,820	Not available	Not available	5,892	7.1
2013	44,820	35,668	1,599,536,160	5,347	8.2
2012	44,578	35,448	1,580,200,944	4,842	8.6
2011	44,239	35,380	1,565,175,820	4,913	9.7
2010	44,054	35,258	1,553,255,932	4,806	9.2
2009	45,766	35,058	1,604,464,428	4,686	7.6
2008	45,828	35,515	1,627,581,420	4,780	5.6
2007	46,246	36,904	1,706,662,384	4,816	5.5
2006	46,166	31,169	1,438,948,054	4,711	10.4
2005	50,579	29,263	1,480,093,277	6,051	11.0
2004	50,817	26,592	1,351,325,664	6,132	5.2

- (1) *Annual Estimates of the Resident Population for Incorporated Places in Mississippi April 1, 2000 to July 1, 2012*. Retrieved April 17, 2014 from [www.census.gov](http://www.census.gov).
- (2) US Department of Commerce, Bureau of Economic Analysis *Per Capita Personal Income 2/ CAI-3 for Harrison County, Mississippi, April, 2012*. April 17, 2014 from <http://www.bea.gov>
- (3) Calculated by multiplying Estimated Population by Per Capita Personal Income
- (4) Biloxi School District.
- (5) Annual average monthly percentages for fiscal year, City of Biloxi, Mississippi Department of Employment Security.



**Schedule 15**  
**City of Biloxi, Mississippi**  
**Principal Employers**  
**Current & Eight Years Prior**

Employer	2014			2006		
	Employees	Rank	Percentage of Total Biloxi/Gulfport Metro Area Employment (2)	Employees (1)	Rank	Percentage of Total Biloxi/Gulfport Metro Area Employment
Keesler Air Force Base	11,276	1	10.98%	16,000	1	15.69%
Beau Rivage Casino & Resort	2,928	2	2.85%	3,600	2	3.53%
Biloxi Veterans Admin Hospital	1,605	3	1.56%	-	-	-
Imperial Palace Casino Resort Spa	1,457	4	1.42%	2,900	3	2.84%
Golden Nugget Casino	1,067	5	1.04%	1,200	5	1.18%
Hard Rock Hotel & Casino Biloxi	1,018	6	0.99%	-	-	-
Harrah's Casino Biloxi	762	7	0.74%	1,500	4	1.47%
Biloxi Regional Medical Center	750	8	0.73%	542	10	0.53%
Palace Casino Resort	708	9	0.69%	600	9	0.59%
Biloxi Public School District	670	10	0.65%	720	6	0.71%
City of Biloxi				652	8	0.64%
Boomtown Biloxi Casino				700	7	0.69%
Total	<u>22,241</u>			<u>28,414</u>		

The City did not prepare this schedule or accumulate this data prior to 2006.

(1) Source: Harrison County Development Commission.

(2) Source: U.S. Department of Labor; The U.S. Department of Labor combines the City with the Gulfport and other metropolitan areas and does not segregate by city.



**Schedule 16**  
**City of Biloxi, Mississippi**  
**Full-Time Equivalent City Government**  
**Employees by Function/Program**  
**Last Nine Fiscal Years**

Function/Program	as of September 30								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>General Government</b>									
Management services	1	1	1	1	1	1	1	1	1
Finance	6	6	6	6	5	5	7	7	8
Planning	6	6	7	6	7	7	7	7	6
Building	13	14	13	14	16	17	15	13	11
Other	44	42	42	39	38	39	41	36	28
<b>Police</b>									
Officers	119	120	120	121	129	134	135	121	131
Civilians	51	51	51	52	44	47	46	41	44
<b>Fire</b>									
Firefighters and officers	155	161	161	163	168	177	175	174	163
Civilians	5	5	5	5	4	4	4	4	6
<b>Other public works</b>									
Engineering	12	12	12	12	12	12	12	12	13
Other	82	79	79	82	91	97	100	81	68
Parks and recreation	56	55	57	56	61	63	62	57	61
Water	26	21	21	22	25	28	31	31	18
Port	21	22	22	22	22	24	25	26	21
<b>Total</b>	<b>597</b>	<b>595</b>	<b>597</b>	<b>601</b>	<b>623</b>	<b>655</b>	<b>661</b>	<b>611</b>	<b>579</b>

The City did not prepare this schedule or accumulate this data prior to 2006.  
Source: City of Biloxi Human Resources Section.

