

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF BILOXI, MISSISSIPPI

FINANCIAL REPORT

SEPTEMBER 30, 2021



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SEPTEMBER 30, 2021**

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INTRODUCTORY SECTION

**CITY OF BILOXI, MISSISSIPPI
LISTING OF CITY OFFICIALS
SEPTEMBER 30, 2021**

ELECTED OFFICIALS

Mayor	Andrew “FoFo” Gilich
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 Tisdale
Councilman – Ward 6	Kenny Glavan
Councilman – Ward 7	Nathan Barrett

APPOINTED OFFICIALS

City Clerk	Stacy Thacker
Chief Administrative Officer	Edward Leonard
Director of Police Department	John Miller
Director of Fire Department	Nicholaus Geiser
Director of Public Works	Billy Allen
Director of Community Development	Jerry Creel
Director of Parks and Recreation	Cheryl Bell
Director of Legal	Peter Abide

INDEPENDENT AUDITOR'S REPORT



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

INDEPENDENT AUDITOR'S REPORT

January 27, 2023

Honorable Mayor and Members
Of City Council
City of Biloxi
Biloxi, Mississippi

Report on the Financial Statements

Opinion

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Biloxi, Mississippi (City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of City of Biloxi, Mississippi, as of September 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Biloxi, Mississippi and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The City of Biloxi, Mississippi's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Biloxi, Mississippi's ability to continue as a going concern for one year after the date that the financial statements are issued.

Honorable Mayor and Members
Of City Council
City of Biloxi
Biloxi, Mississippi

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Biloxi, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Biloxi, Mississippi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and net pension liability and contributions on pages 5-16, 63-64 and 65-72, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Honorable Mayor and Members
Of City Council
City of Biloxi
Biloxi, Mississippi

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Biloxi, Mississippi's basic financial statements. The combining nonmajor fund financial statements on pages 73-76, and schedule of expenditures of federal awards on pages 83-84 as required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements*, and schedule of surety bonds for city officials on page 77, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, schedule of expenditures of federal awards, and schedule of surety bonds for city officials is the responsibility of management and was derived from and relates 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 this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023, 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 City of Biloxi, Mississippi's internal control over financial reporting and compliance.

Alexander Van Loon, Sloan, Levens & Favre, PLLC

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

MANAGEMENT'S DISCUSSION AND ANALYSIS



Management's Discussion and Analysis (MD&A) provides the readers of the City of Biloxi's financial statements a narrative overview and analysis of the financial activities for the City of Biloxi for the fiscal year ended September 30, 2021. The information contained in this MD&A has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto.

Financial Highlights

Key financial highlights for the 2021 fiscal year include the following:

- The assets and deferred outflows of the City of Biloxi exceeded its liabilities and deferred inflows at September 30, 2021 by \$547,281,806 (net position). By far the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related outstanding debt used to acquire or construct those assets. The City of Biloxi uses these tangible capital assets to provide services to citizens and business; consequently, these assets are not available for future spending. Although the City of Biloxi's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves are not expected to be used to liquidate these liabilities.
- The total net position of the City of Biloxi increased by \$17,967,224. Net position of governmental activities decreased by \$866,081 and net position of business-type activities increased by \$18,833,305.
- As of the close of the current fiscal year, the City of Biloxi's governmental funds reported combined ending fund balance of \$36,418,779, a decrease of \$9,191,008 in comparison with the prior year. Of this amount, \$33,793,747 was restricted for debt service and capital improvements, \$726,717 was committed for debt service and other, (\$1,176,609) was unassigned and \$3,074,924 was nonspendable in the form of prepaid assets.
- At the end of the current fiscal year, the General Fund had an unassigned balance of \$14,699,623, or 23.5% of the total General Fund expenditures.
- The City of Biloxi's total outstanding long-term debt decreased by \$12,717,521, or 11.0%, during the current fiscal year.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the City of Biloxi's basic financial statements. The City of Biloxi's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

CITY OF BILOXI, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2021

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

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

The statement of activities presents information showing how the City of Biloxi's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period (e.g., uncollected taxes and earned but unused vacation leave).

The statement of net position and the statement of activities distinguish between functions of the City of Biloxi that are principally supported by taxes, intergovernmental revenues and charges for services (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The City of Biloxi's governmental activities include general government, public safety, public works, cultural and recreation, planning and zoning, community development, capital projects and Biloxi Municipal Court. The business-type activities of the City of Biloxi include water/sewage and port.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Biloxi, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Biloxi can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City of Biloxi's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

CITY OF BILOXI, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2021

The City of Biloxi maintains fourteen (14) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund, General Capital Projects Fund and Debt Service Fund, all of which are considered to be major funds. Data for the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Biloxi adopts an annual appropriated budget for its General Fund and certain special revenue funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Proprietary funds—The City of Biloxi maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City of Biloxi uses enterprise funds to account for its water/sewage and port funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Biloxi's various functions. The City of Biloxi uses internal service funds to account for its self-insurance (liability/workers' compensation and healthcare/dental benefits) and gaming interruption. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City of Biloxi. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Biloxi's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Biloxi's progress in funding its obligations to provide pension benefits to its employees and compliance with budget for its general fund.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions and budgetary comparisons.

CITY OF BILOXI, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2021

Government-Wide Financial Analysis

City of Biloxi's Net Position
September 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	67,007,054	47,946,963	19,909,236	20,796,789	86,916,290	68,743,752
Capital assets	367,014,923	371,659,099	332,093,841	334,623,910	699,108,764	706,283,009
Total assets	434,021,977	419,606,062	352,003,077	355,420,699	786,025,054	775,026,761
Deferred outflows of resources	7,028,405	4,895,009	469,303	307,306	7,497,708	5,202,315
Current and other liabilities	38,670,090	7,025,823	4,193,600	24,690,146	42,863,690	31,715,969
Long-term liabilities	161,785,785	172,993,334	18,090,018	20,341,133	179,875,803	193,334,467
Total liabilities	200,455,875	180,019,157	22,283,618	45,031,279	222,739,493	225,050,436
Deferred inflows of resources	22,082,759	-	1,418,704	-	23,501,463	-
Net position:						
Net investment in capital assets	278,459,016	286,626,937	317,517,769	319,278,547	595,976,785	605,905,484
Restricted	13,351,132	25,119,151	111,311	114,632	13,462,443	25,233,783
Unrestricted	(73,298,400)	(67,264,174)	11,140,978	(8,696,453)	(62,157,422)	(75,960,627)
Total net position	218,511,748	244,481,914	328,770,058	310,696,726	547,281,806	555,178,640

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Biloxi, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$547,281,806.

The City of Biloxi's net position decreased by \$7.9 million in fiscal year 2021. The decrease is comprised of prior period adjustments of \$25.9 million, offset by current year net position increase of \$18.0 million.

By far the largest portion of the City of Biloxi's net position (108.9%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related outstanding debt used to acquire those assets. The City of Biloxi uses these tangible capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Biloxi's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF BILOXI, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2021

City of Biloxi's Changes in Net Position
September 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	9,043,775	9,288,258	17,763,886	18,699,538	26,807,661	27,987,796
Operating grants and contributions	939,195	5,831,483	-	-	939,195	5,831,483
Capital grants and contributions	8,808,729	8,582,898	20,987,652	18,891,190	29,796,381	27,474,088
General revenues:						
Property taxes	19,921,536	19,124,398	2,148,970	531,848	22,070,506	19,656,246
Sales tax	13,478,326	11,377,396	-	-	13,478,326	11,377,396
Gaming taxes	22,689,272	16,595,123	-	-	22,689,272	16,595,123
Franchise and utility taxes	2,909,816	2,898,371	-	-	2,909,816	2,898,371
Other revenue	11,404,158	10,873,628	28,406	117,310	11,432,564	10,990,938
Total revenues	89,194,807	84,571,555	40,928,914	38,239,886	130,123,721	122,811,441
Expenses:						
General government	11,450,767	9,229,650	-	-	11,450,767	9,229,650
Culture and recreation	5,686,127	6,670,266	-	-	5,686,127	6,670,266
Public safety	36,141,758	41,723,847	-	-	36,141,758	41,723,847
Public works	25,871,061	14,556,340	-	-	25,871,061	14,556,340
Community development	4,705,449	5,451,408	-	-	4,705,449	5,451,408
Unallocated depreciation, infrastructure	3,330,202	3,253,629	-	-	3,330,202	3,253,629
Interest on long-term debt	3,426,360	2,981,649	-	-	3,426,360	2,981,649
Water and sewer	-	-	17,736,599	17,131,002	17,736,599	17,131,002
Biloxi Port fund	-	-	3,808,174	3,936,863	3,808,174	3,936,863
Total expenses	90,611,724	83,866,789	21,544,773	21,067,865	112,156,497	104,934,654
Increase(Decrease) in net position						
before transfers	(1,416,917)	704,766	19,384,141	17,172,021	17,967,224	17,876,787
Transfers	550,836	5,345,172	(550,836)	(5,345,172)	-	-
Changes in net position	(866,081)	6,049,938	18,833,305	11,826,849	17,967,224	17,876,787
Net position, beginning of year						
Prior period adjustment	(25,104,085)		(759,973)		(25,864,058)	-
Net position, beginning as restated	219,377,829	238,431,976	309,936,753	298,869,877	529,314,582	537,301,853
Net position, end of year	218,511,748	244,481,914	328,770,058	310,696,726	547,281,806	555,178,640

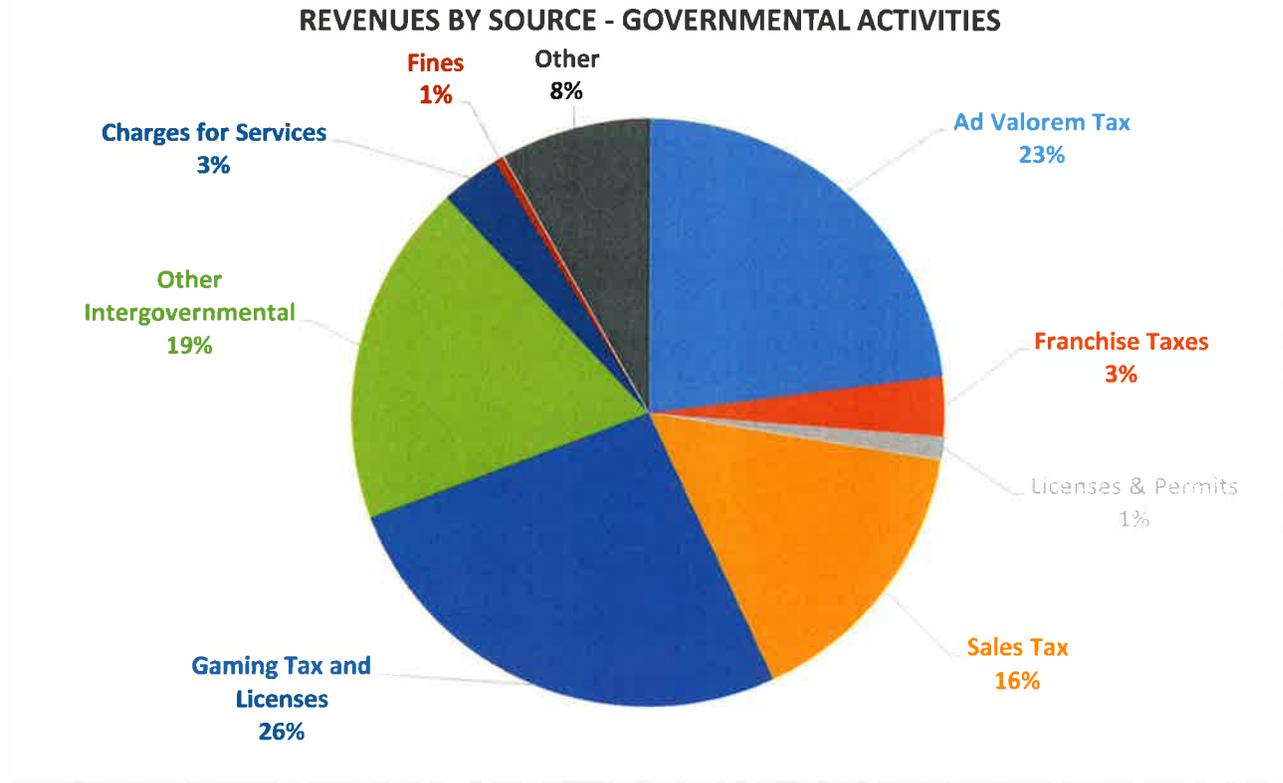
Government activities

The ending net position for the prior fiscal year was adjusted by \$25,104,085 and net position for the current year for governmental activities decreased by \$866,081 for an ending balance of \$218,511,748. Some key highlights from the statement of activities during 2021 include the following items:

- Property taxes increased by \$797,138 in 2021, of which approximately \$207,000 was from ad valorem taxes and directly relates to development, approximately \$235,000 was from penalties and interest and approximately \$426,000 was from an increase in personal property taxes offset by a slight decrease in prior year taxes of \$73,000.

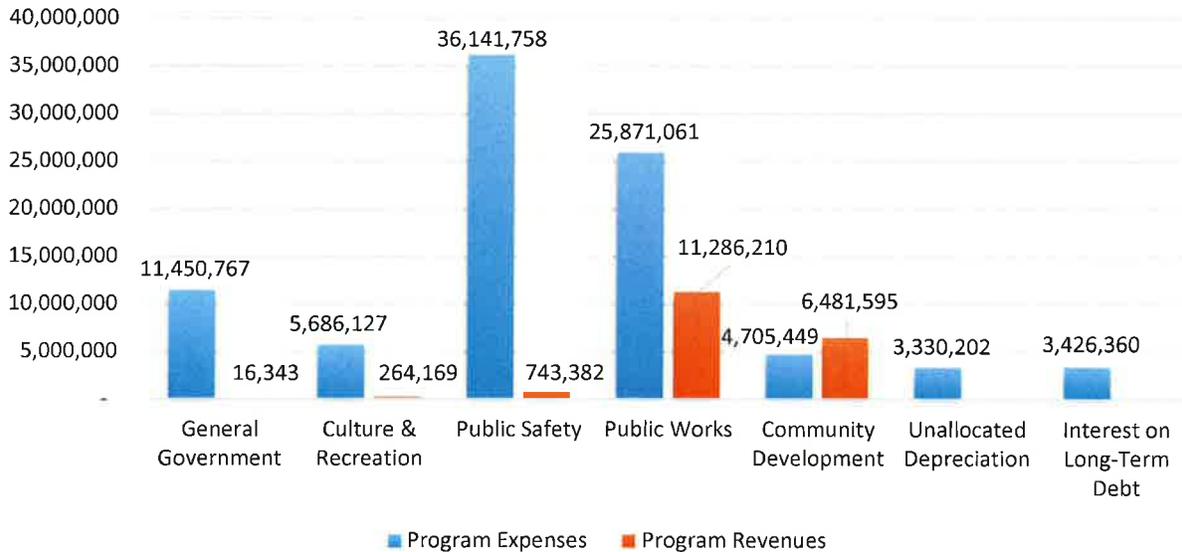
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- Sales and gaming taxes increased by \$2,100,930 and \$6,094,149, respectively in 2021 as operations returned to pre-COVID levels. In 2020, casinos, restaurants and non-essential businesses closed mid-March due to COVID-19 and remained closed until late May/early June. At reopening, establishments operated at reduced capacity to adhere to CDC guidelines.
- In 2021, the City spent \$9,065,115 more for continued and new citywide improvements, ongoing infrastructure projects for Hurricane Katrina (2005) and Hurricane Zeta (2021).
- Prior period adjustments were made in order to restate the ending net position for the fiscal year ended September 30, 2020. The restatement resulted in a \$25,104,085 decrease in net position related to the correction of prior period balances. Additional information on the prior period adjustments can be found in Note 15 on pages 61-62 of this report.



