

Comprehensive Annual Financial Report

City of Biloxi, Mississippi

Fiscal Year Ended September 30, 2011



Comprehensive Annual Financial Report

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Fiscal Year Ended September 30, 2011

Prepared by:

Department of Finance and Administration

City of Biloxi, Mississippi
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2011
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SECTION I

INTRODUCTORY SECTION

City of Biloxi, Mississippi

Listing of City Officials as of September 30, 2011

Elected Officials

Mayor	A. J. Holloway
Councilman Ward 1	George Lawrence
Councilman Ward 2	William Stallworth
Councilman Ward 3	Lucy Denton
Councilman Ward 4	Clark Griffith
Councilman Ward 5	Tom Wall
Councilman Ward 6	Edward Gemmill
Councilman Ward 7	David Fayard

Appointed Officials

City Clerk.....	Brenda Johnston
Clerk of Council.....	Lucy Brashier
Director of Administration.....	David Staehling
Director of Police Department.....	John Miller
Director of Fire Department	David Roberts
Director of Public Works	Richard Sullivan
Director of Community Development	Jerry Creel
Director of Parks and Recreation.....	Cheryl Bell

Letter of Transmittal

Mayor
A.J. Holloway

Council Members

George Lawrence, Ward 1
William "Bill" Stallworth, Ward 2
Lucy Denton, Ward 3
Clark Griffith, Ward 4
Tom Wall, Ward 5
Edward "Ed" Gemmill, Ward 6
David Fayard, Ward 7



P.O. Box 429
Biloxi, Mississippi 39533

May 21, 2012

Mayor and City Council
City of Biloxi, Mississippi

We are pleased to submit the Comprehensive Annual Financial Report of the City of Biloxi (municipal government and its component unit) for the fiscal year ended September 30, 2011. The Administration of the City of Biloxi is responsible for the information presented in this report. We believe that the accompanying information is accurate and complete and fairly presents the financial position of the municipal government of the City of Biloxi as of September 30, 2011 and results of operations for the fiscal year then ended.

Control Environment

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

Budgetary Controls

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

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

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

Independent Audit

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

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

Managements Discussion and Analysis

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

Profile of the City of Biloxi (The Reporting Entity)

The City of Biloxi, Mississippi was incorporated in 1838. Biloxi is located in Harrison County, and its southern corporate boundary is the Gulf of Mexico. Biloxi is part of the Biloxi, Gulfport, Pascagoula Combined Statistical Area (MSA). This area has a diverse economic base which includes tourism, casino gaming, fishing, seafood processing, shipping, shipbuilding, and petroleum and chemical processing. Keesler Air Force Base, Naval Construction Battalion Center-Gulfport and Northrop Grumman Shipbuilding's Pascagoula facility are located within this Combined Statistical Area. The City of Biloxi's employees provide a full range of services to the City's citizens and visitors including planning and zoning, police and fire protection, culture and recreation, infrastructure maintenance, water and sanitation.

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

Biloxi assumed responsibility for the assets, liabilities and operation of the Biloxi Port Commission. This activity is presented as a business-type activity in the City's Government-wide financial statements and as a proprietary fund in the City's fund financial statements.

Long-Term Financial Planning

The City ended fiscal 10/11 with a General Fund balance of \$19 million which is adequate for the City. However, fund balance is not a recurring resource therefore, its use to pay recurring operating expenses cannot continue indefinitely. The City's Governing Authority initiated cost reduction measures in fiscal 08/09 and 09/10. Those steps to reduce costs, included employee attrition, hiring freezes, reductions in longevity pay, and reductions in over-time and increases in employee share of health insurance costs. Also, the City has decreased General Fund cash funding of capital projects. Because of these continued policies, the City's general fund excess of revenues over expenditures was \$1.7 million (page 24) on a modified accrual basis and \$0.6 million (page 27) on a budget basis for the fiscal year ended September 30, 2011. City management's goal is to equalize General Fund revenues and expenditures in fiscal 11/12.

Local Economy and Relevant Financial Policies

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

The City's governing authority increased sewer rates at the end of fiscal 08/09 and again at the end of fiscal 09/10 and the increased rates produced revenue more than adequate to cover costs in fiscal 10/11. The City governing authority has committed to annual reviews of its public utility fee structure with the goal of stabilizing its Water and Sewer Enterprise Fund.

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

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

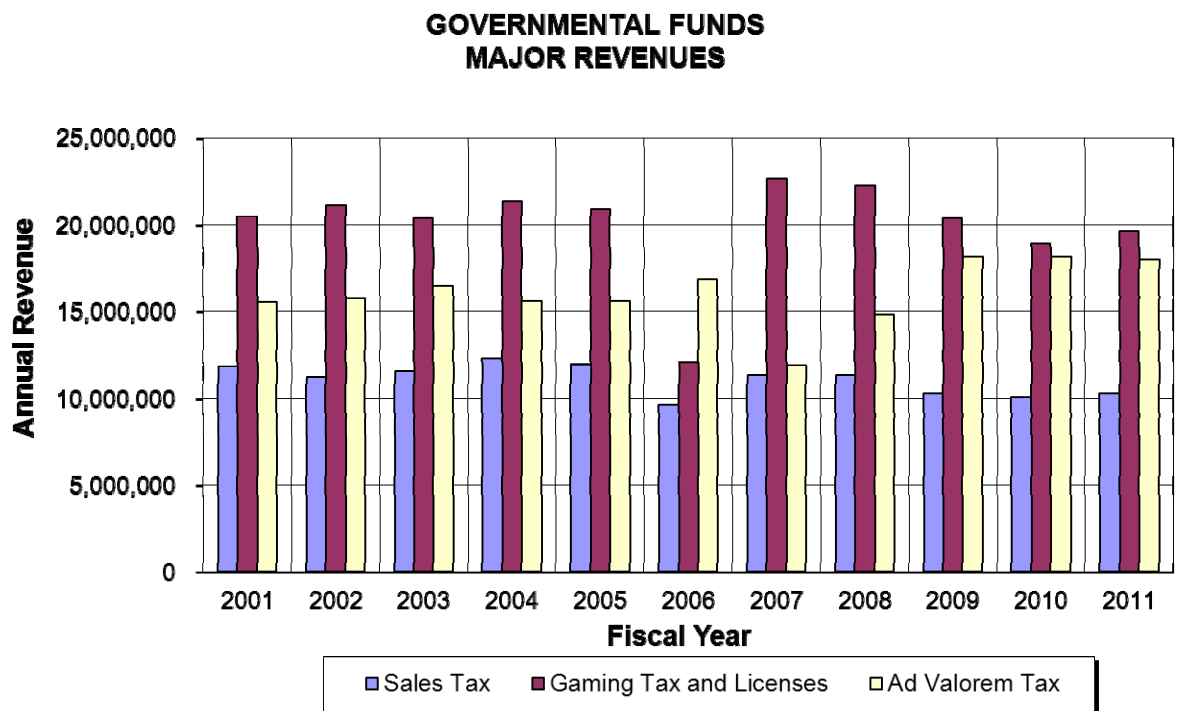


Figure 1

The amount of construction and reconstruction in fiscal 10/11 continued to decline from a post-Katrina peak in 06/07 as measured by the number and value of building permits issued. The City issued 2,590 building permits with a total valuation of \$123,946,001. (Fig. 2).