**Schedule 17**  
**City of Biloxi, Mississippi**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year</b>			
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Police</b>				
Physical arrests	7,537	6,931	7,587	7,763
Parking violations	174	162	408	315
Traffic violations	11,485	10,689	14,445	15,229
<b>Fire</b>				
Emergency responses	6,327	7,356	7,332	7,194
Inspections	4,500	3,921	3,998	4,047
<b>Water</b>				
Average daily consumption (thousands of gallons)	5,212	5,689	5,627	5,507
<b>Wastewater</b>				
Average daily sewage treatment (thousands of gallons)	8,626	9,614	9,510	8,003

Sources: Various departments of City of Biloxi.

**Fiscal Year**

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
7,971	9,108	9,953	8,421	10,171	16,351
128	232	103	98	245	441
16,222	19,490	13,278	3,197	5,622	7,838
6,883	6,500	6,338	5,873	5,729	5,117
3,759	3,856	4,491	4,076	4,056	3,270
4,850	5,380	5,559	5,414	5,910	5,739
9,680	9,779	8,927	7,909	7,398	10,859

**Schedule 18**  
**City of Biloxi, Mississippi**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Years**

<b>Function/Program</b>	<b>Fiscal Year</b>			
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Police</b>				
Stations	1	1	1	1
Patrol units	126	125	124	123
<b>Fire Stations</b>	9	9	9	9
<b>Other public works</b>				
Streets (miles)	290	287	220	220
Traffic signals	64	64	40	40
<b>Parks and recreation</b>				
Acreage	258	258	258	258
Playgrounds	20	20	20	20
Ballfields	30	30	30	30
Community centers	5	5	5	5
<b>Water</b>				
Water mains	253	253	251	251
Fire hydrants	2,016	2,015	1,890	1,890
Storage capacity (thousands of gallons)	14,793	14,793	14,793	14,793
<b>Wastewater</b>				
Sanitary sewers	243	243	235	235
Treatment capacity (thousands of gallons)	23,700	23,700	21,582	21,582

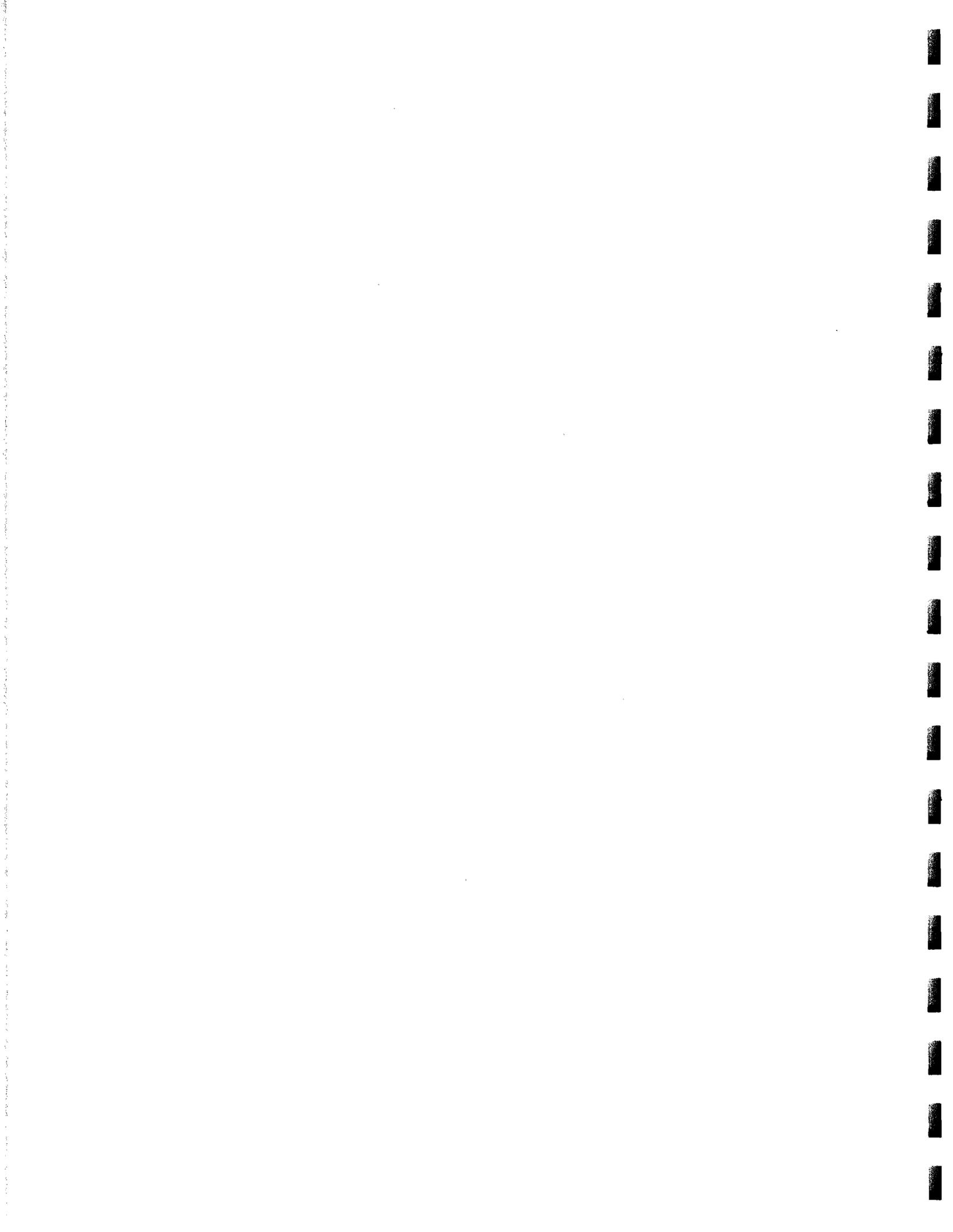
Sources: Various departments of City of Biloxi.