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Management's Discussion and Analysis
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PROGRAM EXPENSES AND REVENUES - GOVERNMENTAL ACTIVITIES



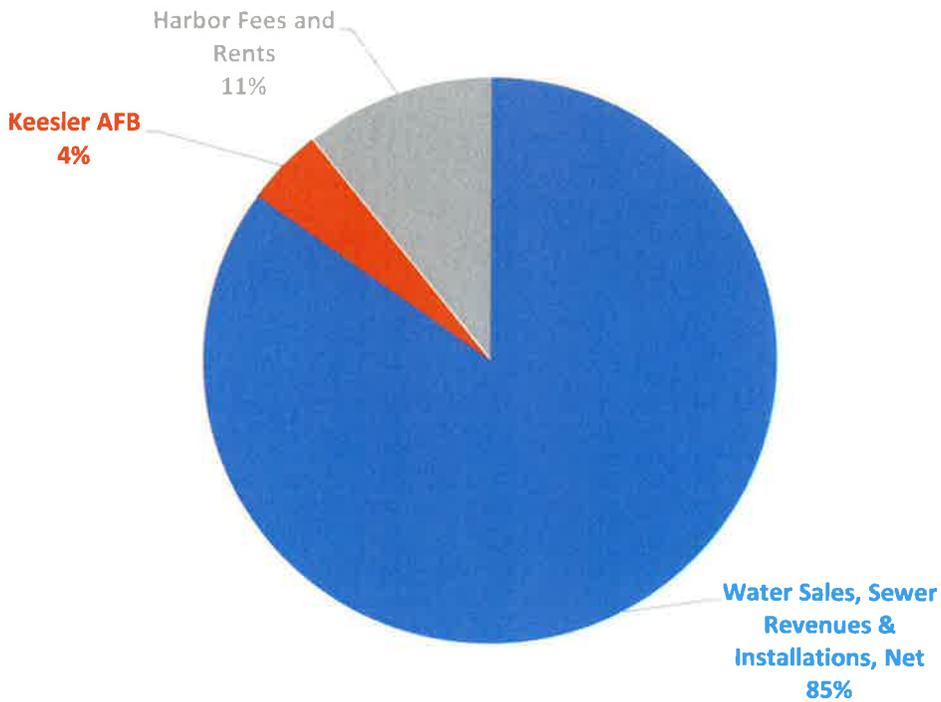
Business-type Activities

The ending net position for business-type activities for the prior fiscal year was adjusted by \$759,973 and net position for the current fiscal year increased by \$18,833,305 for an ending balance of \$328,770,058. Some key highlights from the statement of activities during 2021 include the following items:

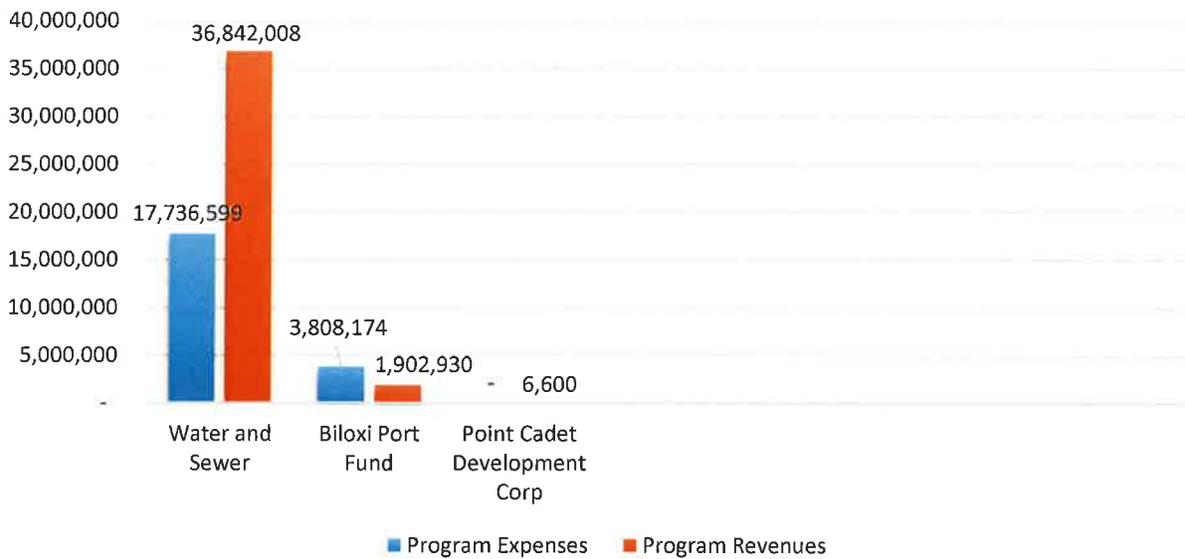
- Capital grants and contributions increased by \$3,221,462, mainly due to FEMA grants for Katrina Infrastructure projects.
- One percent Harrison County Ad Valorem tax increase of \$492,122.
- Prior period adjustments were made in order to restate the ending net position for the fiscal year ended September 30, 2020. The restatement resulted in a \$759,973 decrease in net position related to the correction of prior period balances. Additional information on the prior period adjustment can be found in Note 15 on pages 61-62 of this report.

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REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



PROGRAM EXPENSES AND REVENUES-BUSINESS-TYPE ACTIVITIES



CITY OF BILOXI, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2021

Financial Analysis of the City of Biloxi's Funds

Governmental Funds

The focus of the City of Biloxi's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City of Biloxi's financing requirements. In particular, assigned and unassigned fund balance may serve as a useful measure of a city's net resources available at the end of the fiscal year.

- As of the close of the current fiscal year, the City of Biloxi's governmental funds reported a combined ending fund balance of \$36.4 million, a decrease of \$9.2 million in comparison with the prior fiscal year. The \$9.2 million decrease is comprised of a \$13.4 million decrease in current fiscal year activities, offset by a prior period adjustment of \$4.2 million. See Note 15 on page 62 for additional information on the prior period adjustment. Of the \$36.4 million ending fund balance, (\$1.2) million, or (3.2%) was unassigned fund balance, which is available for spending at the government's discretion. The negative unassigned fund balance was caused by the difference in timing between expenses related to project engineering and the budgeted revenue related to this project. The remainder of the fund balance is not available for new spending and has been classified into the following categories:

Nonspendable	\$ 3,074,924
Restricted	33,793,747
Committed	726,717

- The General Fund is the chief operating fund of the City of Biloxi. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$14.7 million. The total unassigned is available for spending at the City Council's discretion. The fund has a balance of \$23,449,996 at the end of the current fiscal year, up \$13.3 million to the prior fiscal year.
- The General Capital Projects Fund has a total fund balance of (\$13.4) million. This fund balance is committed by the City Council to be used for capital projects. The negative fund balance was caused by the difference in timing between expenses related to project engineering and the budgeted revenue related to this project.
- The Debt Service Fund accounts for the accumulation of resources for and the payment of long-term debt principal, interest and related costs for various bonds. The fund has a balance of \$20.2 million.

General Fund Budgetary Highlights

The budget policy of the City of Biloxi complies with state law, as amended, and as set forth in Mississippi Code Title 21, Chapter 35, Municipal Budget (§§21-35-1 – 21-35-33).

The original budget for the General Fund of the City of Biloxi was adopted on September 14, 2020. For the year ended September 30, 2021, material amendments made to increase the General Fund budgeted revenues and expenditures are as follows:

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- Revenues were amended upward by \$482,258 for new grants
- Salaries/Wages were amended upward by \$1,157,290 for recovery costs related to disaster events in the fiscal year (i.e., COVID-19, Hurricane Sally, Hurricane Zeta and Hurricane Ida)
- Contractual Services were amended upward by \$431,988 primarily due to additional software, \$160,152; land clearing, \$54,000; Hurricane Zeta, \$140,468; and outsourcing of streets/drainage jobs, \$100,300
- Other Services and Charges were amended upward by \$533,019 due to outsourcing of engineers/temporary labor, \$137,500; increases in electricity and professional services due to pre-pandemic volumes, \$144,442 and \$85,385, respectively; new grant expenditures, \$23,520; increase in legal, \$25,292; and supplies to due to supply chain issues, \$66,856

Selected significant differences between the final budget and actual results of the General Fund are:

- Salaries/Wages expenditures were lower than budget by \$1,641,236, mainly due to vacant positions in public safety and public works
- Capital expenditures were lower than budget by \$390,200 due to supply issues and the delayed receipt of merchandise

Capital Assets and Debt Administration

Capital Assets: The City of Biloxi's investment in capital assets as of September 30, 2021, amounts to \$699.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, streets, drainage, furniture and equipment and construction in progress. The table below shows the value at the end of the fiscal year.

City of Biloxi's Capital Assets
(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	46,130,042	46,013,052	829,243	829,243	46,959,285	46,842,295
Buildings	106,201,615	107,723,274	-	-	106,201,615	107,723,274
Improvements other than buildings	18,581,915	15,410,463	-	-	18,581,915	15,410,463
Machinery and equipment	10,893,867	9,874,713	1,914,166	1,737,612	12,808,033	11,612,325
Infrastructure - streets and drainage	117,981,591	119,151,866	-	-	117,981,591	119,151,866
Water and sewer system	-	-	95,779,259	97,420,266	95,779,259	97,420,266
Port building and improvements	-	-	32,442,094	31,112,820	32,442,094	31,112,820
Construction in progress	67,225,893	69,228,809	201,129,079	182,600,762	268,354,972	251,829,571
Total capital assets	367,014,923	367,402,177	332,093,841	313,700,703	699,108,764	681,102,880

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Major capital asset events during the current fiscal year include the following:

- Katrina Infrastructure Project
- Popps Ferry Extension
- Keesler AFB Gate (Inside/Outside)
- Saenger Theater Exterior Renovations
- Woolmarket Road East Drainage Improvements
- Bayview Waterfront Restoration

Additional information on the City of Biloxi's capital assets can be found in Note 5 on pages 40-42 of this report.

Long-term Debt: At the end of the current fiscal year, the City of Biloxi had total debt outstanding of \$103.1 million. Of this amount, \$80.8 million comprises debt backed by the full faith and credit of the City of Biloxi. The following table summarizes debt outstanding at September 30, 2021 and 2020.

City of Biloxi's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	62,579,000	74,658,000	-	-	62,579,000	74,658,000
Tax increment bonds	18,199,757	20,245,208	-	-	18,199,757	20,245,208
Capital lease payable	7,777,150	5,600,903	85,717	-	7,862,867	5,600,903
Water/sewer notes payable	-	-	7,379,935	7,889,945	7,379,935	7,889,945
Limited tax port bonds	-	-	6,400,000	6,690,000	6,400,000	6,690,000
Drinking water loan	-	-	710,420	765,444	710,420	765,444
	88,555,907	100,504,111	14,576,072	15,345,389	103,131,979	115,849,500

The City of Biloxi's total debt decreased by \$12.7 million during the current fiscal year primarily due to the refunding of general obligation bonds, Series 2014A and the refunding of tax increment limited obligation bonds, Series 2017 and Series 2019.

In conjunction with its 2019 general obligation issue, the City of Biloxi requested a rating by Standard and Poor's rating services. On January 9, 2019, Standard and Poor's Global Ratings assigned its AA- long term rating to Biloxi, Mississippi Series 2019 General Obligation Public Improvement Bonds and affirmed its AA- long term rating on the city's outstanding general obligation debt and limited tax port bonds. This rating reflects an outlook of stable.

State statutes limit the amount of debt that can be incurred by the City. Total outstanding debt during a year can be no greater than 20% of assessed value of the taxable property within the City. The legal debt margin for the City of Biloxi for the current fiscal year is \$60.6 million.

Additional information on the City of Biloxi's long-term debt can be found in Note 7 on pages 43-47 of this report.

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Management's Discussion and Analysis
September 30, 2021

Economic Factors and Next Year's Budgets and Rates

The following economic factors were considered when the budget for fiscal year 2022 was presented to the City Council:

The plan is designed to continue supporting the following broadly stated objectives:

- Improve current level of services to our citizens
- Continue improving City facilities and infrastructure
- Provide continuous support of residential expansion and economic development
- Maintain and improve the quality of life for our citizens

For fiscal year 2022, the City has budgeted an increase of 8.6% in property tax dollars as compared to 2021 actual. This increase is due to continued residential development and reassessed property values as performed by the Harrison County Tax Assessor every four (4) years. For 2022 budgeted sales tax dollars increased 7.3% and budgeted gaming tax dollars increased 15.8% as compared to 2021 actual. Sales and gaming tax dollars were impacted in fiscal year 2021 by COVID-19. As travel restrictions have lifted, we believe tourism will return and be stronger for the City of Biloxi.

Management is not able to quantify the impact to the 2022 budget for supply chain issues but has planned for increases in specific products. COVID-19 has also impacted the City's ability to attract and retain employees. The base for entry level positions was increased to \$13.25 in 2022's budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Biloxi's finances for all those with an interest in the municipality's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Department of Accounting, Office of the Controller/Accounting Manager, P.O. Box 429, Biloxi, Mississippi 39533-0429, or by emailing accounting@biloxi.ms.us.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF BILOXI, MISSISSIPPI
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 20,960,803	\$ 10,766,636	\$ 31,727,439
Receivables, net	1,841,228	1,322,637	3,163,865
Due from other governmental agencies	11,668,553	5,796,292	17,464,845
Advance to other funds	-	5,635	5,635
Prepaid expenses	3,074,924	30,000	3,104,924
Restricted assets:			
Cash and cash equivalents	14,446,770	1,988,036	16,434,806
Investments	15,014,776	-	15,014,776
Capital assets			
Nondepreciable assets	113,355,935	201,958,322	315,314,257
Depreciable assets, net of depreciation	253,658,988	130,135,519	383,794,507
Total capital assets	<u>367,014,923</u>	<u>332,093,841</u>	<u>699,108,764</u>
Total assets	<u>434,021,977</u>	<u>352,003,077</u>	<u>786,025,054</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pension liability	<u>7,028,405</u>	<u>469,303</u>	<u>7,497,708</u>
LIABILITIES			
Accounts payable	18,792,192	1,155,412	19,947,604
Advance from enterprise fund	5,635	-	5,635
Unearned revenues	5,740,071	180,071	5,920,142
Short term notes payable	1,080,065	-	1,080,065
Payable from restricted assets:			
Customer deposits	-	1,876,725	1,876,725
Claims payable	2,903,957	-	2,903,957
Long-term liabilities:			
Due within one year			
Bonds, notes payable, and capital leases	7,630,870	867,384	8,498,254
Compensated absences	2,517,300	114,008	2,631,308
Due in more than one year			
Bonds, notes payable, and capital leases	80,925,037	13,708,688	94,633,725
Proportionate share of collective net pension liability	73,308,849	4,039,302	77,348,151
Compensated absences	7,551,899	342,028	7,893,927
Total liabilities	<u>200,455,875</u>	<u>22,283,618</u>	<u>222,739,493</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pension liability	<u>22,082,759</u>	<u>1,418,704</u>	<u>23,501,463</u>
NET POSITION			
Invested in capital assets, net of related debt	278,459,016	317,517,769	595,976,785
Restricted for:			
Debt Service	-	111,311	111,311
Capital improvements	13,351,132	-	13,351,132
Unrestricted	<u>(73,298,400)</u>	<u>11,140,978</u>	<u>(62,157,422)</u>
Total net position	<u>\$ 218,511,748</u>	<u>\$ 328,770,058</u>	<u>\$ 547,281,806</u>

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

**CITY OF BILOXI, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 1,450,767	\$ 652	\$ 15,691	\$ -	\$ (11,434,424)	\$ -	\$ (11,434,424)
Culture and recreation	5,686,127	237,649	-	26,520	(5,421,958)	-	(5,421,958)
Public safety	36,141,758	502,169	241,213	-	(35,398,376)	-	(35,398,376)
Public works	25,871,061	2,474,011	29,990	8,782,209	(14,584,851)	-	(14,584,851)
Community development	4,705,449	5,829,294	652,301	-	1,776,146	-	1,776,146
Unallocated depreciation, infrastructure	3,330,202	-	-	-	(3,330,202)	-	(3,330,202)
Interest on long-term debt	3,426,360	-	-	-	(3,426,360)	-	(3,426,360)
Total governmental activities	90,611,724	9,043,775	939,195	8,808,729	(71,820,025)	-	(71,820,025)
Business-type activities							
Water and Sewer	17,736,599	15,854,356	-	20,987,652	-	19,105,409	19,105,409
Biloxi Port Fund	3,808,174	1,902,930	-	-	(1,905,244)	(1,905,244)	(1,905,244)
Point Cadet Development Corporation	-	6,600	-	-	6,600	6,600	6,600
Total business-type activities	21,544,773	17,763,886	-	20,987,652	17,206,765	17,206,765	17,206,765
Total Business Activities							
Total primary government	\$ 112,156,497	\$ 26,807,661	\$ 939,195	\$ 29,796,381	(71,820,025)	17,206,765	(54,613,260)
General revenues:							
Property taxes, levied for general purposes					19,921,536	2,148,970	22,070,506
Sales taxes					13,478,326	-	13,478,326
Gaming taxes					22,689,272	-	22,689,272
Franchise and utility taxes					2,909,816	-	2,909,816
Other taxes					1,760,982	-	1,760,982
Grants and contributions not restricted to specific programs					7,201,502	-	7,201,502
Interest earnings					54,071	28,406	82,477
Miscellaneous					2,387,603	-	2,387,603
Transfers					550,836	(550,836)	-
Total general revenues and transfers					70,953,944	1,626,540	72,580,484
Change in net position					(866,081)	18,833,305	17,967,224
Net position - beginning, as previously stated					244,481,914	310,696,726	555,178,640
Prior period adjustments					(25,104,085)	(759,973)	(25,864,058)
Net position - beginning, as restated					219,377,829	309,936,753	529,314,582
Net position - ending					\$ 218,511,748	\$ 328,770,058	\$ 547,281,806