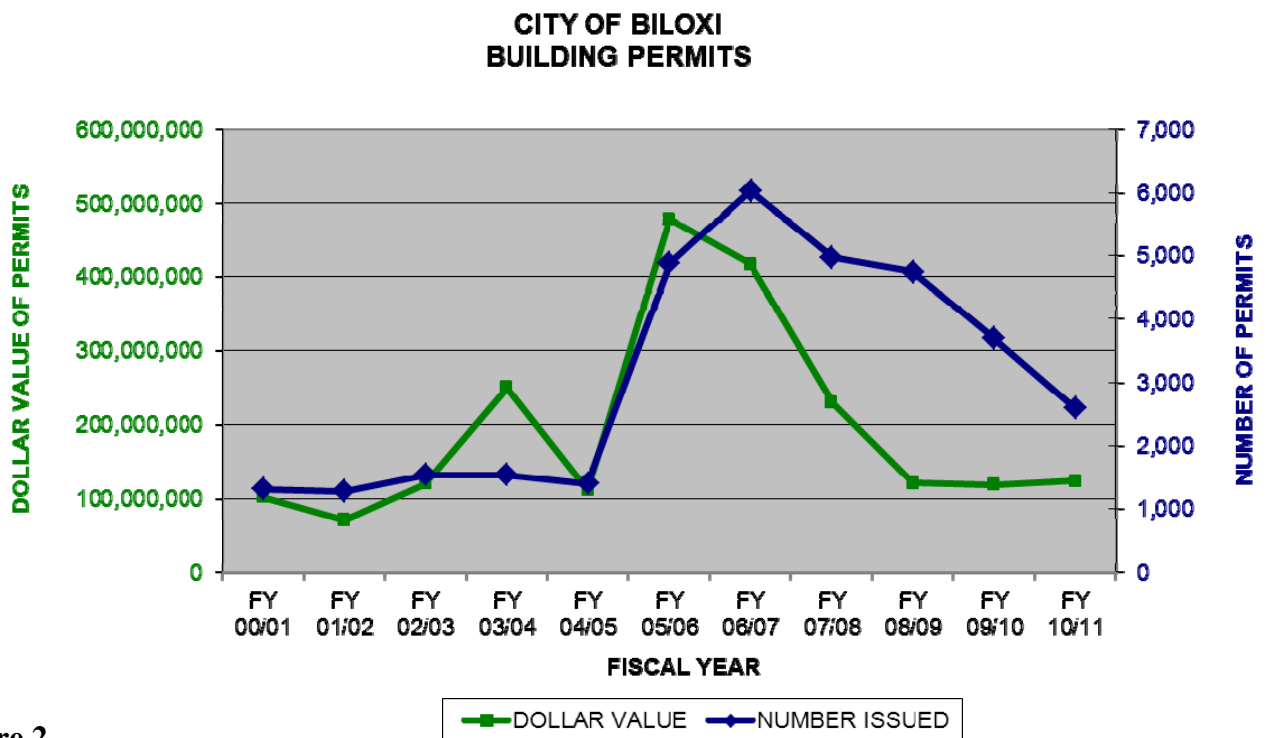


Figure 2

Governmental funds are used to account for most City functions and operations including the various City departments, the City's two closed retirement plans, Community Development Block Grants, capital projects, and the City's general obligation debt payments. Figure 3 illustrates the relative amounts of various general governmental revenues for the fiscal year. Usually, the City's three largest sources of operating revenues for general governmental activities are gaming tax, ad valorem tax and sales tax. In FY 10/11 the City's governmental funds received \$1. million in operating grants and \$26.1 million in capital grants for its governmental activities. The largest granting Federal departments were the Department of Homeland Security (FEMA) and the Department of Housing and Urban Development. Federal grant revenues are included in Other Intergovernmental.

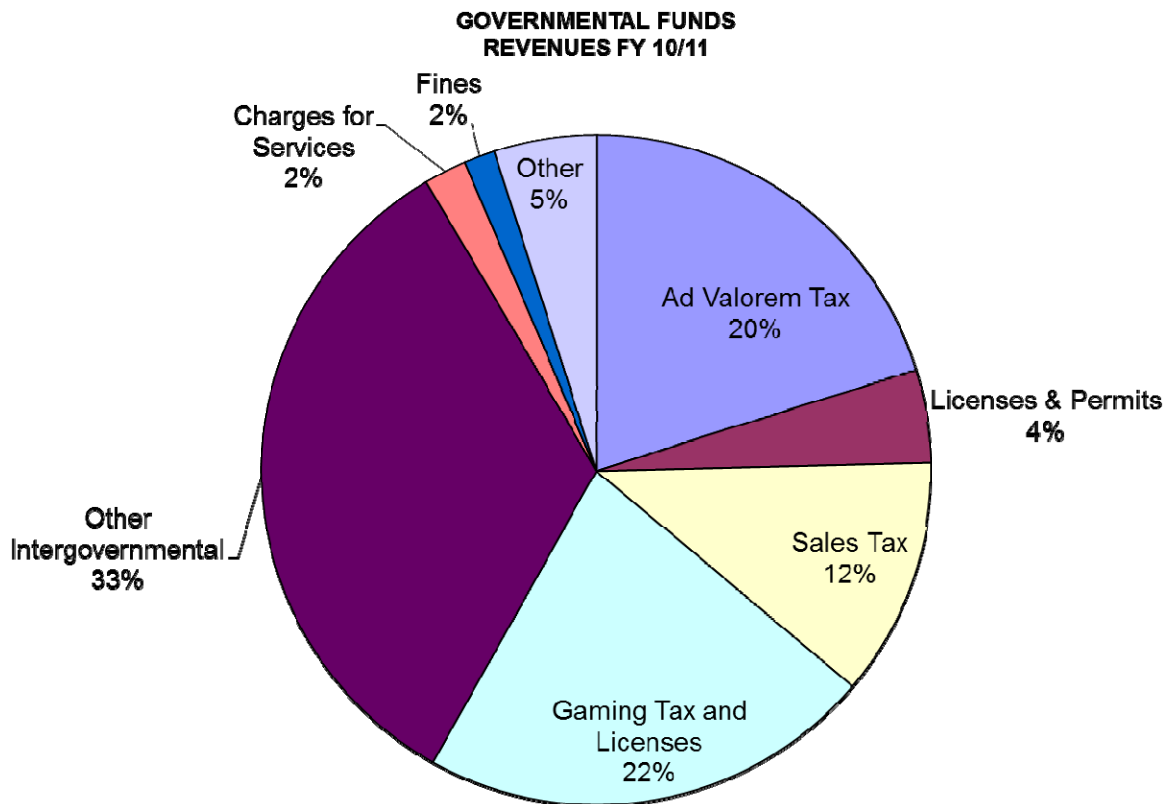


Figure 3

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

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

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

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

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

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

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

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

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

Figure 4 illustrates the trends in annual totals of revenue sources for the City’s governmental funds. Casino gaming and the resulting gaming taxes were implemented in 1992, and since that time, gaming tax revenues have become the largest, regular revenue source for the City. Note that Other Intergovernmental Revenue increased significantly in fiscal year 05/06 due to grants for Hurricane Katrina debris removal received by the City of Biloxi from the Department of Homeland Security, Federal Emergency Management Agency.