Fiscal Year						
2010	2009	2008	2007	2006	2005	
1	1	1	1	1	1	1
128	135	144	144	135	136	
9	9	9	9	9	9	
220	220	217	217	215	215	
40	40	40	40	40	40	
258	258	258	258	258	161	
20	20	20	20	20	-	
30	30	30	30	30	-	
5	2	2	2	2	2	
251	234	234	234	234	234	
1,890	1,820	1,786	1,729	1,729		
14,793	14,793	14,793	14,793	14,793	14,793	
235	235	235	235	235	235	
21,582	21,582	21,582	21,582	21,582	21,582	

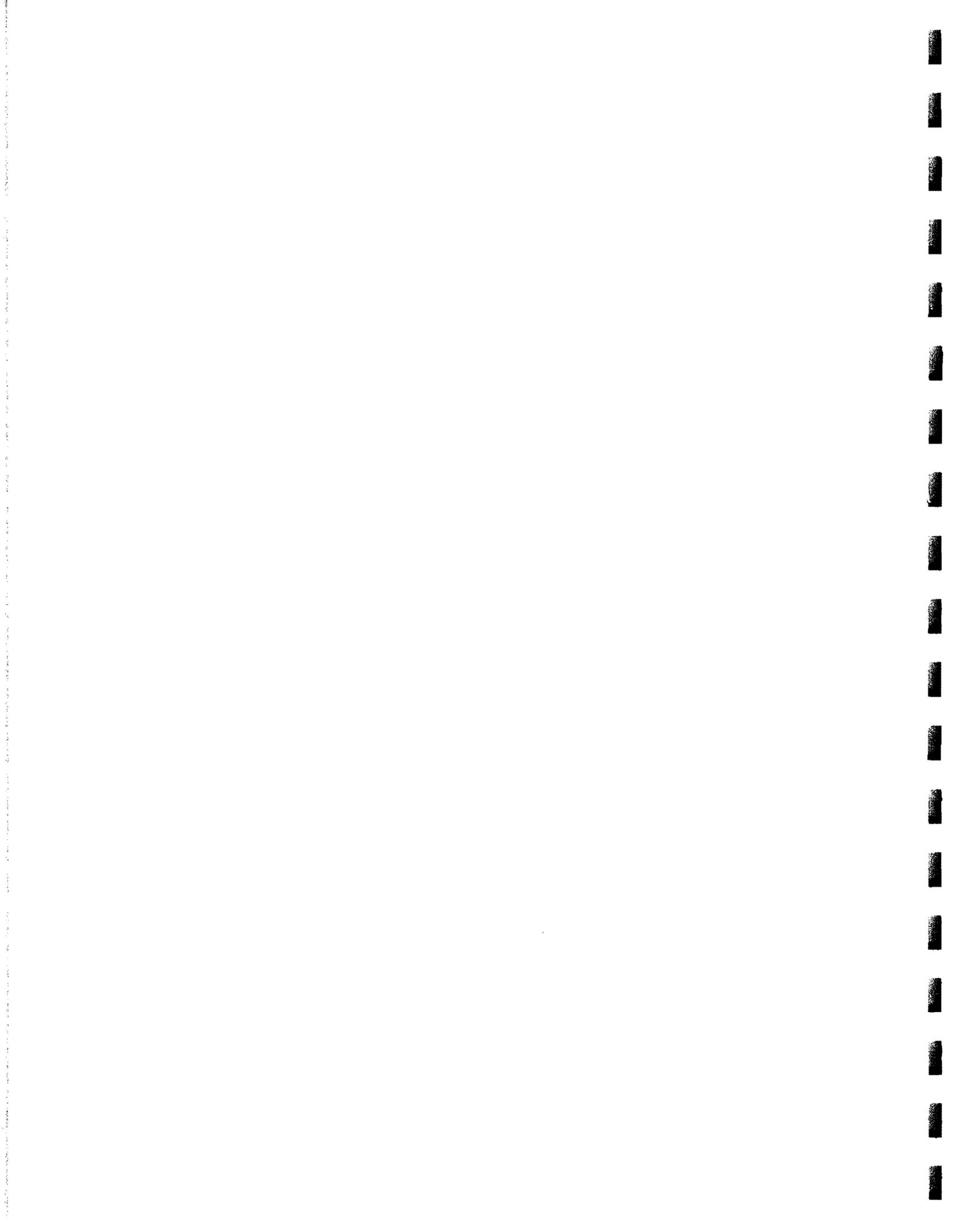
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**Section IV**  
**Compliance Section**



**Schedule of Expenditures of Federal Awards**



**City of Biloxi, Mississippi**  
**Schedule of Expenditures of Federal Awards**  
For the Fiscal Year Ended September 30, 2014

Grantor Federal Agency / Pass-Through Agency / Program Title	CFDA Number	Pass-Through Grantor No.	Federal Expenditures
<b>Department of Justice</b>			
United States Department of Justice Direct Programs			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	08LE122	\$ 16,085
Pass through University of Southern Mississippi			
Project Safe Neighborhoods	16.609	GR04134-03-10	554
Total			<u>16,639</u>
<b>Department of Defense</b>			
Mississippi Environmental Infrastructure (Section 592) - ARRA	12.124		72,720
Total			<u>72,720</u>
<b>Department of Housing &amp; Urban Development</b>			
Community Planning & Development			
Community Development Block Grants/Entitlement Grants	14.218		530,631
Pass through Mississippi Development Authority			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	R-103-122-01-KCR	430,958
Total			<u>961,589</u>
<b>Department of Transportation</b>			
Pass through Mississippi Department of Transportation			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205		1,157,796
Total			<u>1,157,796</u>
<b>Department of the Interior</b>			
Pass through Mississippi Department of Environmental Quality			
Coastal Impact Assistance Program	15.668	MS.R.731	22,197
Total			<u>22,197</u>
<b>Department of Homeland Security</b>			
Pass through MEMA			
Homeland Security Grant Program	97.067		7,883
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1604	35,984,215
Total			<u>35,992,098</u>
<b>Environmental Protection Agency</b>			
Pass through MDEQ Water Pollution Control Revolving Loan Fund			
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280756-06	19,583
Total			<u>19,583</u>
Total expenditures of federal awards			<u>\$ 38,242,622</u>



**City of Biloxi, Mississippi**  
**Notes to Schedule of Expenditures of Federal Awards**  
Year Ended September 30, 2014

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the city of Biloxi, Mississippi under programs of the federal government for the year ended September 30, 2014. 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*. Because the Schedule presents only a selected portion of the operations of The City of Biloxi, Mississippi, it is not intended to and does not present the financial position, results of operations and cash flows of The City of Biloxi, Mississippi.