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**CITY OF BILOXI, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	General Fund	General Capital Projects Fund	Debt Service Fund	Other Non- Major Government Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 11,148,996	\$ 4,148,961	\$ 4,813,424	\$ 807,516	\$ 20,918,897
Restricted Assets:					
Cash and cash equivalents	5,549,153	2,478,567	1,095,638	5,323,412	14,446,770
Investments - bond escrow	-	-	15,014,776	-	15,014,776
Receivables, net					
Taxes	6,904,003	-	3,867	51,755	6,959,625
Customer accounts, net	288,919	-	-	-	288,919
Other	679,344	-	-	20,457	699,801
Due from other governments	215,112	4,067,324	1,076,912	17,922	5,377,270
Due from other City funds	8,215,061	-	-	-	8,215,061
Prepaid expenses	3,074,924	-	-	-	3,074,924
Total assets	<u>\$ 36,075,512</u>	<u>\$ 10,694,852</u>	<u>\$ 22,004,617</u>	<u>\$ 6,221,062</u>	<u>\$ 74,996,043</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable and accrued liabilities	\$ 6,628,707	\$ 14,291,720	\$ 45,667	\$ 80,234	\$ 21,046,328
Due to other funds	116,429	6,508,010	1,733,330	-	8,357,769
Unearned revenue	5,880,380	2,212,722	-	-	8,093,102
Short term borrowing note	-	1,080,065	-	-	1,080,065
Total liabilities	<u>12,625,516</u>	<u>24,092,517</u>	<u>1,778,997</u>	<u>80,234</u>	<u>38,577,264</u>
Fund balances:					
Nonspendable for prepaids					
Prepays	3,074,924	-	-	-	3,074,924
Restricted					
Debt service	-	-	20,191,861	250,754	20,442,615
Capital Improvements	5,549,153	2,478,567	-	5,323,412	13,351,132
Committed					
Debt service	126,296	-	33,759	-	160,055
Other	-	-	-	566,662	566,662
Unassigned	14,699,623	(15,876,232)	-	-	(1,176,609)
Total fund balances	<u>23,449,996</u>	<u>(13,397,665)</u>	<u>20,225,620</u>	<u>6,140,828</u>	<u>36,418,779</u>
Total liabilities and fund balances	<u>\$ 36,075,512</u>	<u>\$ 10,694,852</u>	<u>\$ 22,004,617</u>	<u>\$ 6,221,062</u>	<u>\$ 74,996,043</u>

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

**CITY OF BILOXI, MISSISSIPPI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Total fund balance, governmental funds	\$ 36,418,779
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	366,751,759
Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in the funds.	184,166
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.	(2,724,978)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
	Compensated absences (7,551,899)
	Notes, bonds, and lease payables (88,555,907)
Unavailable revenues that provide current financial resources for governmental activities.	2,353,031
Net pension liability is not due and payable in the current period; deferred outflows related to pensions are not current assets or financial resources; and deferred inflows related to pensions are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(88,363,203)</u>
Net Position of Governmental Activities in the Statement of Net Position (Exhibit A)	<u><u>\$ 218,511,748</u></u>

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

CITY OF BILOXI, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	General Capital Projects Fund	Debt Service Fund	Other Non- Major Governmental Funds	Total Governmental Funds
REVENUES					
Ad valorem taxes	\$ 7,569,748	\$ -	\$ 6,919,050	\$ 876,988	\$ 15,365,786
Property taxes	4,118,566	-	-	437,184	4,555,750
Franchise taxes	2,855,492	-	-	-	2,855,492
Licenses and permits	1,116,906	-	-	-	1,116,906
Fees and fines	450,183	-	-	-	450,183
Intergovernmental	39,990,705	10,517,906	1,339,696	702,301	52,550,608
Charges for services	2,790,518	-	-	-	2,790,518
Investment earnings	-	-	39,827	-	39,827
Miscellaneous - other	6,860,475	886	-	189,197	7,050,558
Total revenues	<u>65,752,593</u>	<u>10,518,792</u>	<u>8,298,573</u>	<u>2,205,670</u>	<u>86,775,628</u>
EXPENDITURES					
Current:					
General government	7,122,799	-	-	437,184	7,559,983
Public safety	34,230,377	-	-	876,988	35,107,365
Public works	8,953,749	-	-	-	8,953,749
Parks and recreation	3,572,092	-	-	-	3,572,092
Community development	4,222,053	-	-	779,637	5,001,690
Engineering	1,248,338	-	-	-	1,248,338
Non-departmental	3,009,920	-	-	-	3,009,920
Other expenditure	-	-	-	11,909	11,909
Capital outlay					
Public works	-	21,660,840	-	-	21,660,840
Debt service:					
Principal retirement	191,409	-	14,200,368	-	14,391,777
Interest and agent fees	31,797	-	3,126,160	-	3,157,957
Total expenditures	<u>62,582,534</u>	<u>21,660,840</u>	<u>17,326,528</u>	<u>2,105,718</u>	<u>103,675,620</u>
Excess of revenues over expenditures	<u>3,170,059</u>	<u>(11,142,048)</u>	<u>(9,027,955)</u>	<u>99,952</u>	<u>(16,899,992)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt, net	-	-	1,896,000	-	1,896,000
Payment to refunded bond escrow agent	-	-	(1,820,051)	-	(1,820,051)
Proceeds from capital leases	2,995,861	-	-	-	2,995,861
Bond issuance cost	-	-	(75,949)	-	(75,949)
Transfers in	67,464	14,704,579	208,656	50,000	15,030,699
Transfers out	(808,702)	(8,025,351)	-	(5,645,810)	(14,479,863)
Total other financing sources (uses)	<u>2,254,623</u>	<u>6,679,228</u>	<u>208,656</u>	<u>(5,595,810)</u>	<u>3,546,697</u>
Net change in fund balances	5,424,682	(4,462,820)	(8,819,299)	(5,495,858)	(13,353,295)
Fund balances - beginning	10,113,838	18,887,602	5,035,784	11,572,563	45,609,787
Prior period adjustments	7,911,476	(27,822,447)	24,009,135	64,123	4,162,287
Fund balances - beginning, as restated	<u>18,025,314</u>	<u>(8,934,845)</u>	<u>29,044,919</u>	<u>11,636,686</u>	<u>49,772,074</u>
Fund balances - ending	<u>\$ 23,449,996</u>	<u>\$ (13,397,665)</u>	<u>\$ 20,225,620</u>	<u>\$ 6,140,828</u>	<u>\$ 36,418,779</u>

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

**CITY OF BILOXI, MISSISSIPPI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net change in fund balances - total governmental funds:	\$	(13,353,295)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures; however, in the Statement of Activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$9,540,534) exceeds capital outlay (\$9,066,479) in the current period.		(474,055)
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.		(2,810,009)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		2,408,955
Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces the liabilities in the Statement of Net Position. Proceeds from long-term debt are reported as current financial resources in governmental funds, but are treated as a liability in the Statement of Activities. This is the amount by which repayments (\$15,017,101) exceed proceeds (\$3,071,810).		11,945,291
Pension expense recorded in the Statement of Activities does not require the use of current financial resources.		1,102,430
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.		314,602
Change in net position of governmental activities (Exhibit B)	<u>\$</u>	<u>(866,081)</u>

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

CITY OF BILOXI, MISSISSIPPI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Proprietary Funds-Business-type Activities			Total Enterprise Funds	Governmental Activities
	Major Funds		Non-Major Fund		Internal Service Fund
	Water and Sewer	Biloxi Port Fund	Point Cadet Development Corporation		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 5,304,978	\$ 5,419,837	\$ 41,821	\$ 10,766,636	\$ 41,906
Accounts receivable, net					
Customer accounts	1,286,818	35,819	-	1,322,637	-
Due from other City funds	-	26,791	-	26,791	137,073
Due from other governments	5,796,292	-	-	5,796,292	-
Prepaid expenses	30,000	-	-	30,000	-
Total current assets	<u>12,418,088</u>	<u>5,482,447</u>	<u>41,821</u>	<u>17,942,356</u>	<u>178,979</u>
Non-current assets:					
Restricted Assets:					
Cash and cash equivalents	1,853,761	134,275	-	1,988,036	-
Capital Assets:					
Land and construction in progress	197,031,597	4,810,643	116,082	201,958,322	-
Depreciable assets, net of accumulated depreciation	97,651,118	32,484,401	-	130,135,519	-
Total non-current assets	<u>296,536,476</u>	<u>37,429,319</u>	<u>116,082</u>	<u>334,081,877</u>	<u>-</u>
Deferred outflows of resources					
Deferred outflows on pension liability	313,227	156,076	-	469,303	-
Total assets	<u>\$ 309,267,791</u>	<u>\$ 43,067,842</u>	<u>\$ 157,903</u>	<u>\$ 352,493,536</u>	<u>\$ 178,979</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 1,052,297	\$ 77,493	\$ -	\$ 1,129,790	\$ -
Due to other City funds	16,516	4,640	-	21,156	-
Compensated absences	64,804	49,204	-	114,008	-
Unearned revenue	103,678	76,393	-	180,071	-
Claims and judgments	-	-	-	-	2,903,957
Bonds, capital leases, and notes payable	567,384	300,000	-	867,384	-
Payable from restricted assets:					
Accounts payable	25,622	-	-	25,622	-
Customer deposits payable from restricted assets	1,749,245	127,480	-	1,876,725	-
Total current liabilities	<u>3,579,546</u>	<u>635,210</u>	<u>-</u>	<u>4,214,756</u>	<u>2,903,957</u>
Non-current liabilities:					
Compensated absences	194,415	147,613	-	342,028	-
Net pension obligation	2,461,613	1,577,689	-	4,039,302	-
Bonds, capital leases, and notes payable, non-current	7,608,688	6,100,000	-	13,708,688	-
Total non-current liabilities	<u>10,264,716</u>	<u>7,825,302</u>	<u>-</u>	<u>18,090,018</u>	<u>-</u>
Deferred inflows of resources					
Deferred inflows on pension liability	851,241	567,463	-	1,418,704	-
Total liabilities	<u>14,695,503</u>	<u>9,027,975</u>	<u>-</u>	<u>23,723,478</u>	<u>2,903,957</u>
NET POSITION					
Invested in capital assets, net of related debt	286,506,643	30,895,044	116,082	317,517,769	-
Restricted for debt service	104,516	6,795	-	111,311	-
Unrestricted	7,961,129	3,138,028	41,821	11,140,978	(2,724,978)
Total net position	<u>\$ 294,572,288</u>	<u>\$ 34,039,867</u>	<u>\$ 157,903</u>	<u>\$ 328,770,058</u>	<u>\$ (2,724,978)</u>

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

CITY OF BILOXI, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Proprietary Funds-Business-type Activities				Governmental Activities
	Major Funds		Non-Major Fund		
	Water and Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	
REVENUES					
Charges for services					
Water sales, sewer revenues & installations, net	\$ 15,074,397	\$ -	\$ -	\$ 15,074,397	\$ -
Keesler Air Force Base, sewer	779,959	-	-	779,959	-
Harbor fees and rents	-	1,902,930	6,600	1,909,530	-
Insurance billings	-	-	-	-	11,554,012
Total charges for services	15,854,356	1,902,930	6,600	17,763,886	11,554,012
Cobra contributions	-	-	-	-	168,646
Total operating revenues	15,854,356	1,902,930	6,600	17,763,886	11,722,658
OPERATING EXPENSES					
Personnel services	1,712,690	1,083,127	-	2,795,817	-
Contractual services	10,834,461	532,996	-	11,367,457	-
Other services, charges, supplies and expenses	1,498,341	210,008	-	1,708,349	-
Insurance and reinsurance	-	-	-	-	3,466,465
Claims expense	-	-	-	-	11,066,202
Depreciation expense	3,542,401	1,753,699	-	5,296,100	-
Total operating expenses	17,587,893	3,579,830	-	21,167,723	14,532,667
Operating Income	(1,733,537)	(1,676,900)	6,600	(3,403,837)	(2,810,009)
NON-OPERATING REVENUES (EXPENSES)					
Interest and investment revenue	14,851	13,555	-	28,406	226
Intergovernmental tax revenues	-	2,148,970	-	2,148,970	-
Interest expense	(148,706)	(228,344)	-	(377,050)	-
Total non-operating revenue (expenses)	(133,855)	1,934,181	-	1,800,326	226
INCOME BEFORE TRANSFERS AND SPECIAL ITEM	(1,867,392)	257,281	6,600	(1,603,511)	(2,809,783)
Capital contribution	20,987,652	-	-	20,987,652	-
Transfers in	4,694	185,624	-	190,318	-
Transfers out	(234,832)	(506,322)	-	(741,154)	-
CHANGE IN NET POSITION	18,890,122	(63,417)	6,600	18,833,305	(2,809,783)
TOTAL NET POSITION - BEGINNING, as previously stated	299,300,771	11,244,652	151,303	310,696,726	84,805
PRIOR PERIOD ADJUSTMENTS	(23,618,605)	22,858,632	-	(759,973)	-
TOTAL NET POSITION - BEGINNING, as restated	275,682,166	34,103,284	151,303	309,936,753	84,805
TOTAL NET POSITION - ENDING	\$ 294,572,288	\$ 34,039,867	\$ 157,903	\$ 328,770,058	\$ (2,724,978)

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

CITY OF BILOXI, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Proprietary Funds-Business-type Activities			Governmental	
	Major Funds		Non-Major Fund	Activities	
	Water and Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Internal Service Fund	
			Total		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 18,149,218	\$ 1,965,443	\$ 6,600	\$ 20,121,261	\$ 11,722,223
Payments to suppliers	(12,445,041)	(718,318)	-	(13,163,359)	(13,320,158)
Payments to employees	(1,801,692)	(1,145,787)	-	(2,947,479)	-
Net cash provided by operating activities	<u>3,902,485</u>	<u>101,338</u>	<u>6,600</u>	<u>4,010,423</u>	<u>(1,597,935)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental taxes	-	2,148,970	-	2,148,970	-
Transfers (to) from other funds	(230,138)	(320,698)	-	(550,836)	-
Net cash provided by (used in) noncapital financing activities	<u>(230,138)</u>	<u>1,828,272</u>	<u>-</u>	<u>1,598,134</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases and construction of capital assets	(2,215,822)	(485,764)	-	(2,701,586)	-
Principal paid on capital debt	(479,294)	(290,000)	-	(769,294)	-
Interest paid on capital debt	(148,706)	(228,344)	-	(377,050)	-
Net cash used in capital and related financing activities	<u>(2,843,822)</u>	<u>(1,004,108)</u>	<u>-</u>	<u>(3,847,930)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	14,851	13,555	-	28,406	226
Net cash provided by investing activities	<u>14,851</u>	<u>13,555</u>	<u>-</u>	<u>28,406</u>	<u>226</u>
Net increase in cash and cash equivalents	843,376	939,057	6,600	1,789,033	(1,597,709)
Balances-beginning of the year	<u>6,315,363</u>	<u>4,615,055</u>	<u>35,221</u>	<u>10,965,639</u>	<u>1,639,615</u>
Balances-end of the year	<u>\$ 7,158,739</u>	<u>\$ 5,554,112</u>	<u>\$ 41,821</u>	<u>\$ 12,754,672</u>	<u>\$ 41,906</u>
RECONCILIATION TO STATEMENT OF NET POSITION					
Unrestricted:					
Cash and cash equivalents	\$ 5,304,978	\$ 5,419,837	\$ 41,821	\$ 10,766,636	\$ 41,906
Restricted:					
Cash and cash equivalents	1,853,761	134,275	-	1,988,036	-
	<u>\$ 7,158,739</u>	<u>\$ 5,554,112</u>	<u>\$ 41,821</u>	<u>\$ 12,754,672</u>	<u>\$ 41,906</u>
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Purchase of capital asset with financing	<u>\$ 129,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,500</u>	<u>\$ -</u>

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

CITY OF BILOXI, MISSISSIPPI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Proprietary Funds-Business-type Activities			Governmental	
	Major-Funds		Non-Major Fund	Activities	
	Water and Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Internal Service Fund	
			Total		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ (1,733,537)	\$ (1,676,900)	\$ 6,600	\$ (3,403,837)	\$ (2,810,009)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	3,542,401	1,753,699	-	5,296,100	-
Decrease (increase) in assets					
Accounts receivable	2,188,512	52,983	-	2,241,495	-
Due from other funds	-	-	-	-	(8,948)
Deferred outflows	(103,983)	(58,014)	-	(161,997)	-
Increase (decrease) in liabilities					
Accounts payable and accrued liabilities	(112,900)	24,010	-	(88,890)	1,221,022
Due to other funds	660	676	-	1,336	-
Compensated absences	19,579	899	-	20,478	-
Customer deposits	109,188	9,530	-	118,718	-
Unearned revenues	(2,837)	-	-	(2,837)	-
Pension liabilities and deferred inflows	(4,598)	(5,545)	-	(10,143)	-
Net cash provided by operating activities	\$ 3,902,485	\$ 101,338	\$ 6,600	\$ 4,010,423	\$ (1,597,935)

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

NOTES TO FINANCIAL STATEMENTS

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Introduction

The City of Biloxi, Mississippi, (the “City”) 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 applicable Governmental Accounting Standards Board (GASB) pronouncements. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the City of Biloxi (the primary government) and its components. The component unit discussed in Note 1 (III) below is included in the City’s reporting entity because of the significance of its operation and financial relationship with the City.