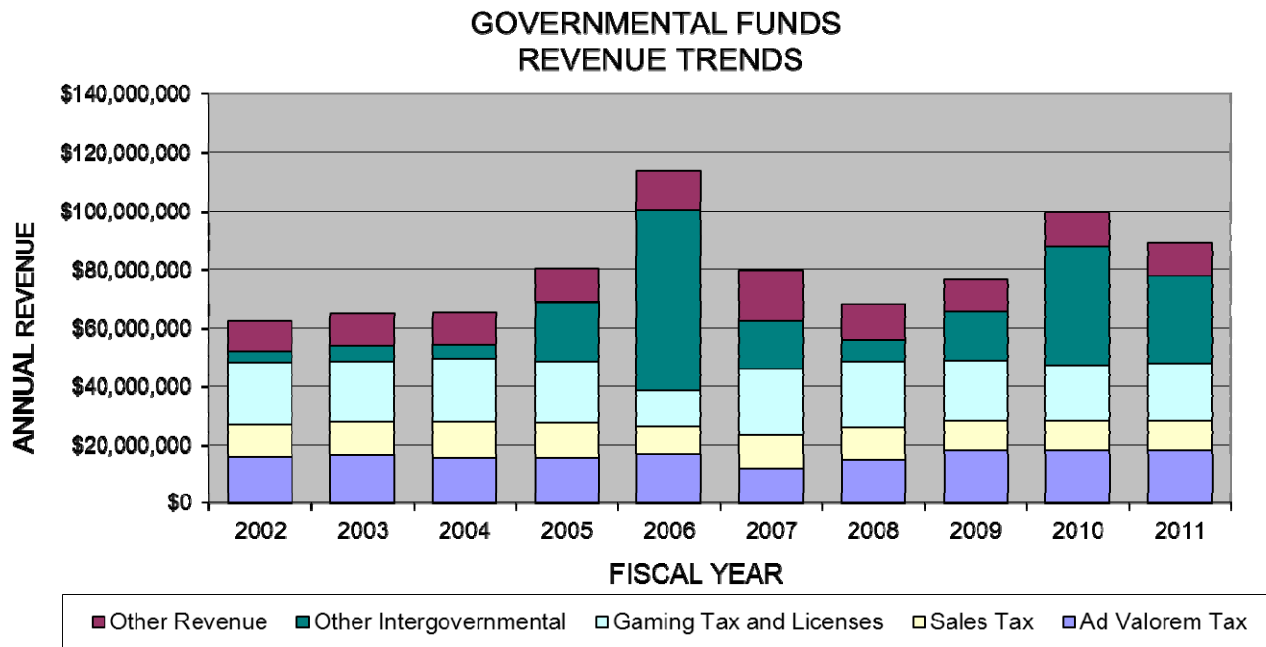


Figure 4

General Governmental Expenditures

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

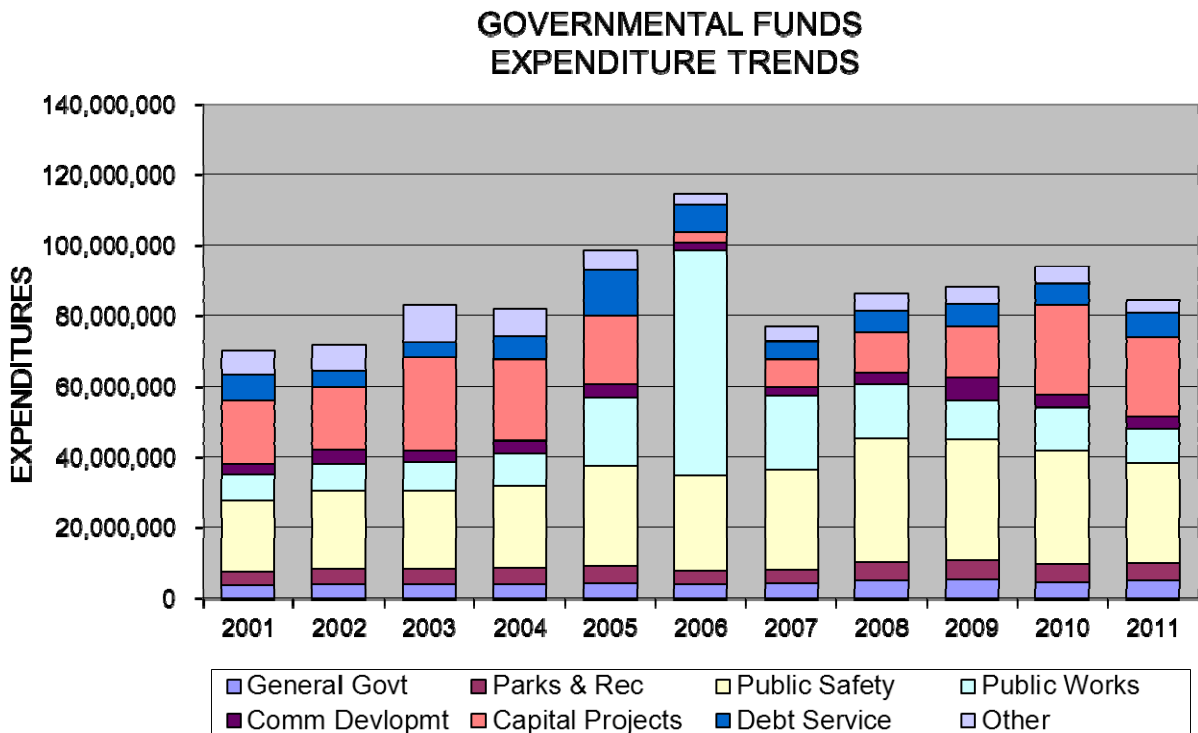


Figure 5

Water and Sewer Fund

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

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

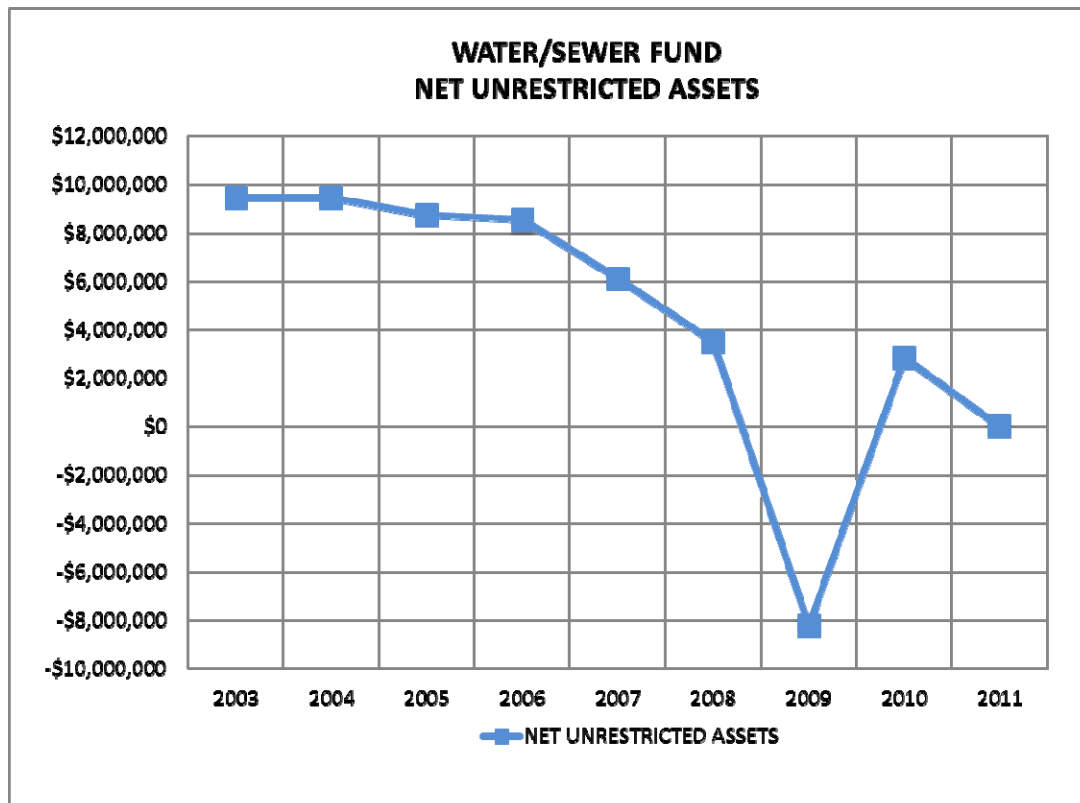
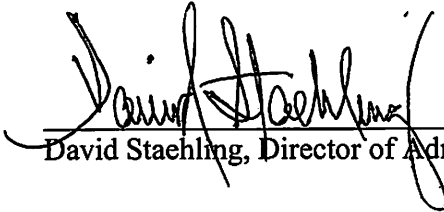


Figure 6

Respectfully submitted,



David Staehling, Director of Administration



Scott McElroy, Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Biloxi
Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davidson

President

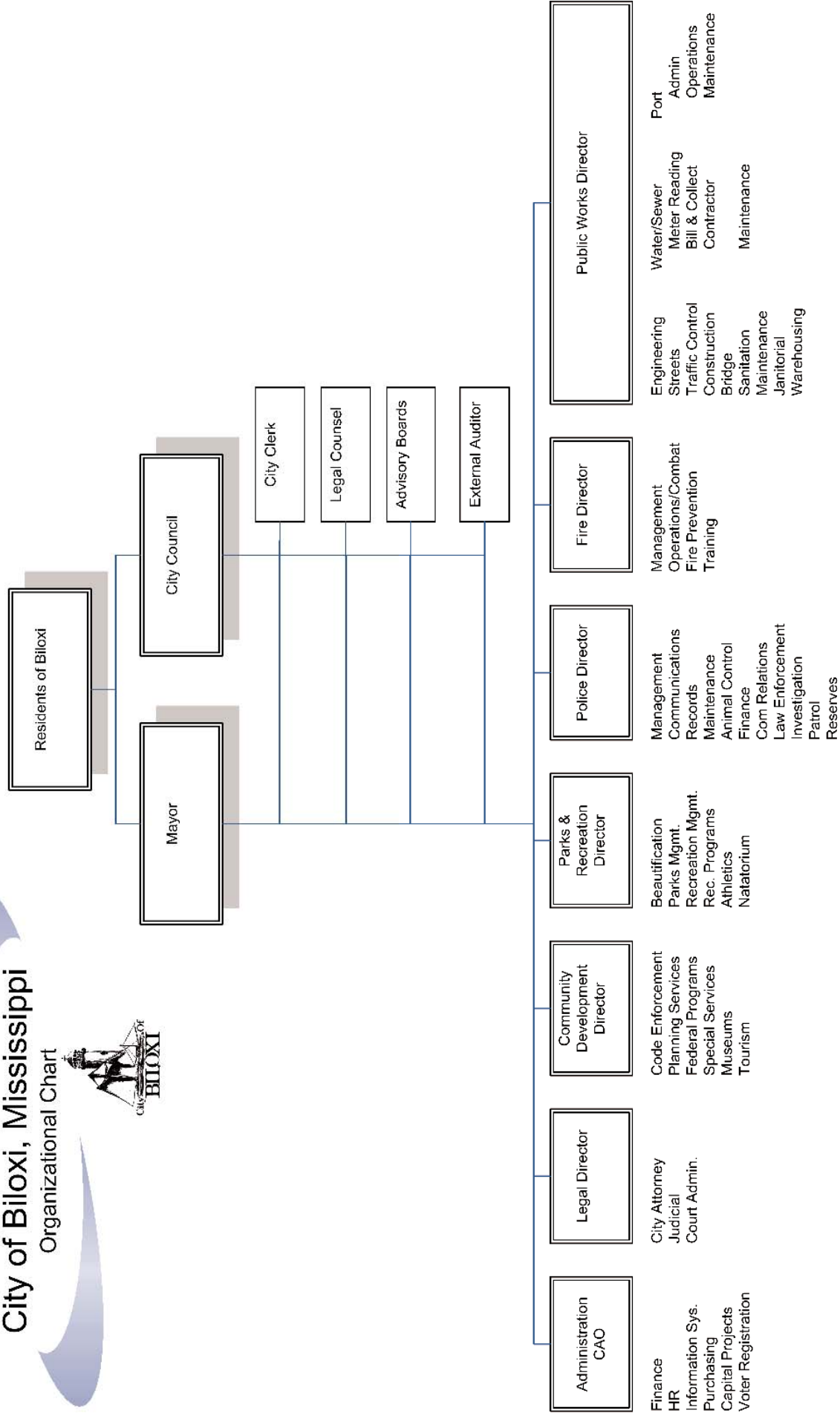
Jeffrey R. Emer

Executive Director

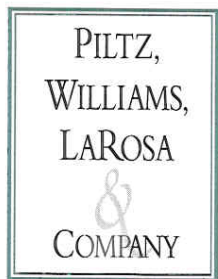


City of Biloxi, Mississippi

Organizational Chart



SECTION II
FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS
A Professional Association

MEMBERS
American Institute of CPAs
AICPA Division of CPA firms
Private Companies Practice Section
Mississippi Society of CPAs

Stephen P. Theobald, CPA, CVA
Margaret D. Closson, CPA
Darrell L. Galey, CPA
Michael D. O'Neill, CPA
John D. Prentiss, CPA
Eric B. Bland, CPA
David C. Neumann, CPA, CBA

Gerald Piltz, CPA (Retired)
Stanford A. Williams, Jr., CPA (Retired)
Sam J. LaRosa, Jr., CPA (Retired)
William S. Thompson, CPA (Retired)
Gene M. Clark, Jr., CPA (Retired)

Independent Auditors' Report

To the City Council
City of Biloxi
Biloxi, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi (City), as of and for the year ended September 30, 2011 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Biloxi, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

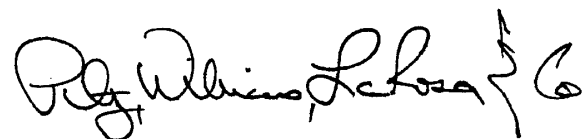
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of September 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 21, 2012 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 15 through 19 and 26 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Biloxi, Mississippi's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Biloxi, Mississippi. The combining and individual nonmajor fund financial statements, the supplemental information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Certified Public Accountants

Biloxi, Mississippi
May 21, 2012

Management's Discussion and Analysis

City of Biloxi, Mississippi Management's Discussion and Analysis

Brief Discussion of the Basic Financial Statements

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

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

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

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

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

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

A fund is a fiscal and accounting entity with a balanced set of accounts for recording and disclosing the reporting entity's stewardship of resources received and segregated for specific activities including the amount of resources received, the amount expended, liabilities owed and the residual balance (equity) of the funds. The City uses funds to segregate resources and resource use according to the purpose for which the resources were segregated. The objective of fund accounting is to demonstrate compliance with budgetary and legal requirements that apply to the resources segregated in each fund.