**Note B – Summary of Significant Accounting Policies**

**1. General**

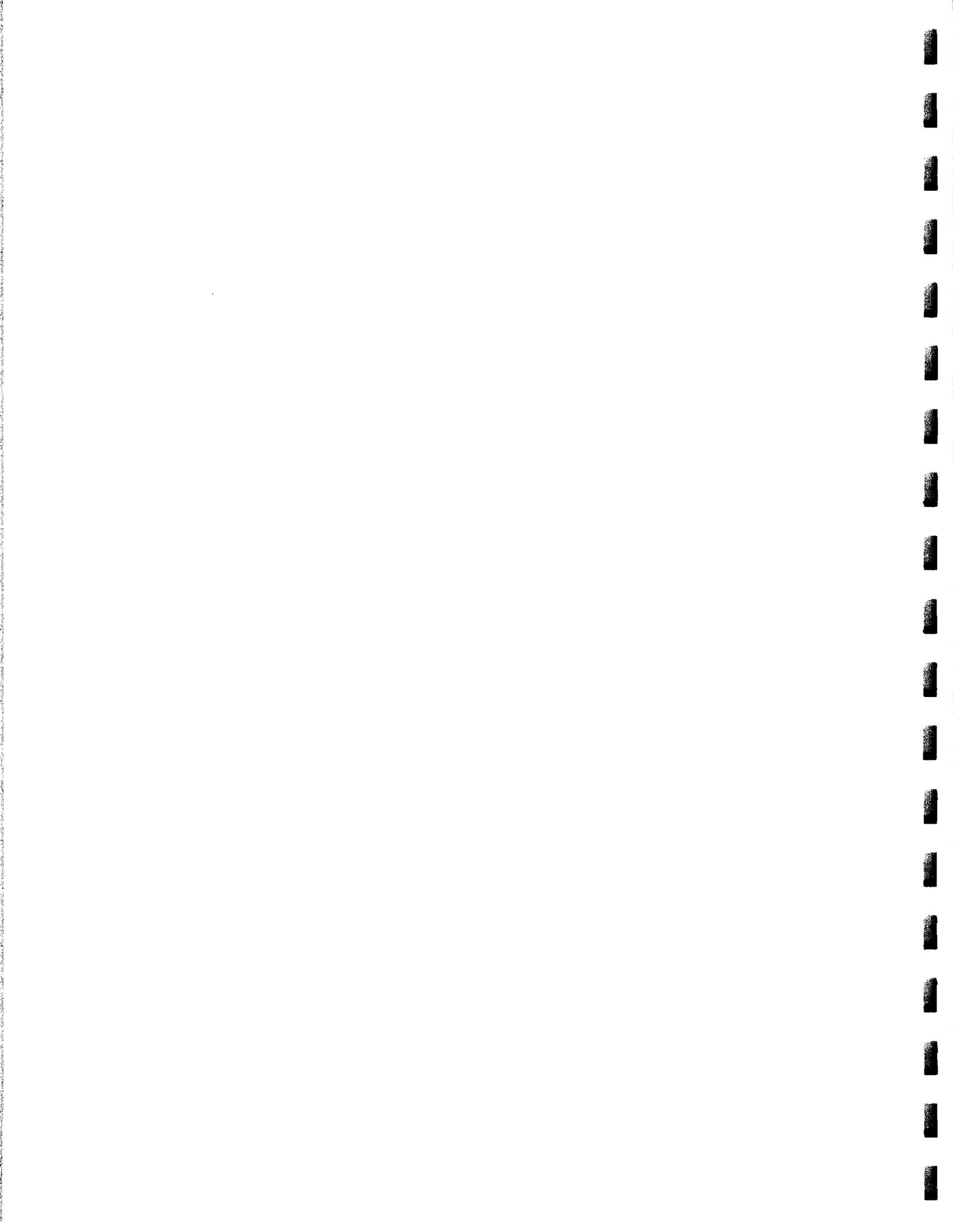
The Schedule of Expenditures of Federal Awards has been prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues when they are earned and expenditures when they are incurred. The expenditures are recognized following the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*.