II. Financial Reporting Entity

The City’s basic financial statements include the accounts of all City operations. The criteria for including organizations as component units of the City consist of oversight responsibility, special financing relationships and scope of public services. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based on these criteria, the City has two component units. Additionally, see Note 14 for information describing a joint venture of the City and another governmental entity and a jointly governed organization.

III. 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 government-wide financial statements to emphasize that they are legally separate from the government. The City presents its component unit using the blended 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. 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 and is reported as an enterprise fund using the blended method. PCDC does not issue separate financial statements.

2) Biloxi Port Commission/Biloxi Port Fund

Prior to 2003, the Biloxi Port Commission (Commission) provided 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 Commission’s assets and liabilities were completely absorbed by the City during the fiscal year ending September 30, 2004. These assets are currently managed by the Ports and Harbor Division of the City. Separate financial statements of the Commission are no longer available as such statements are reported as an enterprise fund.

CITY OF BILOXI, MISSISSPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IV. Related Organizations

The Biloxi Public 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. The governing authorities of the City do select a majority of the school district’s board, but do not have ongoing financial responsibility for the school district.

V. 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 International Airport).

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.

VI. Basis of Accounting, Measurement Focus, and Presentation

The City’s basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. GASB is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

GASB standards require that the accounts of the City be organized on the basis of funds, each of which is considered a separate accounting entity. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Financial reporting standards established by GASB require that the financial statements described below be presented.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. The government-wide financial statements are presented on an economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Accordingly, all of the City’s current and long-term assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position as of September 30. The statement of activities presents changes in net position since October 1, the beginning of the fiscal year.

**CITY OF BILOXI, MISSISSPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

VI. Basis of Accounting, Measurement Focus, and Presentation, (Continued)

Government-wide Financial Statements, (Continued)

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Shared revenues are recognized when the provider recognizes the liability to the City. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in financial position as presented in these statements to the financial position presented in the government-wide financial statements. The City has presented all major funds that met the qualifications for major fund reporting.

The City reports the following major governmental funds:

General Fund - 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 – This fund is used to account for the City's capital projects. Revenues are received primarily from the General Fund.

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

In addition to the major governmental funds listed above, the City also reports two additional fund types in this category that are considered nonmajor.

The *special revenue funds* account for revenue sources that are legally restricted or committed to expenditure for specific purposes (not including permanent funds or major capital projects).

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not financed by other funds.

**CITY OF BILOXI, MISSISSPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

VI. Basis of Accounting, Measurement Focus, and Presentation, (Continued)

Governmental Fund Financial Statements, (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, franchise fees, sales taxes, and licenses, associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales tax collected and held by vendors at year end on behalf of the City is also recognized as revenue if collected within 30 days after year end. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. In general, all other revenue items are considered to be measurable and available only when cash is received by the City.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, as appropriate, then the unrestricted resources as needed.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position; a statement of revenues, expenses, and changes in fund net position; and a statement of cash flows for each major proprietary fund. These fund types are used to account for activities that are similar to those found in the private sector. The measurement focus is on the determination of net income and capital maintenance. The City reports two major utility funds where the intent of the governing body is that the costs of providing utility services to the general public on a continuing basis be financed or recovered through user charges:

The City reports the following major enterprise funds:

Water and Sewer Fund – The water and sewer fund account for the activities of the City's water, sewer, and garbage collections.

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

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

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

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

VI. Basis of Accounting, Measurement Focus, and Presentation, (Continued)

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, and health insurance. The Internal Service Funds in turn charge the other City funds for their allocable share of these net costs.

VII. Use of Estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Accordingly, actual results could differ from those estimates.

VIII. Assets, Liabilities, and Net Position or Fund Balance

Cash and Cash Equivalents

For the purpose of cash flows, 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 pooled cash 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

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

Receivables

Property taxes are recognized as a receivable at the time they are levied, and the current taxes receivable represent the 2021 levy and prior levies still uncollected, if any.

Accounts receivable held by the City's governmental and business-type activities are stated net of allowances for estimated uncollectibles as of September 30, 2021. The allowance is based on historical collection, experience, and other relevant circumstances.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. The City reported \$5,635 due to business-type funds from governmental funds at September 30, 2021.

CITY OF BILOXI, MISSISSPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables (Continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Unbilled Services Receivable

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided, but unbilled at year-end, has been included in the accompanying financial statements.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2021, are recorded as prepaid items. In governmental funds, reported prepaid items are equally offset by nonspendable fund balance amounts, which indicate they do not constitute "available spendable resources" even though they are a component of net current assets. The net change in nonspendable fund balances is not presented because the combined statement of revenues, expenditures, and changes in fund balances reflects the changes in total fund balances rather than just the spendable and nonspendable fund balances.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are externally imposed by creditors, contributors, grantors, or laws. Restricted assets in governmental activities represent capital asset purchases, reserve for debt service and bond payment reserves. Restricted assets in business type activities represent utility customer deposits subject to refund. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

Capital Assets

Capital assets, which include property, plant, equipment, and current infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), net of depreciation, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's capitalization levels are as follows: purchased assets costing more than \$1,000 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; donated capital assets, donated works of art and similar items, as well as capital assets received in a service concession arrangement are reported at acquisition value. Assets acquired using capital lease obligations are treated in the same manner as purchased capital assets.

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

	<u>Lives</u>
Buildings	40-50 years
Improvements	40-50 years
Infrastructure	20-60 years
Machinery and equipment	3-15 years

**CITY OF BILOXI, MISSISSPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period or periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category related to the City's participation in the pension plan, the unamortized changes in investments actual performance, expectations, projections, and changes in plan assumptions. See Note 9.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category related to the City's participation in the pension plan and the difference between projected and actual plan investment earnings. See Note 9.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-term Liabilities

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

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. Premiums received on debt issuances are 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 expenditures.

Compensated Absences

The City accrues accumulated unpaid vacation and comp time and associated employee-related costs when earned (or estimated to be earned) by the employee. Employees are paid for up to 30 days of unused annual leave upon retirement or resignation with two weeks' written notice, while excess annual leave and all accumulated sick leave remaining are counted as creditable service toward retirement.

For proprietary funds and the government-wide statements, the current portion is the amount estimated to be used in the following year.

CITY OF BILOXI, MISSISSPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 but not yet reported.

Unearned Revenue

In the governmental funds, certain revenue transactions have been reported as unearned revenue. Revenue cannot be recognized until it has been earned and it becomes available to finance expenditures of the current fiscal period.

In proprietary funds (and for governmental activities in the government-wide statement) unearned revenue is reported for unearned revenue, regardless of its availability.

Fund Equity

As of September 30, 2021, fund balances are classified as follows:

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

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the highest level of decision making authority, the City Council (Council), and does not lapse at year end.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's policy, only the Council or an official or body to which the Council delegates the authority may assign amounts for specific purposes. Currently, the Council has not delegated the authority to assign fund balances.

Unassigned – All amounts not included in other spendable classifications. Any residual fund balance in the General Fund and any deficit fund balance of any other governmental fund is reported as unassigned.

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).

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to 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 Council or an official or body to which the Council delegates the authority, as applicable, has provided otherwise in its commitment or assignment actions.

Net Position

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

VI. Stewardship, Compliance, and Accountability

Budgetary Data

The procedures used by the City in establishing the budget are mandated by Mississippi State Law. A brief summary of the City's policies for recording budgetary data in the financial statements are as follows:

1. Prior to September 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. No 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).

Budgetary – GAAP Reporting Reconciliations

Budgetary comparison is required to be presented for the general fund and each major special revenue fund, if any, with a legally adopted budget. The City adopts annual operating budgets for the general fund and all special revenue funds. Budgetary comparisons, presented in the required supplementary information section of this report, are on the budgetary basis. Certain adjustments are necessary to compare actual data on a GAAP versus budget basis. These reconciling adjustments can be found in the Budgetary Comparison Schedule.

CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: CASH AND CASH EQUIVALENTS

The City deposits funds in financial institutions selected by the City's City Council in accordance with Mississippi 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.

A summary of cash (including restricted cash) at September 30, 2021 is as follows:

	Cash on Hand	Cash Deposits	Pooled Cash Deposits	Total
Governmental Activities				
General Fund	\$ 9,950	\$ 5,742,203	\$ 10,945,996	\$ 16,698,149
General Capital Projects	-	4,536,671	2,090,857	6,627,528
Debt Service	-	1,129,397	4,779,665	5,909,062
Other Nonmajor Gov't Funds	-	5,331,609	799,319	6,130,928
Internal Service Fund	-	1,385,816	(1,343,910)	41,906
Total governmental activities	<u>9,950</u>	<u>18,125,696</u>	<u>17,271,927</u>	<u>35,407,573</u>
Business-type Activities				
Water and Sewer	600	9,174,394	(2,016,255)	7,158,739
Biloxi Port Fund	550	142,275	5,411,287	5,554,112
Other Nonmajor Business-type Fund	-	41,821	-	41,821
Total business-type activities	<u>1,150</u>	<u>9,358,490</u>	<u>3,395,032</u>	<u>12,754,672</u>
Total cash and cash equivalents	<u>\$ 11,100</u>	<u>\$ 27,484,186</u>	<u>\$ 20,666,959</u>	<u>\$ 48,162,245</u>

The City maintained the following restricted assets as of September 30, 2021:

Governmental Activities	
Cash and cash equivalents	
Restricted for capital projects	\$ 7,801,979
Restricted for debt service	1,095,638
Restricted for other special projects	5,549,153
Investments	
Restricted for debt service	<u>15,014,776</u>
Total restricted assets - governmental activities	<u>29,461,546</u>
Business-type Activities	
Cash and cash equivalents	
Restricted for utility customer deposits	1,853,761
Restricted for debt service	<u>134,275</u>
Total restricted assets - business-type activities	<u>1,988,036</u>
Total restricted assets - government-wide	<u>\$ 31,449,582</u>

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. The collateral is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Miss. Code Ann. (1972), §27-105-5.

Under this program, the City's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

At September 30, 2021, deposits (including restricted deposits) are as follows:

	Bank Balance	Carrying Amount
Pooled deposits:		
Cash and cash equivalents	\$26,408,923	\$20,666,959
Non-pooled deposits:		
Cash and cash equivalents	29,878,987	27,495,286
Total	\$56,287,910	\$48,162,245

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, 2021, investments consisted of the following:

	Yield	Purchase Date	Maturity Date	Reported Amount	Fair Value
Capital Project Funds					
2020A Tax Escrow Account					
U.S. Treasury Notes	1.63%	Various	N/A	\$ 138,926	\$ 138,926
U.S. Treasury Notes	2.63%	Various	N/A	14,739,837	14,739,837
U.S. Treasury Notes	1.88%	Various	N/A	136,013	136,013
Total investments				\$15,014,776	\$15,014,776

Accounting principles generally accepted in the United States of America establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable input (Level 3 measurements). The three levels of the fair value hierarchy are as follows on the next page.

**CITY OF BILOXI, MISSISSPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

Investments (continued)

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the City has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted priced included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

All of the City’s marketable securities have been valued using Level 1 measurements.

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. The State and local government securities also have a maturity of less than one year.

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.

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.

NOTE 3: RECEIVABLES

Receivables at September 30, 2021, consist of the following:

	Governmental Activities	Business-type Activities	
	General Fund		Total
Franchise taxes	\$ 818,227	\$ -	\$ 818,227
Court fines and fees	5,414,633	-	5,414,633
Utility customer charges	467,982	2,384,583	2,852,565
Other receivables	694,072	-	694,072
Total receivables, gross	7,394,914	2,384,583	9,779,497
Less allowance for doubtful receivables	(5,553,686)	(1,061,946)	(6,615,632)
Total receivables, net	\$ 1,841,228	\$ 1,322,637	\$ 3,163,865

Property Taxes

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 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 Public School District are also billed and collected by the county and remitted to the schools through the City.

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 3: RECEIVABLES (Continued)

Restrictions associated with property tax levies vary with the statutory authority. State law limits the amount of increase in certain property taxes. 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 for any assessment year may not exceed one hundred 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.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue when received. Personal property taxes are recognized as revenue when received because most delinquent personal property taxes are collected by selling the property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year. The remaining amount of personal property not sold for taxes at the tax sale is recorded as delinquent taxes receivable.

The tax levies for the City for the fiscal years ended September 30, 2021, 2020, and 2019 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
City Funds			
General Fund	19.05	19.05	18.76
Special revenue funds:			
Disability and Relief (Pension) Funds	2.02	1.83	2.12
Debt Service Funds	9.01	9.20	9.20
Solid waste collection and disposal	0.02	0.02	0.02
Total City administered funds	<u>30.10</u>	<u>30.10</u>	<u>30.10</u>
School Funds			
District Maintenance	41.28	41.42	41.03
School Debt	2.09	1.95	2.20
Short Fall Note	-	-	0.14
Total School administered funds	<u>43.37</u>	<u>43.37</u>	<u>43.37</u>
Total levy	<u>73.47</u>	<u>73.47</u>	<u>73.47</u>

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, 2021, there were eight casinos operating within the City of Biloxi. 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 receive .4 to .8 percent. This tax is divided 73.4% to the County, and 26.6% to the City of Biloxi. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City of Biloxi, 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	\$ 19,598,229
Local share of state tax	1,914,757
Gaming licenses and permits	<u>1,176,286</u>
Total gaming revenues	<u>\$ 22,689,272</u>

CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4: DUE FROM OTHER GOVERNMENTS

Sales Tax

The State levies a 7% sales tax on retail sales and remits 18.5% of the amount collected (within the corporate boundaries of the City of Biloxi) back to the City monthly. Sales tax receivable is included in due from other governments on the statement of net position and balance sheet – governmental funds and consists of taxes collected by the State for August and September 2021 and not received by the City until October and November 2021.

Due from other governments at September 30, 2021, consists of the following:

	Governmental Activities	Business-Type Activities	Total
	General Fund	Water and Sewer	
Grants	\$ 4,300,358	\$ 5,796,292	\$ 10,096,650
County road tax	1,076,912	-	1,076,912
Harrison County, ad valorem	290,156	-	290,156
State of Mississippi, gaming taxes and fees	3,759,060	-	3,759,060
State of Mississippi, sales tax diversion	2,242,067	-	2,242,067
Total due from other governments	\$ 11,668,553	\$ 5,796,292	\$ 17,464,845

NOTE 5: CAPITAL ASSETS

The following is a summary of capital assets activity for the year ended September 30, 2021:

	Balance October 1, 2020 (restated)	Additions	Disposals	Transfers/ Adjustments	Balance September 30, 2021
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 46,013,052	\$ 116,990	\$ -	\$ -	\$ 46,130,042
Construction in progress	69,228,809	6,727,608	-	(8,730,524)	67,225,893
Total capital assets, not being depreciated	115,241,861	6,844,598	-	(8,730,524)	113,355,935
Capital assets, being depreciated:					
Buildings	135,803,220	-	-	1,714,493	137,517,713
Improvements other than buildings	26,164,381	-	-	4,333,071	30,497,452
Machinery and equipment	43,566,997	2,608,009	(1,213,697)	588,956	45,550,265
Infrastructure - streets and drainage	191,434,913	55,924	-	2,104,003	193,594,840
Total capital assets, being depreciated	396,969,511	2,663,933	(1,213,697)	8,740,523	407,160,270
Less accumulated depreciation for:					
Buildings	(28,079,946)	(3,236,152)	-	-	(31,316,098)
Improvements other than buildings	(10,753,918)	(1,161,619)	-	-	(11,915,537)
Machinery and equipment	(33,692,284)	(1,812,561)	848,447	-	(34,656,398)
Infrastructure - streets and drainage	(72,283,047)	(3,330,202)	-	-	(75,613,249)
Total accumulated depreciation	(144,809,195)	(9,540,534)	848,447	-	(153,501,282)
Total capital assets, being depreciated, net	252,160,316	(6,876,601)	(365,250)	8,740,523	253,658,988
Total governmental activities capital assets, net	\$ 367,402,177	\$ (32,003)	\$ (365,250)	\$ 9,999	\$ 367,014,923

CITY OF BILOXI, MISSISSPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: CAPITAL ASSETS (Continued)

	Balance October 1, 2020 (restated)	Additions	Disposals	Transfers/ Adjustments	Balance September 30, 2021
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 829,243	\$ -	\$ -	\$ -	\$ 829,243
Construction in progress	182,600,762	22,824,231	-	(4,295,914)	201,129,079
Total capital assets, not being depreciated	<u>183,430,005</u>	<u>22,824,231</u>	<u>-</u>	<u>(4,295,914)</u>	<u>201,958,322</u>
Capital assets, being depreciated:					
Equipment	5,388,951	476,857	(47,259)	(9,999)	5,808,550
Water and sewer system	151,329,634	398,149	-	1,223,921	152,951,704
Port buildings & improvements	51,152,874	-	-	3,071,993	54,224,867
Total capital assets, being depreciated	<u>207,871,459</u>	<u>875,006</u>	<u>(47,259)</u>	<u>4,285,915</u>	<u>212,985,121</u>
Less accumulated depreciation for:					
Equipment	(3,651,339)	(290,304)	47,259	-	(3,894,384)
Water and sewer system	(53,909,368)	(3,263,077)	-	-	(57,172,445)
Port buildings & improvements	(20,040,054)	(1,742,719)	-	-	(21,782,773)
Total accumulated depreciation	<u>(77,600,761)</u>	<u>(5,296,100)</u>	<u>47,259</u>	<u>-</u>	<u>(82,849,602)</u>
Total capital assets, being depreciated, net	<u>130,270,698</u>	<u>(4,421,094)</u>	<u>-</u>	<u>4,285,915</u>	<u>130,135,519</u>
Total business-type activities capital assets, net	<u>\$ 313,700,703</u>	<u>\$ 18,403,137</u>	<u>\$ -</u>	<u>\$ (9,999)</u>	<u>\$ 332,093,841</u>
Primary Government					
Total capital assets, net	<u>\$ 681,102,880</u>	<u>\$ 18,371,134</u>	<u>\$ (365,250)</u>	<u>\$ -</u>	<u>\$ 699,108,764</u>

Assets under capital leases include equipment that was acquired through capital leases financing with financial institutions (see Note 7 for additional information). As of September 30, 2021, these capitalized assets and the related accumulated depreciation are as follows:

Asset	Capitalized Amount	Accumulated Depreciation	Net
Governmental Activities			
Tasers	\$ 19,680	\$ (9,100)	\$ 10,580
Fire boat	589,120	(173,983)	415,137
Fire station	4,250,000	(264,554)	3,985,446
Fire trucks (2)	1,016,923	(28,248)	988,675
Energy performance project	1,984,837	(135,079)	1,849,758
Total governmental activities	<u>7,860,560</u>	<u>(610,964)</u>	<u>7,249,596</u>
Business-type Activities			
Bucket truck	129,500	(23,742)	105,758
Total business-type activities	<u>129,500</u>	<u>(23,742)</u>	<u>105,758</u>
Total	<u>\$ 7,990,060</u>	<u>\$ (634,706)</u>	<u>\$ 7,355,354</u>

Depreciation expense associated with the assets under capital leases in fiscal year 2021 totaled \$295,632 and is included in the statement of activities as general government and business-type activities, respectively.