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

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

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

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

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

Table 1
City of Biloxi
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 67,496,736	\$ 76,205,339	8,278,154	\$ 5,485,834	\$ 75,774,890	\$ 81,691,173
Capital assets	256,854,107	241,005,613	81,344,616	73,480,630	338,198,723	314,486,243
Total assets	<u>\$ 324,350,843</u>	<u>\$ 317,210,952</u>	<u>\$ 89,622,770</u>	<u>\$ 78,966,464</u>	<u>\$ 413,973,613</u>	<u>\$ 396,177,416</u>
Current & other liabilities	\$ 20,195,569	\$ 23,759,834	2,756,207	\$ 2,483,194	\$ 22,951,776	\$ 26,243,028
Long-term liabilities	66,503,451	70,383,395	2,855,575	2,644,037	69,359,026	73,027,432
Total liabilities	<u>86,699,020</u>	<u>94,143,229</u>	<u>5,611,782</u>	<u>5,127,231</u>	<u>92,310,802</u>	<u>99,270,460</u>
Net assets						
Investment in capital assets						
net of related debt	202,599,253	182,350,760	78,380,815	70,719,525	280,980,068	253,070,285
Restricted	25,272,915	30,767,976	1,101,967	1,117,520	26,374,882	31,885,496
Unrestricted	9,779,655	9,948,987	4,528,206	2,002,188	14,307,861	11,951,175
Total net assets	<u>\$ 237,651,823</u>	<u>\$ 223,067,723</u>	<u>\$ 84,010,988</u>	<u>\$ 73,839,233</u>	<u>\$ 321,662,811</u>	<u>\$ 296,906,956</u>

Table 2
City of Biloxi
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Charges for services	\$ 8,104,325	\$ 7,851,945	\$ 16,260,147	\$ 11,352,878	\$ 24,364,472	\$ 19,204,823
Operating grants	1,437,584	2,180,921	-	3,085,487	1,437,584	5,266,408
Capital grants and contributions	25,576,003	33,925,142	477,166	202,226	26,053,169	34,127,368
General revenues						
Property taxes	18,000,323	18,148,452	223,343	219,590	18,223,666	18,368,042
Sales taxes	10,280,744	10,012,878	-	-	10,280,744	10,012,878
Gaming taxes	19,617,237	18,902,497	-	-	19,617,237	18,902,497
Franchise taxes	2,875,067	3,040,417	-	-	2,875,067	3,040,417
Other revenue	3,393,122	5,400,672	11,398	22,430	3,404,520	5,423,102
Total revenues	89,284,405	99,462,924	16,972,054	14,882,611	106,256,459	114,345,535
Expenses						
General government	5,769,907	5,293,011	-	-	5,769,907	5,293,011
Parks and recreation	5,243,857	5,456,041	-	-	5,243,857	5,456,041
Public safety	33,274,315	36,873,912	-	-	33,274,315	36,873,912
Public works	11,023,132	12,577,626	-	-	11,023,132	12,577,626
Community development	4,488,481	4,810,435	-	-	4,488,481	4,810,435
Unallocated depreciation	2,630,916	2,583,406	-	-	2,630,916	2,583,406
Interest on long-term debt	2,600,008	2,740,362	-	-	2,600,008	2,740,362
Water and sewer service	-	-	14,810,503	14,080,437	14,810,503	14,080,437
Port Fund activities	-	-	1,659,485	1,611,282	1,659,485	1,611,282
PCDC activities	-	-	-	34	-	34
Total expenses	65,030,616	70,334,793	16,469,988	15,691,753	81,500,604	86,026,546
Increase (decrease) in net assets before transfers	24,253,789	29,128,131	502,066	(809,142)	24,755,855	28,318,989
Transfers	(9,669,689)	(23,330,232)	9,669,689	23,330,232	-	-
Net increase (decrease) in net assets	14,584,100	5,797,899	10,171,755	22,521,090	24,755,855	28,318,989
Net assets, beginning of year	223,067,723	217,269,824	73,839,233	51,318,143	296,906,956	268,587,967
Net assets, end of year	\$ 237,651,823	\$ 223,067,723	\$ 84,010,988	\$ 73,839,233	\$ 321,662,811	\$ 296,906,956

Overall Financial Position and Results of Operations

The net assets of governmental activities increased by \$14.6 million while the fund balances of governmental funds declined by \$5 million. The positive change in net assets is reconciled to the decline in fund balances of governmental funds in the schedule titled Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities. One major reconciling item is capital expenditures which decrease fund balance in the governmental fund financial statements. These capital expenditures are reported as increases in capital assets in the Statement of Net Assets rather than as an expense on the statement of Changes in Net Assets.

The net assets of business-type activities (Water and Sewer Fund and Port Fund) increased by \$10.1 million during FY 10/11. The increase was due to transfers from the City's General Fund and Capital Projects Fund. City management expects water and sewer rates to be adequate to pay the costs of water and sewer utility services for FY 11/12

Analysis of Significant Balances and Operation of Individual Funds

Fund Balances

General Fund - The General Fund is the City's primary operating fund. The City began fiscal year 10/11 with a General Fund balance of \$18.1 million and ended the year with a fund balance of \$19.1 million. The increase of \$1 million is attributable to a decrease in spending and increases in revenues. In the three fiscal years, 07/08, 08/09 and 09/10, the governing authority budgeted spending that exceeded projected revenues. In those three fiscal years, the City had drawn down the General Fund balance by

\$39 million. Approximately \$24.8 million of that three year draw down is attributable to deficit spending in the City's General Fund. In fiscal year 10/11, the governing body had revenues that exceeded the spending.

Debt Service Fund - The Special Community Disaster Loans are operating loans the City received from the Federal Emergency Management Agency (FEMA), Department of Homeland Security. The loans totaled \$13.7 million. The City's General Fund borrowed \$11 million and the City's Water and Sewer Enterprise Fund borrowed \$2,787,113. The money was borrowed in fiscal years ending in 2006 and 2007 to pay operating costs following Hurricane Katrina. The Special Community Disaster Loans were for a period of 5 years and with possible extension for another five years. The City requested and received a five year extension of the \$11 million loan to the General Fund. The City requested and received cancellation of the \$2,787,113 loan to the Water and Sewer Enterprise Fund. The City has accumulated \$8.6 million in its Debt Service Fund to re-pay the General Fund loan.

The remaining fund balance in the City's debt service funds is required to pay principal and interest maturities due at the beginning of each fiscal year before ad valorem tax revenues collections for the year are sufficient to cover debt service for the year. Ad valorem tax revenue is the primary resource of the Debt Service Fund for payment of interest and principal.

Water and Sewer Fund – In prior years, revenues and other Water and Sewer Fund resources were not adequate to pay the cost of operations. The Water and Sewer Fund incurred an operating loss of \$344,853 which includes depreciation expense of \$2 million. This City incurred a positive net operating net income before depreciation of \$1.6 million for FY 10/11. The City's water and sewer rates were relatively low compared to other service providers in Mississippi. The loss of a significant number of utility customers due to destruction of residences and businesses by Hurricane Katrina further exacerbated this problem. At the end of fiscal 08/09 the Governing Authority increased water and sewer rates by approximately 150 percent and again increased rates at the end of FY 09/10. The City's governing authority states that current and future rate adjustments will provide sufficient revenue to stabilize the Water and Sewer Fund in future fiscal years.

General Capital Projects Fund – The General Capital Projects Fund holds bond proceeds and insurance claim proceeds which will be expended as projects progress. The decline in fund balance of the General Capital Projects Fund resulted from expenditure of these resources.

Budget Variances in the General Fund

The Basic Financial Statements include a budget to actual comparison for the City's General Fund revenues and expenditures. The comparison is made on the cash basis which differs from modified accrual because receivables and payables are not recognized. An explanation of the budget basis is provided in Note II.A. For FY 10/11 the City's governing authority originally budgeted a reduction in the City's General Fund, budget basis fund balance of \$5.7 million. At year-end, the actual reduction was \$201,256. The City's General Fund, budget basis fund balance fell from \$21.5 million to \$21.4 million. Revenues of the City's General Fund were below expectations by \$1 million. City management was able to keep actual expenditures below the budgeted expenditures by \$6.1 million. The net transfers out were below budget by \$1 million. During the year the City Council amended the budget, primarily, for grant awards and related expenditures.