**2. Contingency**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability to the City. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

**3. Loan and Loan Guarantees**

In accordance with OMB Circular A-133, loans and loan guarantees include new loans made during the year, plus prior year loans for which the federal government imposes continuing compliance requirements.



**Independent Auditors' Report on Internal Control over  
Financial Reporting on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***



To the City Council  
City of Biloxi, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Biloxi, Mississippi's basic financial statements, and have issued our report thereon dated August 19, 2015.

#### **Internal Control over Financial Reporting**

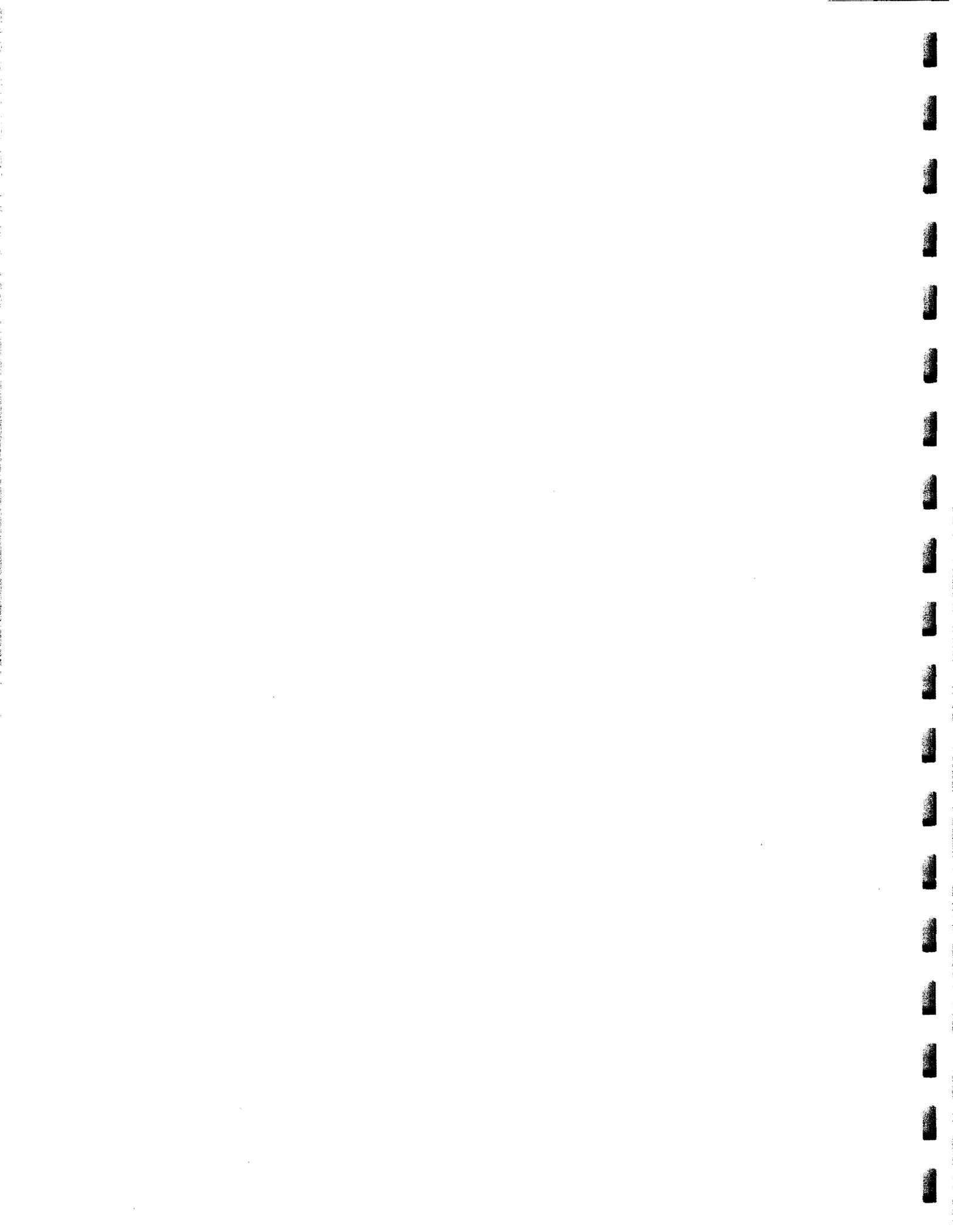
In planning and performing our audit of the financial statements, we considered the City of Biloxi, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. 2014-1.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Biloxi, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2014-1.