**CITY OF BILOXI, MISSISSPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 5: CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following governmental functions:

Governmental Activities	
General government	\$ 1,184,387
Community development	417,933
Cultural affairs	810,357
Parks and recreation	1,537,221
Public safety	2,028,433
Public works	177,357
Engineering	54,641
Infrastructure	3,330,205
	9,540,534
Business-type Activities	
Water and Sewer	3,542,401
Port fund	1,753,699
	5,296,100
Total depreciation expense	\$ 14,836,634

NOTE 6: SHORT TERM DEBT

The following is a summary of short term debt activity for the year ended September 30, 2021:

	Original Issue	Interest Rate	Balance 10/1/2020	Issues	Redemptions	Balance 9/30/2021
Governmental activities						
Grant anticipation note	2/4/2021	0.68%	\$ -	\$ 4,000,000	\$ 3,642,959	\$ 357,041
Grant anticipation note	4/19/2021	0.68%	-	723,024	-	723,024
Total short-term capital borrowings			\$ -	\$ 4,723,024	\$ 3,642,959	\$ 1,080,065

The purpose of the short-term borrowings was to provide resources for various capital construction or improvement projects. The form of financing used in all cases was anticipation receipt of grant funds. The amounts issued for governmental activities are accounted for in the capital projects fund.

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 7: LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended September 30, 2021 are as follows:

	Balance October 1, 2020	Additions	Adjustments	Principal Payments/ Reductions	Balance September 30, 2021	Due within One Year
Governmental Activities						
General Obligation Bonds	\$ 74,658,000	\$ -	\$ -	\$ (12,079,000)	\$ 62,579,000	\$ 3,971,000
Tax Increment Limited Obligation Bonds	20,245,208	1,896,000	-	(3,941,451)	18,199,757	2,770,760
Capital lease payable	5,600,903	2,995,861	-	(819,614)	7,777,150	889,110
Compensated absences	10,488,668	1,238,080	-	(1,657,549)	10,069,199	2,517,300
Net pension liability	95,442,769	-	(22,133,920)	-	73,308,849	-
Total governmental activities	<u>\$ 206,435,548</u>	<u>\$ 6,129,941</u>	<u>\$ (22,133,920)</u>	<u>\$ (18,497,614)</u>	<u>\$ 171,933,955</u>	<u>\$ 10,148,170</u>
Business-type Activities						
Water and Sewer notes payable	\$ 7,889,945	\$ -	\$ -	\$ (510,010)	\$ 7,379,935	\$ 468,778
Limited tax Port Bonds	6,690,000	-	-	(290,000)	6,400,000	300,000
Drinking water loan	765,444	-	-	(55,024)	710,420	56,107
Capital lease payable	-	129,500	-	(43,783)	85,717	42,499
Compensated absences	435,558	28,789	-	(8,311)	456,036	114,008
Net pension liability	5,552,732	-	(1,513,430)	-	4,039,302	-
Total business-type activities	<u>\$ 21,333,679</u>	<u>\$ 158,289</u>	<u>\$ (1,513,430)</u>	<u>\$ (907,128)</u>	<u>\$ 19,071,410</u>	<u>\$ 981,392</u>

The General and Water and Sewer Funds provide the resources for the retirement of compensated absences. For the year ended September 30, 2021, interest incurred and charged to expense totaled \$3,426,360 in the governmental activities and \$372,550 in the business-type activities.

Bonds Payable

The City is responsible for the repayment of specific General Obligation Bonds of the City of Biloxi, Mississippi. The bonds are backed by the full faith and credit of the City of Biloxi, Mississippi, are being retired from the resources of the City, and are presented as debt of the City. Notwithstanding the foregoing, certain maturities of the General Obligation Bonds Series 2014B, totaling \$14,075,000 in principal amount, have been refunded and are secured by and payable from escrowed securities. (see General Obligation Bond Refunding Series 2020A below for more information)

CITY OF BILOXI, MISSISSPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: LONG-TERM LIABILITIES (Continued)

Bonds Payable (Continued)

At September 30, 2021, the City had the following outstanding bonds payable:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2021
Governmental Activities:					
General obligation bonds:					
General obligation bonds Series 2019	2/8/2019	3/1/2039	Variable	\$ 14,000,000	\$ 13,005,000
General obligation bonds Series 2017	3/15/2017	3/1/2032	Variable	7,000,000	5,470,000
General obligation bonds Series 2011	10/28/2011	12/1/2022	Variable	9,350,000	800,000
General obligation bonds Series 2012	4/1/2012	4/1/2027	Variable	6,000,000	2,780,000
General obligation bonds Series 2020	6/8/2020	1/1/2029	Variable	8,662,000	8,573,000
General obligation bonds Series 2014B	2/24/2014	3/1/2034	Variable	21,000,000	15,995,000
General obligation bonds Series 2020A	6/2/2020	3/1/2034	Variable	16,206,000	15,956,000
Limited Obligation Bonds					
Tax increment limited obligation bond Series 2021	9/15/2021	6/1/2029	1.47%	1,896,000	1,896,000
Tax increment limited obligation bond Series 2016	11/1/2016	11/1/2027	Variable	21,020,000	14,665,000
Tax increment limited obligation bond Series 2014	6/25/2014	4/15/2029	4.07%	1,995,000	1,638,757
Total governmental activities				<u>107,129,000</u>	<u>80,778,757</u>
Business-type Activities:					
Limited tax Port Bonds					
Port bonds Series A & B	8/1/2017	8/1/2037	Variable	7,500,000	6,400,000
Total business-type activities				<u>7,500,000</u>	<u>6,400,000</u>
Total bonds				<u>\$ 114,629,000</u>	<u>\$ 87,178,757</u>

The City's future principal and interest requirements related to the bonds payable are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities		Total Requirements
	Principal	Interest	Principal	Interest	
2022	\$ 6,741,760	\$ 2,012,521	\$ 300,000	\$ 214,644	\$ 9,268,925
2023	20,436,000	1,818,320	310,000	205,144	22,769,464
2024	6,163,000	1,610,166	325,000	192,744	8,290,910
2025	6,337,000	1,406,718	335,000	179,744	8,258,462
2026	6,545,000	1,196,290	350,000	169,094	8,260,384
2027-2031	22,540,000	3,248,032	1,935,000	670,819	28,393,851
2032-2036	9,186,000	1,115,347	2,325,000	332,282	12,958,629
2037-2041	2,829,997	166,675	520,000	18,206	2,996,672
	<u>\$ 80,778,757</u>	<u>\$ 12,574,069</u>	<u>\$ 6,400,000</u>	<u>\$ 1,982,677</u>	<u>\$ 101,197,297</u>

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, 2021, was 9.01 mills or \$9.01 per \$1,000 of assessed value.

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 7: LONG-TERM LIABILITIES (Continued)

Notes Payable

At September 30, 2021, the City's outstanding notes payable are described as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2021
Business-type Activities:					
State of MS Revolving Fund Loan	9/1/2010	11/1/2032	1.75%	\$ 2,906,577	\$ 1,771,754
State of MS Revolving Fund Loan	7/23/2013	6/1/2036	1.75%	4,185,344	3,281,471
State of MS Revolving Fund Loan	9/30/2014	9/1/2037	1.75%	2,764,434	2,326,710
State of MS Drinking Water Improvement Loan	11/3/2011	2/15/2033	1.95%	1,133,861	710,420
Total business-type activities				<u>10,990,216</u>	<u>8,090,355</u>
Total notes payable				<u>\$ 10,990,216</u>	<u>\$ 8,090,355</u>

Principal and interest maturities will be as follows:

Year Ending September 30,	Business-type Activities		Total Requirements
	Principal	Interest	
2022	\$ 524,885	\$ 138,742	\$ 663,627
2023	534,295	129,368	663,663
2024	543,837	119,826	663,663
2025	553,550	110,113	663,663
2026	563,436	100,227	663,663
2027-2031	2,971,772	346,544	3,318,316
2032-2036	2,233,318	102,782	2,336,100
2037-2041	165,262	1,571	166,833
	<u>\$ 8,090,355</u>	<u>\$ 1,049,173</u>	<u>\$ 9,139,528</u>

General long-term debt of the business-type activities is \$8,090,355 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, is currently deducting \$55,305 each month from the sales tax remittances to the City to apply as payments on these loans.

Capital Leases

The City has entered into several capital leases to finance the purchase of a fire station, fire boat, two fire trucks, a bucket truck, tasers, a computer dispatch and records system, and an energy performance project. The purchases were financed at a fixed, simple interest rate. Title to the energy performance equipment is held in the name of the City and Hancock Bank as lien holder and the agreement contains a bargain purchase option after 20 payments. Title to the fire boat and fire trucks are held in the name of City and BancLeasing LLC as lien holder. The fire boat agreement has a bargain purchase option and title to the fire trucks transfer at the completion of the lease agreement. Title to the fire station and related equipment is held in the name of the City and Regions Equipment Finance Corporation as lien holder and the agreement contains a purchase option. Title to the computer dispatch and records system is held in the name of the City with The First, a national banking association as lien holder and the agreement contains a purchase option. Title to the bucket truck is held in the name of Peoples Bank and shall transfer to the City upon full satisfactory performance of the lease agreement.

CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: LONG-TERM LIABILITIES (Continued)

Capital Leases (continued)

The capital lease obligations outstanding as of September 30, 2021, are as follows:

	Date Issued	Maturity Date	Interest Rate	Original Amount	Balance September 30, 2021
Governmental Activities:					
Capital leases:					
Tasers - Axon enterprise, Inc.	12/3/2018	9/30/2023		\$ 14,000	\$ 5,520
Fire boat - BancLeasing, LLC	6/30/2018	10/1/2022	3.40%	589,120	241,888
Fire station - Regions Equipment	7/20/2018	7/1/2033	3.63%	4,250,000	3,564,900
Fire trucks - BancLeasing, LLC	11/1/2020	9/1/2026	2.50%	1,016,923	741,236
Energy performance - Hancock Bank	4/5/2016	9/30/2027	2.29%	1,984,837	1,244,668
CAD and records system - Motorola	2/26/2021	12/15/2030	1.94%	1,978,938	1,978,938
Total governmental activities				<u>9,833,818</u>	<u>7,777,150</u>
Business-type Activities:					
Capital leases:					
Bucket truck - Peoples Bank	12/1/2020	1/5/2023	1.73%	129,500	85,717
Total business-type activities				<u>129,500</u>	<u>85,717</u>
Total capital lease obligations				<u>\$ 9,963,318</u>	<u>\$ 7,862,867</u>

The following is a schedule of future minimum lease payments under capital leases and the net present value of these minimum lease payments as of September 30, 2021:

Year Ending September 30,	Governmental Activities		Business -Type Activities		Total Requirements
	Principal	Interest	Principal	Interest	
2022	\$ 889,110	\$ 213,571	\$ 42,499	\$ 1,483	\$ 1,146,663
2023	905,275	197,327	43,218	748	1,146,568
2024	800,822	172,764	-	-	973,586
2025	822,305	151,281	-	-	973,586
2026	844,556	129,030	-	-	973,586
2027-2031	2,810,215	367,131	-	-	3,177,346
2032-2036	704,867	38,608	-	-	743,475
	<u>\$ 7,777,150</u>	<u>\$ 1,269,712</u>	<u>\$ 85,717</u>	<u>\$ 2,231</u>	<u>\$ 9,134,810</u>

CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: LONG-TERM LIABILITIES (Continued)

General Obligation Bond Refunding Series 2020A

On June 8, 2020, the City issued \$16,206,000 in Series 2020A general obligation bonds with interest rates of 2.25% - 1.95% on the refunding date. The City issued the bonds to provide for the advance refunding of outstanding series 2014B general obligation bonds with an outstanding balance of \$16,900,000 at 3.6% interest rate on the refunding date. The net proceeds were not sufficient to defease the full amount of the outstanding series 2014B bonds. The net proceeds of \$15,954,460 (after bond issuance costs of \$251,540) were deposited into an irrevocable trust to provide the debt service requirements of the new refunding bonds. Per GASB No.86, the bond refunding is considered to be a crossover refunding whereby the old and new debt are included in the City's debt obligations. The irrevocable trust is also included in the City's assets. The outstanding series 2014B bonds will continue to be paid by the current debt reserve account until such time as the escrow account proceeds are sufficient to meet the debt service payments, at which time the debt will be considered to be defeased and the escrow account obligation will crossover to the series 2014B bonds and the obligation and asset will be removed. This is expected to occur in March 2023. The outstanding principal of the series 2014B bonds and trust were \$15,995,000 and \$15,014,776, respectively, at September 30, 2021. The advance refunding is expected to reduce total debt service payments over the next 10 years by \$901,634. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$902,164.

Tax Increment Bond Refunding Series 2021

On September 15, 2021, the City issued \$1,896,000 in Series 2021 tax increment financing limited obligation refunding bonds with an interest rate of 1.47%. The City issued the bonds to provide for the advance refunding of outstanding series 2017 and series 2019 tax increment limited obligation bonds, with outstanding balances of \$694,106 and \$1,125,945 and interest rates of 5.00% and 6.19%, respectively, on the refunding date. The advance refunding is expected to reduce the total debt service payments over the next 8 years by \$313,718. This results in an economic gain (difference between the present value of the debt service payments on the old and the new debt) of \$291,852.

Legal Debt Margin

The amount of debt, excluding specific exempted debt that can be incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the last completed assessment for taxation. In no case shall the total indebtedness exceed 20% of the assessed value of the property.

The City's legal debt limit for general obligation bond was \$131,233,454 and the legal debt margin was \$60,564,063 at September 30, 2021.

NOTE 8: INTERFUND TRANSACTIONS

Interfund Receivables and Payables

Generally, outstanding balances between funds reported as "due to/due from other funds" include outstanding charges by one fund to another for services or goods (such as utility services) and other miscellaneous receivables/payables between funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/due from other funds."

Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF BILOXI, MISSISSPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8: INTERFUND TRANSACTIONS (Continued)

The interfund balances at September 30, 2021 are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
General Capital Projects Fund	\$ 6,255,731	\$ -
Economic Development Fund	225,490	-
General Bond and Interest Debt Service Fund	1,733,330	-
Biloxi Port Fund	510	
Claims Contingency Fund for Claims and Expenses	-	(116,428)
Total General Fund	<u>8,215,061</u>	<u>(116,428)</u>
General Capital Projects Fund:		
General Fund	-	(6,255,731)
Economic Development Fund	-	(225,490)
Biloxi Port Fund	-	(26,790)
Total General Capital Projects Fund	<u>-</u>	<u>(6,508,011)</u>
Debt Service Fund:		
General Fund	-	(1,733,330)
Total Debt Service Fund	<u>-</u>	<u>(1,733,330)</u>
Enterprise Fund:		
Water/Sewer for Claims and Expenses	-	(16,516)
Biloxi Port Fund for Claims and Expenses	-	(4,640)
Biloxi Port Fund to General Capital Projects Fund	26,791	-
Total Enterprise Fund	<u>26,791</u>	<u>(21,156)</u>
Internal Service Self-Insurance Fund:		
Claims Contingency Fund from General Fund	116,428	-
Claims Contingency Fund from Water/Sewer	16,516	-
Claims Contingency Fund from Port Fund	4,129	-
Total Internal Service Self-Insurance Fund	<u>137,073</u>	<u>-</u>
Total	<u>\$ 8,378,925</u>	<u>\$ (8,378,925)</u>

Interfund Transfers

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, grant matching requirements, subsidies of various City operations and re-allocations of special revenues.