Capital Assets Activity

During FY 10/11 the City increased its investment in capital assets for governmental activities by \$15.9 million, net of dispositions and depreciation. For business type activities (Water/Sewer and Port) the City increased its investment in capital assets by \$7.9 million after dispositions and depreciation. Most of the additions were for construction of facilities and infrastructure. Much of the City's capital

outlay was financed by FEMA grants. See Detail Note III. F, for additional information concerning capital asset activity for the fiscal year ended September 30, 2011.

Long-term Debt

At the beginning of the fiscal year the City of Biloxi had outstanding debt consisting of general obligation bonds, notes, limited obligation bonds and notes, and pollution control loans. These outstanding debts totaled \$72,416,004 at the beginning of the fiscal year 10/11. During the fiscal year 10/11, the City paid \$4,706,154 of principal and paid \$2,413,829 of interest on all debt. The City borrowed \$508,805 from the Mississippi Pollution Control Loans to fund capital project spending. So, total outstanding debt decreased by \$4,197,349 in fiscal 10/11. In the Supplemental Information section of the financial report is a schedule titled Schedule of Long-Term Debt which discloses the beginning balances of each debt, new debt incurred and the principal amount paid during the year.

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

Credit Rating

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

On May 21, 2011, Standard & Poor's Rating Services raised its standard long-term rating from BBB+ to AA- with a stable outlook. On March 30, 2012, Standard & Poor's Rating Service affirmed that AA- for the City's long-term rating. Standard & Poor's Rating Services' rationale was based on:

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

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

Contact Information

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

Basic Financial Statements

City of Biloxi
Statement of Net Assets
September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 38,122,587	\$ 3,157,000	\$ 41,279,587
Restricted cash and cash equivalents	-	1,120,750	1,120,750
Investments	1,543,942	1,101,967	2,645,909
Receivables			
Taxes	5,653,944	-	5,653,944
Customer accounts, net	260,334	1,525,385	1,785,719
Grants	8,248,756	927,325	9,176,081
Other	2,193,554	331,623	2,525,177
Prepays	1,271,971	-	1,271,971
Net pension obligation	10,127,791	-	10,127,791
Inventories	-	114,104	114,104
Mortgage loans receivable	73,857	-	73,857
Capital assets			
Land and construction in progress	111,871,435	28,108,201	139,979,636
Other (net of accumulated depreciation)	144,982,672	53,236,415	198,219,087
Total assets	<u>\$ 324,350,843</u>	<u>\$ 89,622,770</u>	<u>\$ 413,973,613</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 6,009,303	\$ 339,822	\$ 6,349,125
Accounts payable from restricted assets	-	25,622	25,622
Customer deposits payable from restricted assets	-	1,082,530	1,082,530
Accrued interest	1,489,155	-	1,489,155
Internal balances	(949,259)	949,259	-
Unearned revenue	1,494,438	-	1,494,438
Noncurrent liabilities			
Due within one year:			
Bonds and notes	4,130,612	296,287	4,426,899
Compensated absences	1,793,070	62,687	1,855,757
Claims payable from restricted assets	6,228,251	-	6,228,251
Due beyond one year:			
Bonds and notes	61,124,242	2,667,514	63,791,756
Compensated absences	5,379,209	188,061	5,567,270
Total liabilities	<u>86,699,020</u>	<u>5,611,782</u>	<u>92,310,802</u>
Net assets			
Invested in capital assets, net of related debt	202,599,253	78,380,815	280,980,068
Restricted for			
Public safety	2,304,194	-	2,304,194
Debt service	13,910,717	398,381	14,309,098
Capital improvements	11,464,720	703,586	12,168,306
Endowment, expendable	30,649	-	30,649
Unrestricted	7,342,290	4,528,206	11,870,496
Total net assets	<u>\$ 237,651,823</u>	<u>\$ 84,010,988</u>	<u>\$ 321,662,811</u>

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

City of Biloxi, Mississippi
Statement of Activities
For the Fiscal Year Ended September 30, 2011

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Governmental activities						
General government	\$ 5,769,907	\$ 662	\$ 658,946	\$ -	\$ (5,110,299)	\$ -
Parks and recreation	5,243,857	482,485	17,205	(12,396)	(4,756,563)	-
Public safety	33,274,315	1,463,649	706,317	1,500,434	(29,603,915)	-
Public works	11,023,132	1,367,422	55,116	16,176,007	6,575,413	-
Community development	4,488,481	4,790,107	-	7,911,958	8,213,584	-
Unallocated depreciation, infrastructure	2,630,916	-	-	-	(2,630,916)	-
Interest and other, long-term debt	2,600,008	-	-	-	(2,600,008)	-
Total governmental activities	65,030,616	8,104,325	1,437,584	25,576,003	(29,912,704)	-
Business-type activities						
Water and sewer	14,810,503	14,714,317	-	13,409	-	(82,777)
Biloxi Port Fund	1,659,485	1,523,162	-	463,757	-	327,434
Point Cadet Development Corporation	-	22,668	-	-	-	22,668
Total business-type activities	16,469,988	16,260,147	-	477,166	-	267,325
Total primary government	\$ 81,500,604	\$ 24,364,472	\$ 1,437,584	\$ 26,053,169	(29,912,704)	(29,645,379)
General revenues						
Property taxes					18,000,323	223,343
Sales taxes					10,280,744	-
Gaming taxes					19,617,237	-
Franchise and utility taxes					2,875,067	-
Other taxes					1,445,804	-
Grants and contributions not restricted to specific programs					1,200,000	-
Unrestricted investment earnings					274,424	11,398
Miscellaneous					472,894	-
Transfers					(9,669,689)	9,669,689
Total general revenues and transfers					44,496,804	9,904,430
Change in net assets					14,584,100	10,171,755
Net assets - beginning of period					223,067,723	73,839,233
Net assets - end of period					\$ 237,651,823	\$ 84,010,988

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

City of Biloxi, Mississippi
Balance Sheet
Governmental Funds
September 30, 2011

	General Fund	General Capital Projects Fund	Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 11,356,785	\$ 9,246,752	\$ 9,210,790	\$ 533,678	\$ 30,348,005
Investments	-	-	26	1,543,916	1,543,942
Receivables:					
Taxes	5,596,775	-	44,923	12,246	5,653,944
Customer accounts, net	260,334	-	-	-	260,334
Grants	1,093,479	7,155,263	-	-	8,248,742
Other	993,554	-	1,200,000	-	2,193,554
Due from other City funds	1,166,942	1,449,816	3,500,146	-	6,116,904
Prepays	1,271,971	-	-	-	1,271,971
Mortgage loans receivable	-	-	-	73,857	73,857
Total assets	<u>\$ 21,739,840</u>	<u>\$ 17,851,831</u>	<u>\$ 13,955,885</u>	<u>\$ 2,163,697</u>	<u>\$ 55,711,253</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable and accrued liabilities	\$ 2,195,720	\$ 3,628,779	\$ 45,168	\$ 139,635	\$ 6,009,302
Due to other City funds	437,293	5,240,350	-	4,920	5,682,563
Deferred revenue	95	1,494,343	-	-	1,494,438
Total liabilities	<u>2,633,108</u>	<u>10,363,472</u>	<u>45,168</u>	<u>144,555</u>	<u>13,186,303</u>
Fund Balances					
Nonspendable					
Prepays	1,271,971	-	3,500,146	-	4,772,117
Long-Term Recievables	-	-	-	73,857	73,857
Restricted for					
Public safety	2,304,194	-	-	-	2,304,194
Endowment	-	-	-	30,649	30,649
Committed for					
Capital Improvements	2,437,365	7,488,359	-	1,538,996	11,464,720
Unassigned	13,093,202	-	10,410,571	375,640	23,879,413
Total fund balances	<u>19,106,732</u>	<u>7,488,359</u>	<u>13,910,717</u>	<u>2,019,142</u>	<u>42,524,950</u>
Total liabilities and fund balances	<u>\$ 21,739,840</u>	<u>\$ 17,851,831</u>	<u>\$ 13,955,885</u>	<u>\$ 2,163,697</u>	<u>\$ 55,711,253</u>

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

City of Biloxi, Mississippi
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2011

Total fund balances of governmental funds in the balance sheet, page 22	\$ 42,524,950
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	256,854,105
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 assets.	2,061,265
Net pension obligation	10,127,791
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.	(1,489,155)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	
Notes payable	(19,445,551)
Bonds payable	(45,595,000)
Capital leases payable	(214,303)
Compensated absences	(7,172,279)
	(72,427,133)
Net assets of governmental activities, page 20	\$ 237,651,823