### **City of Biloxi, Mississippi's Response to Findings**

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

### **Purpose of this Report**

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

*Columbo, Harvey & associates P.A.*

Gulfport, Mississippi  
August 19, 2015



**Independent Auditors' Report on Compliance for Each  
Major Program and on Internal Control over  
Compliance Required by OMB Circular A-133**



To the City Council  
City of Biloxi, Mississippi

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Biloxi, 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 Biloxi, Mississippi's major federal programs for the year ended September 30, 2014. City of Biloxi, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

In our opinion, the City of Biloxi, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.



## Report on Internal Control Over Compliance

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

Our consideration of the 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Columbo, Harvey + associates PA.*

Gulfport, Mississippi  
August 19, 2015

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**The City of Biloxi, Mississippi**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended September 30, 2014

**Section 1 – Summary of Auditors’ Results**

1. An unmodified opinion was issued on the general purpose financial statements.
2. There were no reportable conditions in internal control disclosed by the audit of the general purpose financial statements.
3. The audit did not disclose any noncompliance which is material to the general purpose financial statements.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit did not disclose any audit findings that are required to be reported under Section \_\_.510(a) of OMB Circular A-133.
7. The major programs were:

Highway Planning and Construction (Federal-Aid Highway Program)	20.205
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036
8. The dollar threshold used to distinguish between Type A and Type B Programs was \$1,146,691.
9. The auditee did not qualify as a low-risk auditee.

**Section 2 – Findings Relating to the Financial Statements**

2014-1 Fixed Assets Management

*Criteria:* In accordance with the Mississippi Municipal Fixed Assets Management Manual, fixed assets should be maintained in a subsidiary ledger and updated when new fixed assets that meet capitalization thresholds are acquired or disposed of.

*Condition:* During our audit testing, we noted fixed assets were not promptly reconciled from the subsidiary ledger to the general ledger. Additionally, the fixed asset accountant was unable to reconcile the fixed assets.

*Effect:* Improperly accounting for fixed asset acquisitions or disposals can materially distort the subsidiary ledgers that are used to generate financial reports, thereby materially misstating the City’s financial statements. Failing to post acquisitions and disposals of fixed assets can also be in violation of guidance as prescribed by the Mississippi State Auditor’s Office.