The government-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns.

Interfund transfers between funds during the year ended September 30, 2021 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 67,464	\$ (808,702)
General Capital Projects Fund	14,704,579	(8,025,351)
Debt Service Fund	208,656	-
Other Non-major Governmental Funds	50,000	(5,645,810)
Total Governmental Funds	<u>15,030,699</u>	<u>(14,479,863)</u>
Water and Sewer	4,694	(234,832)
Biloxi Port Fund	185,624	(506,322)
Total Proprietary Funds	<u>190,318</u>	<u>(741,154)</u>
Total	<u>\$ 15,221,017</u>	<u>\$ (15,221,017)</u>

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 8: INTERFUND TRANSACTIONS (Continued)

Interfund Transfers (continued)

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, and 3) move unrestricted general fund reserves 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.

NOTE 9: EMPLOYEE BENEFIT PLANS

The City of Biloxi participates in two retirement systems 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:

Defined Benefit Pension Plan

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.

Plan Description

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 has no control over the administration of the plans. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained from its website, www.pers.ms.gov, 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.

Contributions

Based upon annual actuarial data provided by PERS, the City levies a tax millage sufficient to fund the current obligations for retirement payments and also provide the recommended amount to reduce the balance of the unfunded employer liability. For the year ended September 30, 2021 the combined millage was 2.02 mills. The City is required by statute to set a tax levy sufficient to fund the annual required contribution. The plan administrator, The Mississippi Municipal Retirement System, provides actuarial data for the two plans combined. The City's contributions to PERS for the year ended September 30, 2021 were \$1,314,172. The employer contributions were made in accordance with contribution requirements determined by an actuarial valuation of the system as of June 30, 2020. 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 no active members and 79 retirees and beneficiaries.

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9: EMPLOYEE BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (continued)

Firemen's and Policemen's Disability and Relief Plan and Employee's Disability and Relief Plan (continued)

Benefits Provided

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.

Net Pension Liability

The "Net Pension Liability" (NPL) is the difference between the "Total Pension Liability: (TPL) and the plan's "Fiduciary Net Position" (FNP). The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits to projected salary and service, and automatic cost of living adjustments (COLAs). In addition, ad hoc COLAs are also included in the TPL to the extent they are substantively automatic. The FNP is determined on the same basis used by the pension plan. The City's net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020.

The City's net pension liability at measurement date is as follows:

Total pension liability	\$ 20,671,110
Fiduciary net pension	9,532,074
Net pension liability	<u>\$ 11,139,036</u>

Schedule of Changes in Net Pension Liability

The change in net pension liability, for the Disability and Relief municipal pension plan, for the fiscal year ended September 30, 2021 is as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Change in Net Pension Liability			
Interest	\$ 1,430,025	\$ -	\$ 1,430,025
Difference between expected and actual experience	2,026,698	-	2,026,698
Changes of assumptions	(249,244)	-	(249,244)
Contributions - employer	-	1,162,972	(1,162,972)
Net investment income	-	2,375,746	(2,375,746)
Benefit payments, including refunds of employee contributions	(1,976,596)	(1,976,596)	-
Administrative expense	-	(23,259)	23,259
Net change	<u>1,230,883</u>	<u>1,538,863</u>	<u>(307,980)</u>
Net pension liability beginning	<u>19,440,227</u>	<u>7,993,211</u>	<u>11,447,016</u>
Net pension liability ending	<u>\$ 20,671,110</u>	<u>\$ 9,532,074</u>	<u>\$ 11,139,036</u>

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9: EMPLOYEE BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (continued)

Firemen's and Policemen's Disability and Relief Plan and Employee's Disability and Relief Plan (continued)

Deferred Outflows and Inflows of Resources

Deferred outflows of resources and deferred inflows of resources by source reported by the City at September 30, 2021 for the Disability and Relief Municipal plan are as follows:

	Deferred Outflows of Resource	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on investments	164,864	1,334,202
	\$ 164,864	\$ 1,334,202

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension at September 30, 2021 will be recognized in pension expenses as follows:

Year ended September 30	Amount
2022	\$ (268,795)
2023	(263,453)
2024	(279,348)
2025	(357,742)
	\$ (1,169,338)

Actuarial assumptions

Discount Rate The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point-lower (6.55%) or 1-percentage-point higher (8.55%) that current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
City's proportionate share of the plan's net pension liability	\$ 12,821,918	\$ 11,139,036	\$ 9,674,295

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9: EMPLOYEE BENEFIT PLANS (Continued)

Defined Benefit Pension Plan (continued)

Firemen's and Policemen's Disability and Relief Plan and Employee's Disability and Relief Plan (continued)

Actuarial assumptions (continued)

Actuarially determined contribution rates are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are reported. Contributions for the year ending September 30, 2021 were based on the June 30, 2019 actuarial valuation:

Actuarial cost method	Ultimate Asset Reserve
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	6.25%, net of pension plan investment expense, including inflation
Projected salary increases	3.00 - 4.50%, including inflation
Inflation	2.75%

Public Employees' Retirement System

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 contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Mississippi's Public Employees' Retirement System's Board of Trustees. 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 from its website, www.PERS.ms.gov, 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.

Benefits provided

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable services (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of creditable service below 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with and actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9: EMPLOYEE BENEFIT PLANS (Continued)

Public Employees' Retirement System (continued)

Benefits provided (continued)

A Cost-of-Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter.

Contributions

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2021 was 17.40% of annual covered payroll. The City's contributions to PERS for the fiscal years ending September 30, 2021, 2020, and 2019 total \$5,181,645, \$5,356,517, and \$4,836,800, respectively, which equal the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2021, the City reported a liability of \$66,209,115 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At September 30, 2021, the City's proportion was .447951 percent, which was a decrease of .014621 percent from its proportionate share measured as of September 30, 2020.

For the year ended September 30, 2021, the City recognized pension expense of \$3,917,726. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:		
Differences between expected and actual experience	\$ 990,927	\$ -
Changes in assumptions	4,768,693	-
Net difference between projected and actual earnings on pension plan investments	-	18,663,243
Change in proportionate share	-	2,085,314
City contributions subsequent to the measurement date	1,103,921	-
Totals	<u>\$ 6,863,541</u>	<u>\$ 20,748,557</u>

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9: EMPLOYEE BENEFIT PLANS (Continued)

Public Employees' Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Business-Type Activities		
Differences between expected and actual experience	\$ 67,756	\$ -
Changes in assumptions	326,065	-
Net difference between projected and actual earnings on pension plan investments	-	1,276,118
Change in proportionate share	-	142,586
City contributions subsequent to the measurement date	75,482	-
Totals	\$ 469,303	\$ 1,418,704

Deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date totaling \$1,179,403 are recognized as a reduction to the net pension liability in the year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2022	\$ (3,491,016)
2023	(2,945,264)
2024	(3,635,722)
2025	(5,941,818)
Total	\$ (16,013,820)

Actuarial assumptions

The total pension liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020. The following actuarial assumptions are applied to all periods included in the measurement:

Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation
Projected salary increases	2.65 - 17.90 percent, including inflation
Inflation	2.40 percent

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9: EMPLOYEE BENEFIT PLANS (Continued)

Public Employees' Retirement System (continued)

Actuarial assumptions (continued)

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2020. Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments. For males 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females 84% of the female rates up to age 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	27.00%	4.60%
International equity	22.00%	4.50%
Global equity	12.00%	4.80%
Fixed income	20.00%	-0.25%
Real estate	10.00%	3.75%
Private equity	8.00%	6.00%
Cash equivalents	1.00%	-1.00%
Total	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00 percent) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 9: EMPLOYEE BENEFIT PLANS (Continued)

Public Employees' Retirement System (continued)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.55 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	Discount Rate	City's Proportionate Share of Net Pension Liability
1% decrease	6.55%	\$ 93,767,630
Current discount rate	7.55%	\$ 66,209,115
1% increase	8.55%	\$ 43,498,707

Pension plan fiduciary net position

Detailed information about the PERS pension plan is available in the separately issued PERS financial report, available at www.pers.ms.gov.

Deferred Compensation Plan

The City offers the City's employees voluntary participation in a deferred compensation plan in accordance with Internal Revenue Code Section 457. The Plan, Deferred Compensation Plan for Public Employees administered by Nationwide Retirement Solutions, Inc., is available to all City employees and permits them 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 September 30, 2021, contributions by participants employed by the City totaled \$547,292.

NOTE 10: DEFICIT FUND BALANCE

At September 30, 2021, the General Capital Projects Fund (a major fund) has a negative net position of \$13,397,665. The negative net position was caused by the difference in timing between expenses related to project engineering and the budgeted revenue related to this project.

NOTE 11: TAX ABATEMENTS

The Mississippi Code of 1972 Annotated §17-21-5, authorizes municipal governing authorities, in their discretion, to grant exemptions from ad valorem taxation, except ad valorem taxation for school district purposes, for new structures, or improvements to or renovations of existing structures located in the central business district of the municipality, for a period of not more than seven (7) years from the date of completion of the new structure or the improvement to or renovation of the existing structure for which the exemption is granted. The City adopted such an ordinance in 2019, which exempts eligible properties from up to 100% of municipal ad valorem taxes on the increase in assessed value related to completed improvements. Per the City ordinance, the City has granted tax abatements to three hotels, two restaurants, and one entertainment complex.

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 11: TAX ABATEMENTS (Continued)

For the year ended September 30, 2021, the City abated the following taxes:

<u>Taxes Abated</u>	<u>% of Abatement</u>	<u>Total Amount Abated</u>
Real property	100%	\$ 247,167
Real property	80%	3,186
Real property	50%	116,384
		<u>\$ 366,737</u>

NOTE 12: 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-insurance risk retention (SIR):

Property damage	
Per occurrence for all other perils	\$ 100,000
Per occurrence for named wind/hail	3% named storm \$250,000 min/\$3,500,000 max
Per occurrence for all other wind/hail	\$ 250,000
Specific excess coverage in force	\$ 75,000,000
Workers compensation	
Per occurrence deductible for police, firefighters, first responders (SIR)	\$ 750,000
Per occurrence deductible for all other employees (SIR), \$1,000,000 agg.	\$ 500,000
Specific excess coverage in force	Statutory
General and other liability coverage	
Per occurrence deductible for fire trucks and physical damage (SIR)	\$ 100,000
Per occurrence deductible for general liability (SIR)	\$ 150,000
Specific excess coverage in force general liability, \$3,400,000 agg.	\$ 1,000,000
Per occurrence deductible for auto liability (SIR)	\$ 150,000
Specific excess coverage in force auto liability	\$ 1,000,000
Per occurrence deductible for error and omissions	\$ 150,000
Specific excess coverage in force errors and omissions, \$1,700,000 agg.	\$ 1,000,000
Per occurrence deductible for employment practices (SIR)	\$ 150,000
Specific excess coverage in force employment practices, \$1,700,000 agg.	\$ 1,000,000
Per occurrence deductible for sexual harrasment (SIR)	\$ 150,000
Specific excess coverage in force sexual harrasment, \$1,700,000 agg.	\$ 1,000,000
Per individual deductible for employee benefits (SIR)	\$ 150,000
Specific excess coverage in force employmee benefits, \$1,700,000 agg.	\$ 1,000,000
Per individual deductible for law enforcement (SIR)	\$ 150,000
Specific excess coverage in force law enforcement \$3,400,000 agg.	\$ 1,000,000
Health	
Per individual deductible (SIR)	\$ 125,000
Annual aggregate risk of loss through deductibles	\$ 9,754,845
Specific excess coverage in force	\$ 1,000,000

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 12: SELF-INSURED RISK, CLAIMS AND OTHER CONTINGENCIES (Continued)

The following is a summary of the City's self-insurance reserves at September 30, 2021:

	Employee Medical Claims	Property Liability & Workers' Compensation	Total
Total estimated liability and reserves - October 1, 2019	\$ -	\$ 1,846,191	\$ 1,846,191
Claims incurred and changes in estimates	6,690,597	582,318	7,272,915
Claims paid	<u>(6,690,597)</u>	<u>(745,574)</u>	<u>(7,436,171)</u>
Total estimated liability and reserves - September 30, 2020	-	1,682,935	1,682,935
Claims incurred and changes in estimates	8,749,571	1,122,800	9,872,371
Claims paid	<u>(7,885,709)</u>	<u>(765,640)</u>	<u>(8,651,349)</u>
Total estimated liability and reserves - September 30, 2021	<u>\$ 863,862</u>	<u>\$ 2,040,095</u>	<u>\$ 2,903,957</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.

NOTE 13: COMMITMENTS AND CONTINGENCIES

Litigation

The City is party to legal proceedings, many of which occur in the normal course of governmental operations. Although the outcome of these proceedings is not presently determinable, in the opinion of the City's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Federal Grants

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

Property Leases

On August 15, 2002, the City of Biloxi 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 Riverboat Corporation (Golden Nugget). 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. Currently, the first \$2,733,000 of revenue from this property each year is received by the City of Biloxi, and then additional annual revenue which exceeds \$2,733,000 is allocated by thirds to the City of Biloxi, IHL, and the State Tidelands Trust Fund. Based on other lease documents executed at the same time, the City believes it is entitled to additional rent of at least \$300,000 per year.

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 13: COMMITMENTS AND CONTINGENCIES (Continued)

Property Leases (continued)

The two tidelands lease agreements with the State of Mississippi dated July 15, 1988, continued in effect until June 30, 2018. The City renewed these agreements by resolution in 2018 for an additional thirty years. Lease payments under those leases are now currently established at \$638,000 per year, but the Riverboat Corporation (Golden Nugget) is obligated to make those payments directly to the State on behalf of the City.

Capital Project Commitment

In connection with the Capital Projects, the City 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.

The following is a summary of the budgeted commitment for future capital projects:

	Contract Amount	Expended to Date	Remaining Contract
Keesler Gate Project	\$ 5,600,000	\$ 2,477,545	\$ 3,122,455
Saenger Theater Exterior Repair	3,926,793	3,283,733	643,060
Bayview Waterfront Restoration	2,220,312	870,759	1,349,553
Biloxi Sewer Lift Stations	119,182	-	119,182
Biloxi Sewer Lift Stations	10,702,606	10,500,381	202,225
Lighthouse Visitor Center	524,763	9,401	515,362
Water and Sewer Drains	41,564,550	9,682,879	31,881,671
Water and Sewer Drains	10,735,255	7,973,288	2,761,967
Water and Sewer Drains	47,906,590	40,330,070	7,576,520
Water and Sewer Drains	45,825,265	40,287,453	5,537,812
Water and Sewer Drains	26,008,154	21,865,454	4,142,700
Water and Sewer Drains	215,152	202,017	13,135
	<u>\$ 195,348,622</u>	<u>\$ 137,482,979</u>	<u>\$ 57,865,642</u>

NOTE 14: RELATED PARTY COMMITMENTS

Joint Venture

The City of Biloxi 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 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 and the other members. The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2021, a complete copy of which is on file at the administrative offices of the Authority.

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 14: RELATED PARTY COMMITMENTS (Continued)

Joint Venture (continued)

**Harrison County Utility Authority
Condensed Statement of Net Position**

Assets	
Current assets	\$ 16,269,393
Noncurrent assets	209,643,946
Total assets	<u>225,913,339</u>
Deferred outflows related to pensions	<u>238,573</u>
Total assets and deferred outflows of resources	\$ 226,151,912
Liabilities and Net Position	
Current liabilities	\$ 18,409,426
Noncurrent liabilities	87,608,082
Total liabilities	<u>106,017,508</u>
Deferred inflows related to pensions	<u>445,124</u>
Total liabilities and deferred inflows related to pensions	106,462,632
Net position	\$ 119,689,280

Statement of Revenue, Expenditures, and Changes in Net Position

Operating revenues	\$ 20,712,112
Depreciation	(14,667,732)
Operating expenses	(20,586,436)
Non-operating revenues (expenses)	<u>(13,972,735)</u>
Change in net position	\$ (28,514,791)
Beginning net position	<u>148,204,071</u>
Ending net position	\$ 119,689,280

Jointly Governed Organization

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, the Board of Supervisors of Harrison County, the Board of Trustees of the Gulfport-Harrison County Library, the City of Pass Christian, 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 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 contributed \$673,000 for the year ended September 30, 2021. The amount budgeted for the City of Biloxi for the fiscal year ended September 30, 2022 is \$723,000. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City of Biloxi does not have an ongoing financial responsibility.