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

City of Biloxi, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2011

	General Fund	General Capital Projects Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Ad valorem taxes	\$ 10,109,048	\$ -	\$ 6,550,063	\$ 1,341,216	\$ 18,000,327
Licenses and permits	3,972,726	-	-	-	3,972,726
Intergovernmental	33,879,738	24,585,815	1,233,607	-	59,699,160
Charges for services	1,841,049	-	-	-	1,841,049
Fines	1,336,302	-	-	-	1,336,302
Other	4,173,107	-	76,090	168,515	4,417,712
Total revenues	<u>55,311,970</u>	<u>24,585,815</u>	<u>7,859,760</u>	<u>1,509,731</u>	<u>89,267,276</u>
Expenditures					
Current					
General government	5,029,896	-	-	71,471	5,101,367
Parks and recreation	4,948,222	-	-	-	4,948,222
Public safety	27,154,575	-	-	1,341,217	28,495,792
Public works	9,383,848	-	-	-	9,383,848
Community development	3,130,720	-	-	350,896	3,481,616
Non-departmental	3,934,012	-	-	-	3,934,012
Debt service					
Principal retirement	-	-	4,147,114	-	4,147,114
Interest and other	-	-	2,289,344	-	2,289,344
Capital outlay, projects	-	22,807,930	-	-	22,807,930
Total expenditures	<u>53,581,273</u>	<u>22,807,930</u>	<u>6,436,458</u>	<u>1,763,584</u>	<u>84,589,245</u>
Excess (deficiency) of revenues over expenditures	<u>1,730,697</u>	<u>1,777,885</u>	<u>1,423,302</u>	<u>(253,853)</u>	<u>4,678,031</u>
Other financing sources (uses)					
Transfers in	-	811,932	-	-	811,932
Transfers out	<u>(807,012)</u>	<u>(9,669,689)</u>	<u>-</u>	<u>(4,920)</u>	<u>(10,481,621)</u>
Total other financing sources (uses)	<u>(807,012)</u>	<u>(8,857,757)</u>	<u>-</u>	<u>(4,920)</u>	<u>(9,669,689)</u>
Net change in fund balance	923,685	(7,079,872)	1,423,302	(258,773)	(4,991,658)
Fund balances, beginning of year	18,183,047	14,568,231	12,487,415	2,277,915	47,516,608
Fund balances, end of year	<u>\$ 19,106,732</u>	<u>\$ 7,488,359</u>	<u>\$ 13,910,717</u>	<u>\$ 2,019,142</u>	<u>\$ 42,524,950</u>

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

City of Biloxi, Mississippi
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended September 30, 2011

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

Net change in fund balances of governmental funds, page 24	\$ (4,991,658)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	22,440,608	
Less current year depreciation	(6,654,096)	15,786,512

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

Principal payments	4,147,114	
Lease payments	252,931	4,400,045

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

Seized assets	56,202	
Basis of assets sold	5,729	61,931

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

Change in net pension obligation	(60,099)	
Change compensated absences - due within one year	(83,542)	
Change in compensated absences - due beyond one year	(250,624)	(394,264)

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.	(295,900)
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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.	17,434
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Change in net assets of governmental activities, page 21	\$ 14,584,100
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The Accompanying Notes are an Integral Part of the Financial Statements.

City of Biloxi, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended September 30, 2011

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Revenues				
Ad valorem taxes	\$ 10,153,834	\$ 10,153,834	\$ 10,117,090	\$ (36,744)
Licenses and permits	4,066,000	4,066,000	3,979,328	(86,672)
Intergovernmental	29,806,997	29,961,997	31,610,435	1,648,438
Federal & state grants	2,185,196	3,400,525	1,276,571	(2,123,954)
Charges for services	1,869,500	1,869,500	1,837,878	(31,622)
Fines	1,320,000	1,320,000	1,336,302	16,302
Other	4,510,349	4,510,349	4,135,476	(374,873)
Total revenues	53,911,876	55,282,205	54,293,080	(989,125)
Expenditures				
Administration				
Personnel services	1,529,284	1,529,284	1,518,511	10,773
Supplies	35,000	33,000	18,040	14,960
Other services & charges	962,100	1,391,980	1,381,425	10,555
Contractual services	374,448	372,068	283,531	88,537
Capital outlay	56,500	56,500	31,769	24,731
Total	2,957,332	3,382,832	3,233,276	149,556
Executive				
Personnel services	225,484	225,484	225,581	(97)
Supplies	10,250	10,250	5,066	5,184
Other services & charges	66,800	66,800	18,392	48,408
Contractual services	18,400	18,400	13,821	4,579
Total	320,934	320,934	262,860	58,074
Legislative				
Personnel services	520,831	520,831	508,362	12,469
Supplies	14,350	15,124	10,143	4,981
Other services & charges	143,250	142,990	123,682	19,308
Contractual services	10,461	9,947	9,823	124
Capital outlay	5,500	5,500	4,173	1,327
Total	694,392	694,392	656,183	38,209
Judicial				
Personnel services	160,608	160,608	160,608	-
Contractual services	1,308	1,308	527	781
Total	161,916	161,916	161,135	781
Legal				
Personnel services	566,601	566,601	544,391	22,210
Supplies	9,600	9,300	6,040	3,260
Other services & charges	9,250	9,250	6,592	2,658
Contractual services	51,550	51,850	43,749	8,101
Capital outlay	13,000	13,000	12,632	368
Total	650,001	650,001	613,404	36,597

Continued on next page

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

City of Biloxi, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended September 30, 2011
(Continued)

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Community development				
Personnel services	2,006,984	2,006,984	1,944,042	62,942
Supplies	131,680	131,680	90,356	41,324
Other services & charges	645,100	880,935	650,059	230,876
Contractual services	557,870	1,013,724	411,662	602,062
Capital outlay	96,900	96,900	42,568	54,332
Total	3,438,534	4,130,223	3,138,687	991,536
Parks & recreation				
Personnel services	3,722,746	3,702,746	3,329,007	373,739
Supplies	421,550	537,411	466,248	71,163
Other services & charges	675,250	687,475	641,598	45,877
Contractual services	334,750	360,715	316,531	44,184
Capital outlay	57,000	219,580	185,613	33,967
Total	5,211,296	5,507,927	4,938,997	568,930
Public safety				
Personnel services	24,702,693	24,749,590	23,372,462	1,377,128
Supplies	1,510,385	1,593,767	1,226,814	366,953
Other services & charges	730,226	738,018	562,303	175,715
Contractual services	1,476,757	1,445,774	1,225,317	220,457
Capital outlay	653,957	957,848	674,414	283,434
Total	29,074,018	29,484,997	27,061,310	2,423,687
Public works				
Personnel services	5,410,548	5,410,548	4,829,645	580,903
Supplies	1,034,150	915,075	705,754	209,321
Other services & charges	1,127,900	1,260,450	1,196,761	63,689
Contractual services	3,323,970	3,490,495	2,569,335	921,160
Capital outlay	117,400	117,400	117,909	(509)
Total	11,013,968	11,193,968	9,419,404	1,774,564
Nondepartmental				
Other services & charges	2,506,950	2,506,950	2,586,578	(79,628)
Contractual services	1,758,195	1,776,595	1,615,490	161,105
Total	4,265,145	4,283,545	4,202,068	81,477
Total expenditures	57,787,536	59,810,735	53,687,324	6,123,411
Excess (deficiency) of revenues over expenditures	(3,875,660)	(4,528,530)	605,756	5,134,286
Other financing sources (uses)				
Transfers in	1,000,000	1,000,000	-	(1,000,000)
Transfers out	(2,833,670)	(2,835,542)	(807,012)	2,028,530
Total other financing sources (uses)	(1,833,670)	(1,835,542)	(807,012)	1,028,530
Net change in fund balances	(5,709,330)	(6,364,072)	(201,256)	6,162,816
Fund balances, beginning of year	10,808,519	10,808,519	10,808,519	
Fund balances, end of year	\$ 5,099,189	\$ 4,444,447	\$ 10,607,263	\$ 6,162,816

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

City of Biloxi, Mississippi
Statement of Net Assets
Proprietary Funds
September 30, 2011

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water and Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash	\$ 2,734,598	\$ 126,804	\$ 295,598	\$ 3,157,000	\$ 7,774,598
Restricted cash	1,025,774	94,978	-	1,120,752	-
Investments	-	1,101,967	-	1,101,967	-
Receivables:					
Customer accounts, net	1,053,654	52,003	-	1,105,657	-
Customer accounts earned but not billed	419,728	-	-	419,728	-
Grants	340,488	586,837	-	927,325	-
Other	331,623	-	-	331,623	-
Due from other City funds	573,627	-	-	573,627	514,919
Supplies inventory	114,104	-	-	114,104	-
Total current assets	<u>6,593,596</u>	<u>1,962,589</u>	<u>295,598</u>	<u>8,851,783</u>	<u>8,289,517</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	59,983,935	21,244,599	116,082	81,344,616	-
Total noncurrent assets	<u>59,983,935</u>	<u>21,244,599</u>	<u>116,082</u>	<u>81,344,616</u>	<u>-</u>
Total assets	<u>66,577,531</u>	<u>23,207,188</u>	<u>411,680</u>	<u>90,196,399</u>	<u>8,289,517</u>
Liabilities					
Current liabilities:					
Accounts payable	336,982	2,841	-	339,823	-
Accounts payable from restricted assets	25,622	-	-	25,622	-
Customer deposits payable from restricted assets	987,553	94,978	-	1,082,531	-
Current portion of bond and notes	161,287	135,000	-	296,287	-
Compensated absences	23,269	39,418	-	62,687	-
Due to other City funds	62,300	1,460,586	-	1,522,886	-
Claims contingency payable from restricted assets	-	-	-	-	6,228,252
Total current liabilities	<u>1,597,013</u>	<u>1,732,823</u>	<u>-</u>	<u>3,329,836</u>	<u>6,228,252</u>
Non-current liabilities:					
Notes payable, non-current	1,287,514	1,380,000	-	2,667,514	-
Compensated absences	69,807	118,254	-	188,061	-
Total non-current liabilities	<u>1,357,321</u>	<u>1,498,254</u>	<u>-</u>	<u>2,855,575</u>	<u>-</u>
Total liabilities	<u>2,954,334</u>	<u>3,231,077</u>	<u>-</u>	<u>6,185,411</u>	<u>6,228,252</u>
Net assets					
Invested in capital assets, net of related debt	58,535,134	19,729,599	116,082	78,380,815	-
Restricted for capital projects	-	703,586	-	703,586	-
Restricted for debt service	-	398,381	-	398,381	-
Unrestricted	5,088,063	(855,455)	295,598	4,528,206	2,061,265
Total net assets	<u>\$ 63,623,197</u>	<u>\$ 19,976,111</u>	<u>\$ 411,680</u>	<u>\$ 84,010,988</u>	<u>\$ 2,061,265</u>