*Recommendation:* We recommend that management and the fixed asset accountant

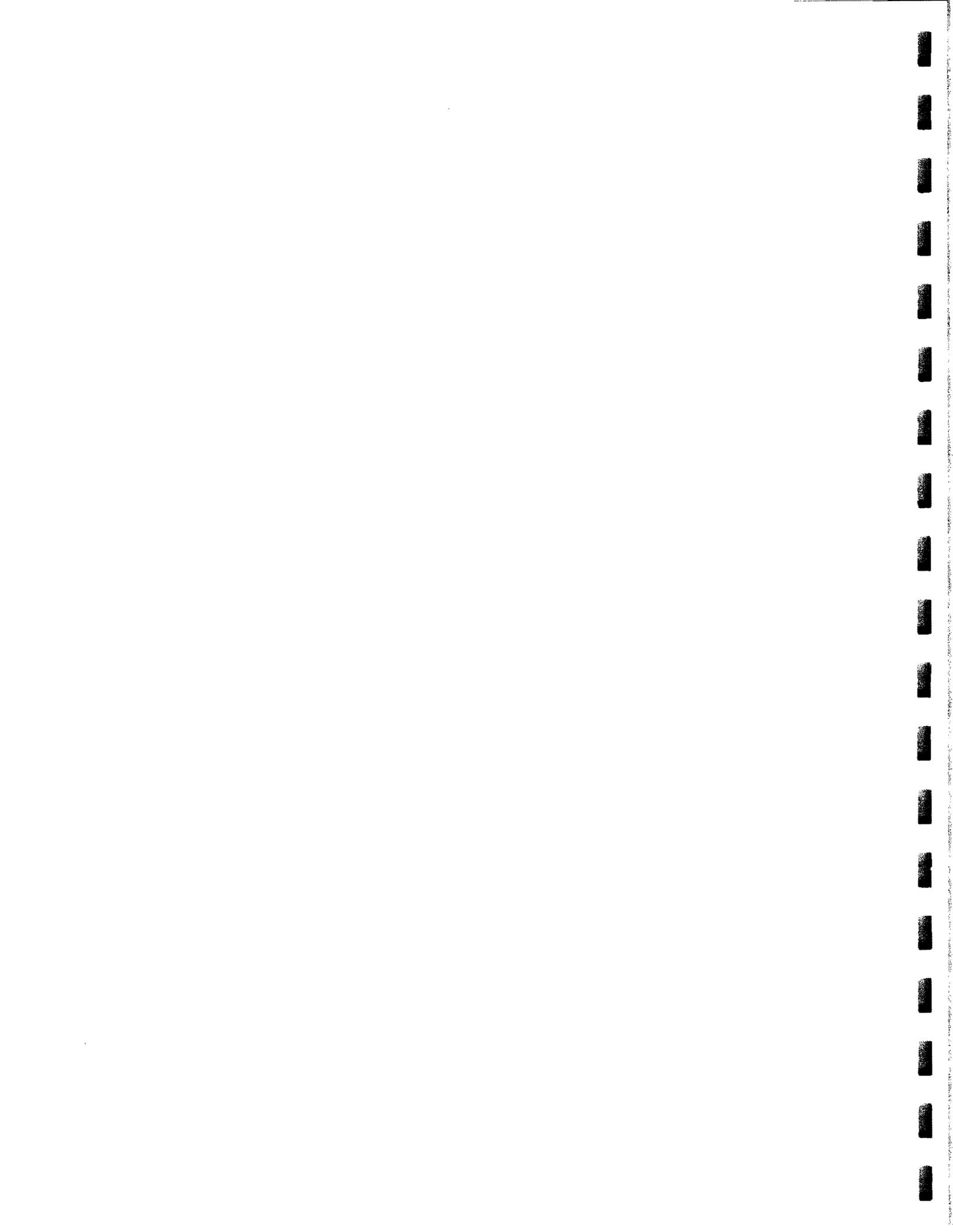


**The City of Biloxi, Mississippi**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended September 30, 2014

adhere to the guidelines set forth in the Mississippi Municipal Fixed Assets Management Manual and timely update the fixed assets subsidiary ledgers for acquisitions and disposals of fixed assets. Additionally, the competency of staff in the fixed assets department should be assessed.

**Section 3 – Findings and Questioned Costs Relating to Major Federal Awards**

None.



**The City of Biloxi, Mississippi**  
**Schedule of Prior Audit Findings**  
For the Year Ended September 30, 2014

There were no prior audit findings relative to federal awards.



**Mayor**  
Andrew "FoFo" Gilich

**City Council**  
George Lawrence, Ward 1  
Felix O. Gines, Ward 2  
Dixie Newman, Ward 3  
Robert L. Deming III, Ward 4  
Paul A. Tisdale, Ward 5  
Kenny Glavan, Ward 6  
David Fayard, Ward 7



140 Lameuse Street  
P. O. Box 429  
Biloxi, Mississippi 39533  
www.biloxi.ms.us

August 19, 2015

Culumber, Harvey and Associates, P.A.  
2300 Twentieth Street  
Gulfport, MS 39501

The City of Biloxi respectfully submits the following corrective action plan for the year ended September 30, 2014.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1 - Summary of Auditor's Results does not include findings and is not addressed.

**Section 2 – Findings Relating to the Financial Statements**

2014-1          Corrective Action Plan

The City will promptly reconcile the fixed assets subsidiary ledger to the general ledger. Submission of the reconciliation to the division head will be set to insure compliance. The competency of staff in the fixed assets department will be assessed and appropriate action will be implemented to improve accounting of the fixed assets.

Anticipated Completion Date:

September 30, 2015

Name of Contact Person Responsible for Corrective Action:

Scott McElroy, (228) 435-6230