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 14: RELATED PARTY COMMITMENTS (Continued)

Jointly Governed Organization (continued)

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, the City of Biloxi, and Harrison County. These governmental units have agreed to subsidize the Airport annually. During the past fiscal year, the City of Biloxi provided no subsidy to the Gulfport-Biloxi Regional Airport. The City has budgeted \$0 for the 2021-2022 fiscal year. The City of Biloxi has no equity interest in the organization.

NOTE 15: PRIOR PERIOD ADJUSTMENT

The following prior period adjustments have been made in order to restate the ending net position for the year ended September 30, 2020.

Government-wide Financial Statements

The following adjustments were made to the prior year financial statements ending balances:

Governmental Activities

Government-Wide Financial Statements	
Governmental Activities	
Beginning net position, as previously reported	\$ 244,481,914
Adjustment to correct outstanding encumbrances	(900)
Adjustment to correct prior year bond refunding	(2,020,865)
Adjustment to correct investment balances	64,123
Adjustment to correct due to/from	(20,595,770)
Adjustment to correct prior year grant receivables	685,699
Adjustment to correct outstanding payable balance	(30,208)
Adjustment to correct court fines and fees receivable and allowance	184,166
Adjustment to correct pension balances related to city specific adjustments	1,082,127
Adjustment to correct fixed asset and related accumulated depreciation	(4,486,107)
Adjustment to correct capital lease payable	13,650
Beginning net position, as restated	<u><u>\$ 219,377,829</u></u>

**CITY OF BILOXI, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 15: PRIOR PERIOD ADJUSTMENT (Continued)

Fund Financial Statements

Governmental Funds

The following adjustments were made to the prior year financial statements ending balances:

Governmental Fund Financial Statements	
Beginning net position, as previously reported	\$ 45,609,787
Adjustment to correct outstanding encumbrances	(900)
Adjustment to correct prior year bond refunding	24,009,135
Adjustment to correct investment balances	64,123
Adjustment to correct due to/from	(20,595,770)
Adjustment to correct prior year grant receivables	685,699
Beginning net position, as restated	<u>\$ 49,772,074</u>

Proprietary Funds

The following adjustments were made to the prior year financial statements ending balances:

Proprietary Fund Financial Statements	
Beginning net position, as previously reported	\$ 310,696,726
Adjustment to correct fixed asset and related accumulated depreciation	(20,923,206)
Adjustment to correct pension balances related to city specific adjustments	84,583
Adjustment to correct inventory balance	(557,120)
Adjustment to correct due to/from	20,595,770
Adjustment to correct prior year grant receivables	40,000
Beginning net position, as restated	<u>\$ 309,936,753</u>

NOTE 16: SUBSEQUENT EVENTS

The City has evaluated events subsequent to year end through January 27, 2023, which is the date the financial statements were available to be issued. The following events were identified:

The City awarded a new construction contract for \$6,889,937 for Point Cadet Marina Improvements.

The City issued general obligation bonds in the amount of \$14,000,000 for various City projects.

The City was awarded additional grant funds in the amount of \$2,100,000 for Poppas Ferry Extension project.

The City authorized the purchase of 3 fire trucks and a ladder truck totaling \$2,793,275.

REQUIRED SUPPLEMENTARY INFORMATION

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

CITY OF BILOXI, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Ad valorem taxes	\$ 11,293,299	\$ 11,293,299	\$ 11,355,646	\$ 62,347
Licenses and permits	4,239,000	4,239,000	3,885,057	(353,943)
Intergovernmental	32,248,900	32,248,900	36,793,397	4,544,497
Federal and state grants	2,210,077	2,692,335	7,684,342	4,992,007
Charges for services	2,991,760	2,991,760	2,815,652	(176,108)
Fines	453,500	453,500	422,458	(31,042)
Other	6,189,668	6,205,987	7,143,230	937,243
Total revenues	<u>59,626,204</u>	<u>60,124,781</u>	<u>70,099,782</u>	<u>9,975,001</u>
EXPENDITURES				
Administration				
Personnel services	1,951,275	1,995,460	1,885,791	109,669
Supplies	47,648	46,436	18,826	27,610
Other services and charges	271,810	326,098	309,050	17,048
Contractual services	1,475,347	1,603,549	1,600,018	3,531
Capital outlay	214,560	151,688	151,035	653
Total administrative	<u>3,960,640</u>	<u>4,123,231</u>	<u>3,964,720</u>	<u>158,511</u>
Executive				
Personnel services	424,441	427,483	422,186	5,297
Supplies	191,300	217,839	217,668	171
Other services and charges	73,500	49,461	41,561	7,900
Contractual services	68,050	64,050	59,066	4,984
Capital outlay	-	1,500	1,272	228
Total executive	<u>757,291</u>	<u>760,333</u>	<u>741,753</u>	<u>18,580</u>
Legislative				
Personnel services	583,678	592,563	573,602	18,961
Supplies	6,500	8,160	7,023	1,137
Other services and charges	156,916	154,256	91,502	62,754
Contractual services	5,500	6,500	5,971	529
Capital outlay	-	2,223	-	2,223
Total legislative	<u>752,594</u>	<u>763,702</u>	<u>678,098</u>	<u>85,604</u>
Legal				
Personnel services	833,526	857,007	829,859	27,148
Supplies	13,550	11,092	4,794	6,298
Other services and charges	851,225	848,428	845,149	3,279
Contractual services	24,955	30,210	29,545	665
Total legal	<u>1,723,256</u>	<u>1,746,737</u>	<u>1,709,347</u>	<u>37,390</u>
Community development				
Personnel services	2,106,392	2,161,813	2,031,870	129,943
Supplies	100,400	113,085	86,161	26,924
Other services and charges	612,464	629,784	767,118	(137,334)
Contractual services	314,000	358,040	272,881	85,159
Capital outlay	27,200	27,200	23,154	4,046
Total community development	<u>3,160,456</u>	<u>3,289,922</u>	<u>3,181,184</u>	<u>108,738</u>
Parks and recreation				
Personnel services	2,760,520	2,891,837	2,509,361	382,476
Supplies	298,050	286,228	225,242	60,986
Other services and charges	511,232	513,952	406,092	107,860
Contractual services	166,500	220,670	226,696	(6,026)
Capital outlay	30,000	56,072	54,800	1,272
Total parks and recreation	<u>3,766,302</u>	<u>3,968,759</u>	<u>3,422,191</u>	<u>546,568</u>

See independent auditor's report and notes to required supplementary information.

CITY OF BILOXI, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
EXPENDITURES, Continued				
Public Safety				
Personnel services	27,440,831	28,347,010	27,592,163	754,847
Supplies	1,289,827	1,496,131	1,353,529	142,602
Other services and charges	1,106,187	1,511,432	1,439,361	72,071
Contractual services	1,320,423	1,208,986	1,024,701	184,285
Capital outlay	2,818,934	2,683,744	2,304,361	379,383
Total public safety	33,976,202	35,247,303	33,714,115	1,533,188
Public Works				
Personnel services	4,862,788	4,847,568	4,624,171	223,397
Supplies	504,950	478,164	426,893	51,271
Other services and charges	127,372	210,314	209,779	535
Contractual services	4,607,384	4,919,357	4,794,575	124,782
Capital outlay	85,000	85,000	82,605	2,395
Total public works	10,187,494	10,540,403	10,138,023	402,380
Nondepartmental				
Interest and principal	-	-	10,502	(10,502)
Other services and charges	3,123,206	3,123,206	2,948,220	174,986
Contractual services	1,416,595	1,419,380	1,375,062	44,318
Total nondepartmental	4,539,801	4,542,586	4,333,784	208,802
Total expenditures	62,824,036	64,982,976	61,883,215	3,099,761
Excess (deficiency) of revenues over expenditures	(3,197,832)	(4,858,195)	8,216,567	13,074,762
OTHER FINANCING SOURCES (USES)				
Debt proceeds	1,118,615	1,118,615	1,016,923	(101,692)
Transfers out	(36,250)	(36,250)	(152,977)	(116,727)
Transfers in	200,000	254,487	49,009	(205,478)
Total other financing sources (uses)	1,282,365	1,336,852	912,955	(423,897)
Net change in fund balance	(1,915,467)	(3,521,343)	9,129,522	\$ 12,650,865
Fund balance-beginning, budget basis	3,372,515	8,125,055	8,125,055	
Fund balance-ending, budget basis	\$ 1,457,048	\$ 4,603,712	\$ 17,254,577	
Reconciliation to GAAP basis:				
Cumulative difference between GAAP basis fund balance and budget basis at beginning of the year.			2,166,175	
Change in receivables			(380,600)	
Change in prepaid expenses			(1,978,938)	
Change in accounts payable and accrued liabilities			699,322	
Change in deferred revenue			5,689,460	
Fund balance-ending, GAAP basis			\$ 23,449,996	

See independent auditor's report and notes to required supplementary information.

CITY OF BILOXI, MISSISSIPPI
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN
LAST SEVEN FISCAL YEARS

	Public Employee's System Defined Benefit Pension Plan	2021	Public Employee's System Defined Benefit Pension Plan	2020	Public Employee's System Defined Benefit Pension Plan	2019	Public Employee's System Defined Benefit Pension Plan	2018	Public Employee's System Defined Benefit Pension Plan	2017	Public Employee's System Defined Benefit Pension Plan	2016	Public Employee's System Defined Benefit Pension Plan	2015
City's proportion of the net pension liability		0.45%	0.46%		0.46%		0.46%		0.46%		0.47%		0.43%	
City's proportionate share of the net pension liability	\$	66,209,115	\$	89,548,564	\$	80,889,299	\$	76,682,653	\$	78,839,106	\$	77,115,794	\$	66,314,940
City's covered employee payroll	\$	29,779,571	\$	30,784,850	\$	29,949,508	\$	29,443,354	\$	29,456,560	\$	27,548,362	\$	26,671,663
City's proportionate share of the net pension liability as a percentage of covered employee payroll		222.33%	290.89%		270.09%		260.44%		267.65%		279.93%		248.63%	
Plan fiduciary net position as a percentage of total pension liability		70.44%	58.97%		61.59%		62.54%		61.49%		57.47%		61.70%	

See independent auditor's report and notes to required supplementary information.

CITY OF BILOXI, MISSISSIPPI
 SCHEDULE OF CONTRIBUTIONS
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM PLAN
 LAST SEVEN FISCAL YEARS

	Public Employee's System Defined Benefit Pension Plan	2020	Public Employee's System Defined Benefit Pension Plan	2019	Public Employee's System Defined Benefit Pension Plan	2018	Public Employee's System Defined Benefit Pension Plan	2017	Public Employee's System Defined Benefit Pension Plan	2016	Public Employee's System Defined Benefit Pension Plan	2015
Contractually required contribution	\$	5,181,645	\$	5,356,517	\$	4,836,800	\$	4,639,406	\$	4,349,855	\$	4,221,110
Contributions in relation to contractually required contribution		5,181,645		4,836,800		4,640,135		4,639,406		4,349,855		4,221,110
Contribution deficiency (excess)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
City's covered employee payroll	\$	29,779,571	\$	30,784,850	\$	29,949,508	\$	29,443,354	\$	27,548,362	\$	26,671,663
Contributions as a percentage of covered employee payroll		17.40%		17.40%		16.15%		15.76%		15.79%		15.83%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

See independent auditor's report and notes to required supplementary information.

CITY OF BILOXI, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SEPTEMBER 30, 2021

NOTE 1: CHANGES IN ASSUMPTIONS

The changes in assumptions for the years presented are as follows:

- 2021
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 95% of males rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 - For females, 84% of female rates up to age 72, 100% for ages above 76.
 - Projection scale MP-2020 will be used to project future improvement in life expectancy generationally.
 - The expectation of disabled mortality was changed to PubG.H-2010 Disable Table for disabled retirees with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - Projection scale of MP-2020 will be used to project future improvement in life expectancy generationally.
 - The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 2.75% to 2.40%.
 - The wage inflation assumption was reduced from 3.00% to 2.65%.
 - The investment rate of return assumption was changed from 7.75% to 7.55%.
 - The assumed load for administrative expenses, was increased from 0.25% to 0.28% of payroll.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
 - The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.
- 2019
 - The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The expectation of disabled mortality was changes to PubT.H-2010 Disables Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of males rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
 - The price inflation assumption was reduced from 3.00% to 2.75%.

CITY OF BILOXI, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SEPTEMBER 30, 2021

NOTE 1: CHANGES IN ASSUMPTIONS (Continued)

- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.
- 2017
 - The expectation of retire life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rate were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 2015
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
 - The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
 - The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

NOTE 2: CHANGES IN BENEFIT PROVISIONS

- 2016
 - Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and maximum rate of five percent.

CITY OF BILOXI, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SEPTEMBER 30, 2021

NOTE 3: METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2019 valuation for the June 30, 2021 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

CITY OF BILOXI, MISSISSIPPI
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FIREMAN'S AND POLICEMAN'S DISABILITY AND RELIEF PLAN AND EMPLOYEE'S DISABILITY RELIEF PLAN
LAST SEVEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	Fireman's and Policemen's Disability and Relief Plan and Employee's Disability Relief Plan						
City's proportion of the net pension liability	\$ 11,139,036	\$ 11,447,016	\$ 10,750,494	\$ 11,328,337	\$ 12,795,007	\$ 13,916,120	\$ 14,111,051
City's proportionate share of the net pension liability	N/A						
City's covered employee payroll	N/A						
City's proportionate share of the net pension liability as a percentage of covered employee payroll	N/A						
Plan fiduciary net position as a percentage of total pension liability	46.11%	41.12%	44.74%	44.03%	41.50%	39.26%	41.18%

See independent auditor's report and notes to required supplementary information.

**CITY OF BILOXI, MISSISSIPPI
SCHEDULE OF CONTRIBUTIONS
FIREMAN'S AND POLICEMAN'S DISABILITY AND RELIEF PLAN AND EMPLOYEE'S DISABILITY RELIEF PLAN
LAST SEVEN FISCAL YEARS**

	Fireman's and Policemen's Disability and Relief Plan and Employee's Disability Relief Plan	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution		\$ 1,314,172	\$ 1,082,860	\$ 1,264,102	\$ 1,393,369	\$ 1,332,719	\$ 1,335,494	\$ 1,339,210
Contributions in relation to contractually required contribution		1,314,172	1,082,860	1,264,102	1,393,369	1,332,719	1,335,494	1,339,210
Contribution deficiency (excess)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered employee payroll		N/A						
Contributions as a percentage of covered employee payroll		N/A						

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

See independent auditor's report and notes to required supplementary information.

**CITY OF BILOXI, MISSISSIPPI
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FIREMAN'S AND POLICEMAN'S DISABILITY AND RELIEF PLAN AND EMPLOYEE'S
 DISABILITY RELIEF PLAN
 SEPTEMBER 30, 2021**

NOTE 1: METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ending September 30, 2021 were based on the June 30, 2019 actuarial valuation.

The methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Ultimate Asset Reserve
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	6.25%, net of pension plan investment expense, including inflation
Projected salary increases	3.00 - 4.50%, including inflation
Inflation	2.75%

**COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS**

CITY OF BILOXI, MISSISSIPPI
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

	Special Revenue				
	Community Development Block Grant	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	Baseball Capital Maintenance Fund
ASSETS					
Cash and cash equivalents	\$ 8,194	\$ -	\$ 420,978	\$ 33,262	\$ 94,328
Restricted assets:					
Cash and cash equivalents	-	-	-	-	-
Receivable, net					
Taxes	-	51,755	-	-	-
Other	20,457	-	-	-	-
Due from other governments	17,922	-	-	-	-
Total assets	<u>\$ 46,573</u>	<u>\$ 51,755</u>	<u>\$ 420,978</u>	<u>\$ 33,262</u>	<u>\$ 94,328</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 28,479	\$ 51,755	\$ -	\$ -	\$ -
Total liabilities	<u>28,479</u>	<u>51,755</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted					
Debt service	-	-	-	-	-
Capital improvements	-	-	-	-	-
Committed					
Other	18,094	-	420,978	33,262	94,328
Total fund balances	<u>18,094</u>	<u>-</u>	<u>420,978</u>	<u>33,262</u>	<u>94,328</u>
Total liabilities and fund balances	<u>\$ 46,573</u>	<u>\$ 51,755</u>	<u>\$ 420,978</u>	<u>\$ 33,262</u>	<u>\$ 94,328</u>

CITY OF BILOXI, MISSISSIPPI
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS, Continued
 SEPTEMBER 30, 2021

	Capital Projects						Total Non-Major Governmental Funds
	General Obligation Public Improvement			2019 GO Capital Project Fund			
	2014A Bond Fund	2003 Bond Fund	2017 Bond Fund	2002 TIF Capital Projects Fund	Walmart TIF I & II Projects Fund	2019 GO Capital Project Fund	
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ 250,751	\$ -	\$ 3	\$ -	\$ 807,516
Restricted assets:							
Cash and cash equivalents	65,682	-	-	-	-	5,257,730	5,323,412
Receivable, net							
Taxes	-	-	-	-	-	-	51,755
Other	-	-	-	-	-	-	20,457
Due from other governments	-	-	-	-	-	-	17,922
Total assets	<u>\$ 65,682</u>	<u>\$ -</u>	<u>\$ 250,751</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 5,257,730</u>	<u>\$ 6,221,062</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,234
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,234</u>
Fund balances:							
Restricted							
Debt service	-	-	250,751	-	3	-	250,754
Capital improvements	65,682	-	-	-	-	5,257,730	5,323,412
Committed	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	566,662
Total fund balances	<u>65,682</u>	<u>-</u>	<u>250,751</u>	<u>-</u>	<u>3</u>	<u>5,257,730</u>	<u>6,140,828</u>
Total liabilities and fund balances	<u>\$ 65,682</u>	<u>\$ -</u>	<u>\$ 250,751</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 5,257,730</u>	<u>\$ 6,221,062</u>

See independent auditor's 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, 2021

	Special Revenue				
	Community Development Block Grant	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	Baseball Capital Maintenance Fund
REVENUES					
Ad valorem taxes	\$ -	\$ 876,988	\$ -	\$ -	\$ -
Property taxes	-	437,184	-	-	-
Intergovernmental	652,301	-	-	-	-
Miscellaneous - other	176,593	-	1,128	-	25,000
Total revenues	<u>828,894</u>	<u>1,314,172</u>	<u>1,128</u>	<u>-</u>	<u>25,000</u>
EXPENDITURES					
Current:					
General government	-	437,184	-	-	-
Public safety	-	876,988	-	-	-
Community development	779,637	-	-	-	-
Other expenditure	-	-	11,909	-	-
Total expenditures	<u>779,637</u>	<u>1,314,172</u>	<u>11,909</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>49,257</u>	<u>-</u>	<u>(10,781)</u>	<u>-</u>	<u>25,000</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	50,000
Transfers out	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Net change in fund balances	<u>49,257</u>	<u>-</u>	<u>(10,781)</u>	<u>-</u>	<u>75,000</u>
Fund balances - beginning	<u>(31,163)</u>	<u>-</u>	<u>431,759</u>	<u>33,262</u>	<u>19,328</u>
Prior period adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning, as restated	<u>(31,163)</u>	<u>-</u>	<u>431,759</u>	<u>33,262</u>	<u>19,328</u>
Fund balances - ending	<u>\$ 18,094</u>	<u>\$ -</u>	<u>\$ 420,978</u>	<u>\$ 33,262</u>	<u>\$ 94,328</u>

CITY OF BILOXI, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Capital Projects							Total Non-Major Governmental Funds
	General Obligation Public Improvement							
	2014A Bond Fund	2003 Bond Fund	2017 Bond Fund	2002 TIF Capital Projects Bond Fund	Walmart TIF I & II Projects Fund	2019 GO Capital Project Fund		
REVENUES								
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 876,988
Property taxes	-	-	-	-	-	-	-	437,184
Intergovernmental	-	-	-	-	50,000	-	-	702,301
Miscellaneous - other	(110)	(109)	675	(105)	45	(13,920)		189,197
Total revenues	(110)	(109)	675	(105)	50,045	(13,920)		2,205,670
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	437,184
Public safety	-	-	-	-	-	-	-	876,988
Community development	-	-	-	-	-	-	-	779,637
Other Expenditure	-	-	-	-	-	-	-	11,909
Total expenditures	-	-	-	-	-	-	-	2,105,718
Excess (deficiency) of revenues over expenditures	(110)	(109)	675	(105)	50,045	(13,920)		99,952
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	50,000
Transfers out	(24,827)	(3,966)	(30,270)	(49,271)	(208,656)	(5,328,820)		(5,645,810)
Total other financing sources and uses	(24,827)	(3,966)	(30,270)	(49,271)	(208,656)	(5,328,820)		(5,595,810)
Net change in fund balances	(24,937)	(4,075)	(29,595)	(49,376)	(158,611)	(5,342,740)		(5,495,858)
Fund balances - beginning	82,532	4,075	280,346	49,376	158,614	10,544,434		11,572,563
Prior period adjustments	8,087	-	-	-	-	56,036		64,123
Fund balances - beginning, as restated	90,619	4,075	280,346	49,376	158,614	10,600,470		11,636,686
Fund balances - ending	\$ 65,682	\$ -	\$ 250,751	\$ -	\$ 3	\$ 5,257,730	\$ -	\$ 6,140,828

See independent auditor's report.

**COMBINING FINANCIAL STATEMENTS
INTERNAL SERVICE FUNDS**

CITY OF BILOXI
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
SEPTEMBER 30, 2021

	Liability, Property, and Workers Comp	Employee Medical Claims	Gaming Revenue Interruption	Total Internal Service Funds
ASSETS				
Cash and cash equivalents	\$ 1,277,366	\$ (1,320,491)	\$ 85,031	\$ 41,906
Due from other funds	137,073	-	-	137,073
Total restricted assets	<u>1,414,439</u>	<u>(1,320,491)</u>	<u>85,031</u>	<u>178,979</u>
LIABILITIES				
Current liabilities:				
Claims and judgments	2,040,095	863,862	-	2,903,957
Total liabilities	<u>2,040,095</u>	<u>863,862</u>	<u>-</u>	<u>2,903,957</u>
NET ASSETS				
Unrestricted	(625,656)	(2,184,353)	85,031	(2,724,978)
Total net assets	<u>\$ (625,656)</u>	<u>\$ (2,184,353)</u>	<u>\$ 85,031</u>	<u>\$ (2,724,978)</u>

See independent auditor's report

CITY OF BILOXI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Liability, Property and Workers Comp	Employee Medical Claims	Gaming Revenue Interruption	Total Internal Service Funds
REVENUES				
Charges for services, insurance billings	\$ 3,977,933	\$ 7,576,079	\$ -	\$ 11,554,012
Cobra contributions	-	168,646	-	168,646
Total operating revenues	<u>3,977,933</u>	<u>7,744,725</u>	<u>-</u>	<u>11,722,658</u>
OPERATING EXPENSES				
Insurance and reinsurance	2,863,499	602,966	-	3,466,465
Claims expense	1,740,090	9,326,112	-	11,066,202
Total operating expenses	<u>4,603,589</u>	<u>9,929,078</u>	<u>-</u>	<u>14,532,667</u>
Operating income (loss)	<u>(625,656)</u>	<u>(2,184,353)</u>	<u>-</u>	<u>(2,810,009)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	-	-	226	226
Total non-operating revenue (expenses)	<u>-</u>	<u>-</u>	<u>226</u>	<u>226</u>
Change in net position	<u>(625,656)</u>	<u>(2,184,353)</u>	<u>226</u>	<u>(2,809,783)</u>
Total net position - beginning	-	-	84,805	84,805
Total net position - ending	<u>\$ (625,656)</u>	<u>\$ (2,184,353)</u>	<u>\$ 85,031</u>	<u>\$ (2,724,978)</u>

See independent auditor's report

OTHER SUPPLEMENTARY INFORMATION

**CITY OF BILOXI, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR CITY OFFICIALS
SEPTEMBER 30, 2021**

<u>Position</u>	<u>Surety Company</u>	<u>Bond Amount</u>
Mayor	BXS Insurance	\$100,000
Councilmember (7)	BXS Insurance	\$100,000
City Clerk	BXS Insurance	\$50,000
Police Chief	BXS Insurance	\$50,000
Controller	BXS Insurance	\$50,000
Municipal Court Administrator	BXS Insurance	\$50,000
Public Employee Blanket	BXS Insurance	\$1,000,000

See independent auditor's report.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



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

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

January 27, 2023

Honorable Mayor and Members of the
City Council
City of Biloxi
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, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi as of and for the year ended September 30, 2021, 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 January 27, 2023.

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) as a basis for designing 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.

To the City Council
City of Biloxi
Biloxi, Mississippi

Our consideration of 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 have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

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

The City of Biloxi, Mississippi's Response to Findings

The City of Biloxi, Mississippi's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The 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.

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

ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC

Certified Public Accountants

Gulfport, Mississippi



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

January 27, 2023

Honorable Mayor and Members of the
City Council
City of Biloxi
Biloxi, Mississippi

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Biloxi, Mississippi's compliance with the types of compliance requirements described in the *OMB 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, 2021. The 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.

In our opinion, the City of Biloxi, Mississippi complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance portion of our report.

We are required to be independent of the City of Biloxi, Mississippi and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Biloxi, Mississippi's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Biloxi, Mississippi's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Biloxi, Mississippi's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Biloxi, Mississippi's compliance with the requirements of each major federal program as a whole.

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Biloxi, Mississippi's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Biloxi, Mississippi's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Biloxi, Mississippi's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on each major federal program is not modified with respect to this matter. *Government Auditing Standards* requires the auditor to perform limited procedures on the City of Biloxi, Mississippi's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The City of Biloxi, Mississippi's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-002, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the City of Biloxi, Mississippi's response to the internal control over compliance finding identified in the accompanying schedule of findings and questioned costs. The City of Biloxi, Mississippi's response was not subjected to the other procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Alexander Van Loon, Sloan, Levens & Favre, PLLC
ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CITY OF BILOXI, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Grantor Federal Agency Passed - Through Agency Program Title	ALN Number	Grant No./ Pass-Through Grantor No.	Federal Expenditures
US DEPARTMENT OF TRANSPORTATION			
Federal Highway Administration			
<i>Passed through the State of Mississippi</i>			
<i>Department of Transportation</i>			
<i>Highway Safety Cluster</i>			
Mississippi Highway Safety	20.600	PT-2021-PT-20-41	\$ 3,644
<i>Highway Planning and Construction Cluster</i>			
DHP	20.205	DHP-9376-00(009)LPA/106253-8010	1,108,116
STP	20.205	STPD-9376-00(004)LPA/10484-811000	47,043
STP	20.205	STP-0050-00(056)LPA/108447/711000	17,164
STP	20.205	STP-0050-00(057)LPA/108448/711000	12,894
<i>Highway Planning and Construction Cluster Total</i>			<u>1,185,217</u>
Total US Department of Transportation			<u>1,188,861</u>
US DEPARTMENT OF JUSTICE			
Patrick Leahy Bulletproof Vest Partnership	16.607	BVP 2020	26,000
Total US Department of Justice			<u>26,000</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through Mississippi Development Authority</i>			
<i>CDBG - Entitlement Grants Cluster</i>			
CDBG - 2018	14.218	BC-18-MC-28-001	262,141
CDBG - 2019	14.218	BC-19-MC-28-001	311,650
CDBG - 2020	14.218	BC-20-MC-28-001	24,106
COVID-19 CDBG Cares Act	14.218	BC-20-MW-28-001	54,404
Total US Department of Housing and Urban Development			<u>652,301</u>
US DEPARTMENT OF TREASURY			
<i>Passed through Mississippi Emergency Management Agency</i>			
COVID-19 Cares Act	21.019	64-6000153	1,031,832
Total US Department of Justice			<u>1,031,832</u>

CITY OF BILOXI, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

US DEPARTMENT OF HOMELAND SECURITY

Passed through Mississippi Emergency Management Agency

Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	PW11048	7,301
		PW11253	20,882,652
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	PW015	3,515,978
		PW053	447,716
		PW324	349,254
		PW476	110,076
		PW475	6,884
		PW384	7,291
		PW334	4,180
		PW322	10,374
		PW328	9,283
		PW323	3,515
		PW487	1,415
		PW496	7,724
		PW277	10,366
		PW048	44,550
		PW084	32,068
		PW063	79,830
		PW026	4,744
		PW278	18,628
		PW493	28,397
		PW263	5,838
		PW426	95,749
		PW281	16,866
		PW380	84,985
		PW083	4,896
		PW271	58,484
		PW281	3,828
		PW259	868
		PW219	4,067
		PW455	5,383
		PW239	6,029
		PW180	3,205
		PW118	4,195
		PW260	14,711
		PW409	8,948
		PW314	35,794
		PW262	12,442
		PW273	57,043
		DE211	198,971
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	PW003	54,167
		PW004	5,627
		PW005	42,731
		PW009	10,447
		PW012	6,276
<i>Passed through Mississippi Department of Public Safety</i>			
Homeland Security: Fire Prevention & Safety	97.044	EMW-2018-FP-00370	24,118
Homeland Security: Police Department	97.067	19LE122B	41,431
Homeland Security: Police Department	97.067	20LE122B	58,873
Homeland Security: Hazma/X-ray system	97.067	N20LE122B	65,945
Safer Grant II	97.083	EMW-2017-FH-00605	677,997
Homeland Security: Police Boat	97.083	EMW-2020-SS-00033	10,735

Total US Department of Homeland Security

27,202,875

TOTAL EXPENDITURES OF FEDERAL AWARDS

\$ 30,101,869

**CITY OF BILOXI, MISSISSIPPI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. The cost principles are applied based on the period of expenditures.

NOTE 2 – DE MINIMIS INDIRECT COST RATE

The City of Biloxi, Mississippi has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Biloxi, Mississippi under programs of the federal government for the year ended September 30, 2021 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Biloxi, Mississippi.

NOTE 4 – RECONCILIATION OF GRANT REVENUE

The following reconciles the total expenditures of federal awards to grant revenue recognized in the statement of activities for the year ended September 30, 2021:

Governmental Activities	
Public safety - operating grants and contributions	\$ 241,213
Public works - capital grants and contributions	8,782,209
Economic development - operating grants and contributions	652,301
Grants not restricted to specific purpose	7,201,502
Business-type Activities	
Water and Sewer - capital grants and contributions	<u>20,987,652</u>
	37,864,877
Less: state grants and other aid	(7,609,385)
Less: other contributions	<u>(153,623)</u>
Total expenditures of federal awards	<u><u>\$ 30,101,869</u></u>

**CITY OF BILOXI, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

Internal Control Over Major Programs:	
Material Weaknesses identified?	No
Significant Deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditors’ report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Federal programs identified as major programs:	

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.036	<i>Disaster Grants – Presidentially Declared Disasters</i>
21.019	<i>COVID19 – Cares Act</i>

Dollar threshold used to distinguish between type A and type B Programs	\$903,056
Auditee qualified as low-risk auditee?	No

**CITY OF BILOXI, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Section II – Financial Statement Findings

2021-001 – Material Weakness

Condition

The City did not reconcile a substantial number of general ledger balances to support and supporting schedules, including cash, debt, fixed assets, interfund balances, and accounts receivable.

Criteria

Mississippi Code 21-35-11 requires municipalities to open and keep regular set of records of each and every fund of the municipality, subject to inspection by any citizen.

Effect

The financial statements were materially misstated at the beginning of the audit period prior to corrections to the prior period audit. Failure to implement effective processes and procedures could increase the risks of fraud, violation of appropriation laws, noncompliance with grant funding agreements, and mismanagement of funds.

Cause

Management did not follow established policies and procedures to ensure the effectiveness of financial reporting and oversight.

Recommendation

Management should review all balances and supporting schedules to the general ledger monthly and at the end of the year-end prior to audit testing procedures.

Response

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

**CITY OF BILOXI, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Section III – Federal Award Findings

2021-002 – Significant Deficiency

Condition

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

Criteria

Uniform Guidance requires the audit reports to be filed with the FAC within nine months after the end of the audit period (or by June 30).

Cause

The City did not submit the audit reports to FAC within nine months.

Effect

The City risks losing federal award funding.

Questioned Costs

There are no questioned costs associated with finding.

Context

Issuance of prior year audit was delayed and contained material misstatements which caused delay in beginning current year audit and additional current year audit procedures.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the City continue efforts to improve processes to ensure timely audit preparation and filings.

View of Responsible Officials and Planned Corrective Actions

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

**CORRECTIVE ACTION PLAN
FINANCIAL STATEMENT FINDINGS
SINGLE AUDIT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2021**

2021-001 – Material Weakness Financial Statement Finding

The financial statements were materially misstated at the beginning of the audit period prior to corrections to the prior period audit.

Management Comments and Corrective Action Plan

- The City will implement procedures to reconcile general ledger balances to ensure the financial statements are properly stated.

Completion Date: Pending

Name of Contact Person Responsible for Corrective Action Plan: Diana Thornton

2021-002 – Significant Deficiency Federal Award Finding

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

Management Comments and Corrective Action Plan

- The City strives to comply with governing rules and regulations. The previous year's audit was delayed by external factors (i.e., COVID-19, staffing issues). The City plans to have a routine audit schedule beginning with fiscal year 2022.

Completion Date: Pending

Name of Contact Person Responsible for Corrective Action Plan: Diana Thornton



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

January 27, 2023

Honorable Mayor and Members of the
City Council
City of Biloxi, Mississippi
Biloxi, Mississippi

We have audited the basic financial statements of the City of Biloxi, Mississippi, as of and for the year ended September 30, 2021 and have issued our report dated January 27, 2023. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of those procedures and our audit of the basic financial statements disclosed the following instances of noncompliance with state laws and regulations. Our finding and recommendation and your response are as follows:

Finding:

Per Mississippi Code 21-8-23, all officers and employees handling or having custody of any public funds of such municipality to give bond, with sufficient surety, to be payable, in an amount which shall not be less than fifty thousand dollars. In the current year, the City did not secure surety bonds for two deputy municipal clerks as prescribed by state law.

Response: The City concurs with this finding.

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

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