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

City of Biloxi, Mississippi
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2011

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Operating Revenues					
Charges for services:					
Water sales, sewer revenues					
penalties & installations, net	\$ 14,092,537	\$ -	\$ -	\$ 14,092,537	\$ -
Keesler Air Force Base, sewer	615,060	-	-	615,060	-
Harbor fees and rents	-	1,515,969	22,669	1,538,638	-
Insurance billings	-	-	-	-	10,836,048
Total charges for service	14,707,597	1,515,969	22,669	16,246,235	10,836,048
Cobra contributions	-	-	-	-	74,078
Other income	6,719	7,192	-	13,911	-
Total operating revenues	14,714,316	1,523,161	22,669	16,260,146	10,910,126
Operating expenses					
Personal services	1,258,465	1,033,242	-	2,291,707	-
Contracted services	10,080,962	80,012	-	10,160,974	10,934,582
Other services and charges	1,438,845	250,617	-	1,689,462	-
Depreciation	1,996,545	200,772	-	2,197,317	-
Total operating expenses	14,774,817	1,564,643	-	16,339,460	10,934,582
Operating income (loss)	(60,501)	(41,482)	22,669	(79,314)	(24,456)
Non-operating revenues (expenses)					
Interest income	9,479	393	1,526	11,398	41,890
Interest expense	(35,685)	(94,841)	-	(130,526)	-
Intergovernmental tax revenues	-	223,342	-	223,342	-
Total non-operating revenues (expenses)	(26,206)	128,894	1,526	104,214	41,890
Income before contributions and transfers	(86,707)	87,412	24,195	24,900	17,434
Capital contributions	13,409	463,757	-	477,166	-
Transfers in	7,098,418	2,571,271	-	9,669,689	-
Change in net assets	7,025,120	3,122,440	24,195	10,171,755	17,434
Net assets, beginning of year	56,598,077	16,853,671	387,485	73,839,233	2,043,831
Net assets, end of year	\$ 63,623,197	\$ 19,976,111	\$ 411,680	\$ 84,010,988	\$ 2,061,265

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

City of Biloxi, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2011

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities					
Receipts from customers	\$ 14,351,964	\$ 1,533,844	\$ 22,669	\$ 15,908,477	\$ -
Receipts from interfund services provided					10,910,126
Payments to suppliers	(10,513,981)	(373,862)	-	(10,887,843)	(11,553,117)
Payments for services of employees	(1,280,805)	(1,012,209)	-	(2,293,014)	-
Net cash provided by (used in) operating activities	2,557,178	147,773	22,669	2,727,620	(642,991)
Cash flows from non-capital financing activities					
Loans (to) from other funds	(573,627)	-	-	(573,627)	(436,684)
Cash flows from capital and related financing activities					
Intergovernmental tax revenues	-	223,342	-	223,342	-
Proceeds from State Revolving Loan Fund	508,805	-	-	508,805	-
Transfers (to) from other funds	7,098,418	2,571,271	-	9,669,689	-
Loans (to) from other funds	467,372	367,394	-	834,766	-
Acquisition of capital assets	(7,098,417)	(2,962,886)	-	(10,061,303)	-
Retirement of debt	(181,109)	(125,000)	-	(306,109)	-
Interest paid on debt	(35,685)	(94,841)	-	(130,526)	-
Net cash provided by (used in) capital and related financing activities	759,384	(20,720)	-	738,664	-
Cash flows from investing activities					
Interest and dividends on investments	9,479	393	1,526	11,398	41,890
Proceeds from investments	-	15,554	-	15,554	-
Net cash provided by (used in) investing activities	9,479	15,947	1,526	26,952	41,890
Net increase (decrease) in cash and cash equivalents	3,326,041	143,000	24,195	3,493,236	(601,101)
Cash and cash equivalents, beginning of period	1,007,958	78,782	271,403	1,358,143	8,812,383
Cash and cash equivalents, end of period	\$ 4,333,999	\$ 221,782	\$ 295,598	\$ 4,851,379	\$ 8,211,282
Classified as:					
Current assets	\$ 2,734,598	\$ 126,804	\$ 295,598	\$ 3,157,000	\$ 7,774,598
Restricted assets	1,025,774	94,978	-	1,120,752	-
Totals	\$ 3,760,372	\$ 221,782	\$ 295,598	\$ 4,277,752	\$ 7,774,598

City of Biloxi, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2011
(Continued)

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (60,501)	\$ (41,482)	\$ 22,669	\$ (79,314)	\$ (24,456)
Adjustments not affecting cash					
Depreciation	1,996,545	200,772	-	2,197,317	-
Changes in assets and liabilities:					
Accounts receivable	603,263	(14,363)	-	588,900	-
Accounts payable and accrued expenses	(2,985)	(22,200)	-	(25,185)	(618,535)
Customer deposits	20,856	25,046	-	45,902	-
Net cash provided by (used in) operating activities	<u>\$ 2,557,178</u>	<u>\$ 147,773</u>	<u>\$ 22,669</u>	<u>\$ 2,727,620</u>	<u>\$ (642,991)</u>

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

City of Biloxi, Mississippi
Notes to Financial Statements
September 30, 2011

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City of Biloxi, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2011

I. Summary of Significant Accounting Policies

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

(A) Reporting Entity

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

The City's reporting entity applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. As required by GAAP, these financial statements present the City of Biloxi (the primary government) and its components. The component unit discussed in Note I (B) below is included in the City's reporting entity because of the significance of its operation and financial relationships with the City.

(B) Component Unit Disclosure

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

(1) Blended Component Unit: Point Cadet Development Corporation

The Point Cadet Development Corporation (PCDC), a non-profit corporation, is governed by a three member board whose president is always the current Mayor of the City of Biloxi. 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 blending method. PCDC does not issue separate financial statements.

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

(2) Biloxi Port Commission / Biloxi Port Fund

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

(C) Related Organizations

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

(D) Joint Ventures and Jointly Governed Organizations

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

(E) Basic Financial Statements

Government-Wide and Fund Financial Statements

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

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

The government-wide financial statements, including the *statement of net assets* and the *statement of activities*, report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from the statements. Internal service fund charges for services are not netted or eliminated in the consolidation process. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely extensively on fees and charges for support. In the government-wide statement of net assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

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

(G) Fund Types and Major Funds

Governmental Funds

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

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

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

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

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

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

Special Revenue Funds

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

Capital Projects Funds

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

Proprietary Funds

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

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

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

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

Internal Service Funds

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

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

(H) Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value.

Accounts Receivable

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

Inventories and Prepaids

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

Capital Assets

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

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

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

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

Compensated Absences

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

Post Employment Health Care Benefits

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

Interfund Transactions

Numerous interfund transactions occur during the normal course of operations of the City. Disbursements made by one fund which are properly chargeable to another fund result in the creation of interfund receivables and payables. This type of transaction is normally settled by a cash payment between the funds. All other interfund transactions are accounted for as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government wide columnar presentation. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Internal service fund charges for services are not netted or eliminated in the consolidation process.

Advances to Other Funds

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

Estimated Insurance Claims Payable

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

Bond Discounts, Bond Premiums, and Issuance Costs

In governmental funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue and are shown as “Other Financing Sources (Uses)”.

In proprietary funds (and for governmental activities, in government-wide statements) bond discounts, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bonds payable, whereas issuance costs are recorded as other assets.

Historically, the City’s bond discount/premiums and issuance cost have not been material.

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

Deferred Revenue

In the governmental funds, certain revenue transactions have been reported as deferred 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 statements) deferred revenue is reported for unearned revenue, regardless of its availability.

Fund Equity

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

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

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

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

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

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

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications.

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 fixed assets, construction, debt service, or for other purposes).

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

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

II. Stewardship, Compliance and Accountability:

A. Budgetary Data

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

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

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

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

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

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

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

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

	<u>General Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	\$(201,256)
Adjustments	
To convert receivables	1,018,888
To convert prepaids	268,056
To convert liabilities	(162,003)
Totals, GAAP basis	<u>\$ 923,685</u>

B. Excess Expenditures Over Appropriations in Individual Funds

For the year ended September 30, 2011, expenditures did not exceed appropriations in any department (the legal level of budgetary control) of the general fund. Expenditures did exceed appropriations in the employees’ state unemployment fund by \$55,643 and the internal service funds by \$157,747. These over expenditures were funded by a reduction of fund balance in the employees’ state unemployment fund and greater than anticipated revenues in the internal service funds.

C. Deficit Fund Equity

For the year ended September 30, 2011, the Community Development Block Grant Fund had a deficient balance in fund equity of (\$14,169).

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

III. Detail Notes - All Funds

A. Property and Gaming Tax Revenues

Property Tax

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

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

The tax levies for the calendar years 2011, 2010 and 2009 (taxes collected in the fiscal years ending 9/30/12, 9/30/11, and 9/30/10) are as follows:

	<u>9/30/12</u> <u>Millage</u>	<u>9/30/11</u> <u>Millage</u>	<u>9/30/10</u> <u>Millage</u>
City Funds			
General Fund	17.15	17.15	16.15
Special revenue funds:			
Disability and Relief (Pension) Funds	2.50	2.50	2.50
Debt Service Funds	9.20	9.20	9.20
Solid waste collection and disposal	1.25	1.25	2.25
Total City administered funds	<u>30.10</u>	<u>30.10</u>	<u>30.10</u>
School Funds			
District maintenance	33.78	34.13	32.97
School debt	7.77	7.42	7.11
Total School administered funds	<u>41.55</u>	<u>41.55</u>	<u>40.08</u>
Total levy	<u><u>71.65</u></u>	<u><u>71.65</u></u>	<u><u>70.18</u></u>

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

Gaming Revenue

In 1992, the citizens of Harrison County voted to allow dockside casino gaming as defined by the Mississippi Gaming Control Act of 1990. In August of 1992, the first casino opened at Biloxi's Point Cadet development. As of September 30, 2011, 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	\$ 16,309,876
Local share of state tax	1,729,454
Gaming licenses and permits	<u>1,577,907</u>
 Total gaming revenues	 <u>\$ 19,617,237</u>

B. Deposits and Investments

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

Deposits –

Deposits consist of cash amounts in demand accounts and certificates of deposit. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. By using this multiple financial institution collateral pool, all of the City's deposits at September 30, 2011 fall into the credit risk category of "*Insured or collateralized with securities held by the entity or by its agent in the entity's name*". Deposits are summarized as follows:

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

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 41,124,095	\$ 47,183,450
Certificates of deposit	<u>1,276,246</u>	<u>1,276,246</u>
Total deposits	<u>\$ 42,400,341</u>	<u>\$ 48,459,696</u>

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

Custodial Credit Risk – Deposits

This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer’s office to manage that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institutions’ trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. By signed agreement the Mississippi State Treasurer’s office is acting on behalf of the City.

Investments

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved. At September 30, 2011, investments consisted of the following:

	<u>Reported Amount</u>	<u>Fair Value</u>
Investments held by the City or the City’s safekeeping agent, and registered in the name of the City:		
Investments not categorized:		
Money Market Mutual Funds	\$ <u>2,645,909</u>	\$ <u>2,645,909</u>

Interest Rate Risk. This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All of the City’s investments are in Money Market Mutual funds which have an investment maturity of less than one year.

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

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

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

C. Receivables

The Statement of Net Assets of the City of Biloxi includes the following receivables at September 30, 2011:

Taxes receivable:	
Utility franchise taxes	\$ 771,492
Sales taxes	1,606,113
Ad valorem taxes	157,933
Gaming taxes and fees	3,118,406
Total taxes receivable	<u>\$ 5,653,944</u>
Customer accounts receivable:	
Garbage fees	\$ 260,334
Water and sewer utility charges (billed)	1,338,047
Port berth rentals	127,756
Less allowance for doubtful accounts	(360,146)
Customer accounts receivable earned but not billed	419,728
Total customer accounts receivable, net	<u>\$ 1,785,719</u>
Grants receivable:	
Federal and state grants	<u>\$ 9,176,081</u>
Other receivables:	
Special assessments	\$ 8,834
Liquor privilege tax	57,900
Due from county for debt service	1,200,000
Other	1,258,443
Total other receivables	<u>\$ 2,525,177</u>

D. Prepaids

Prepaids at September 30, 2011 consist of the following:

Prepaid insurance premiums	<u>\$ 1,271,971</u>
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City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

E. Interfund Receivables and Payables

<u>Individual Interfund Balances at September 30, 2011</u>	Due From Other Funds	Due To Other Funds
General Fund:		
General Capital Projects Fund	\$ 1,166,577	\$ -
Water and Sewer Fund	200	-
Biloxi Port Fund	165	-
Claims contingency fund for claims and expenses	-	437,293
Total General Fund	<u>1,166,942</u>	<u>437,293</u>
General Capital Projects Fund:		
General Fund for fund project costs	-	1,166,577
2002 TIF Capital Projects	4,920	-
Water and Sewer Fund for fund project costs	-	573,627
Biloxi Port Fund	1,444,896	-
CDL Sinking Fund for fund project costs	-	3,500,146
Total General Capital Projects Fund	<u>1,449,816</u>	<u>5,240,350</u>
Other Nonmajor Governmental Funds		
2002 Tif Capital Projects Bond Fund to General Capital Project		
Fund for project costs	-	4,920
Total Debt Service Fund	<u>-</u>	<u>4,920</u>
Debt Service Fund		
CDL Sinking Fund from General Capital Projects Fund		
for project costs	3,500,146	-
Total Debt Service Fund	<u>3,500,146</u>	<u>-</u>
Enterprise Fund:		
Water and Sewer Fund for claims and expenses	-	62,101
Water and Sewer Fund to General Capital Projects Fund	573,627	
Water and Sewer Fund for payroll liabilities	-	200
Biloxi Port Fund for payroll liabilities	-	165
Biloxi Port Fund for claims and expenses	-	15,525
Biloxi Port Fund for fund project costs	-	1,444,896
Total Enterprise Fund	<u>573,627</u>	<u>1,522,887</u>
Internal Service Self-Insurance:		
Claims Contingency Fund from General		
Fund for claims and expenses	437,293	-
Claims Contingency Fund from Water		
and Sewer Fund for claims and expenses	62,101	-
Claims Contingency Fund from Biloxi		
Port Fund for claims and expenses	15,525	-
Total Internal Service Self-Insurance	<u>514,919</u>	<u>-</u>
Totals	<u>\$ 7,205,450</u>	<u>\$ 7,205,450</u>

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

The composition of interfund transfers for the year ended September 30, 2011 was as follows:

Transfers From	Transfers Into					
	General	General	Community	Water &	Biloxi	
	Fund	Capital	Development	Sewer	Port	
	Fund	Projects	Block	Fund	Fund	Total
		Fund	Grant			
General Fund	\$ -	\$ 807,012	\$ -	\$ -	\$ -	\$ 807,012
General Capital Projects Fund	-	-	-	7,098,418	2,571,271	9,669,689
Nonmajor governmental funds						
2002 TIF Cap. Proj. Bond Fund	-	4,920	-	-	-	4,920
Total nonmajor gov't funds	-	4,920	-	-	-	4,920
Total governmental funds	-	811,932	-	7,098,418	2,571,271	10,481,621
Totals	\$ -	\$ 811,932	\$ -	\$ 7,098,418	\$ 2,571,271	\$ 10,481,621

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

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

F. Capital Asset Activity

Capital asset activity for the year ended September 30, 2011 was as follows:

	Balance October 1, 2010	Increases	Decreases	Balance September 30, 2011
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 33,108,447	\$ 9,965,800	\$ -	\$ 43,074,247
Construction in progress	64,363,671	21,560,087	17,126,570	68,797,188
Total capital assets not being depreciated	<u>97,472,118</u>	<u>31,525,887</u>	<u>17,126,570</u>	<u>111,871,435</u>
Capital assets being depreciated				
Buildings	30,284,315	6,760,311	-	37,044,626
Improvements other than buildings	4,034,995	400,462	-	4,435,457
Machinery and equipment	35,855,764	1,045,555	461,925	36,439,394
Infrastructure - streets and drainage	150,530,923	-	-	150,530,923
Total capital assets being depreciated	<u>220,705,997</u>	<u>8,206,328</u>	<u>461,925</u>	<u>228,450,400</u>
Less accumulated depreciation for:				
Buildings	8,534,626	722,162	-	9,256,788
Improvements other than buildings	2,419,522	81,478	-	2,501,000
Machinery and equipment	23,053,974	3,190,511	329,840	25,914,645
Infrastructure - streets and drainage	43,164,379	2,630,916	-	45,795,295
Total accumulated depreciation	<u>77,172,501</u>	<u>6,625,067</u>	<u>329,840</u>	<u>83,467,728</u>
Net capital assets being depreciated	<u>143,533,496</u>	<u>1,581,261</u>	<u>132,085</u>	<u>144,982,672</u>
Net governmental activities assets	<u><u>\$ 241,005,614</u></u>	<u><u>\$ 33,107,148</u></u>	<u><u>\$ 17,258,655</u></u>	<u><u>\$ 256,854,107</u></u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 829,243	\$ -	\$ -	\$ 829,243
Construction in progress	32,508,102	10,060,553	15,289,697	27,278,958
Total capital assets not being depreciated	<u>33,337,345</u>	<u>10,060,553</u>	<u>15,289,697</u>	<u>28,108,201</u>
Capital assets being depreciated:				
Equipment	3,428,041	29,780	-	3,457,821
Water and sewer system	73,044,281	871,334	-	73,915,615
Port buildings & improvements	9,876,714	14,418,363	-	24,295,077
Total capital assets being depreciated	<u>86,349,036</u>	<u>15,319,477</u>	<u>-</u>	<u>101,668,513</u>
Less accumulated depreciation for:				
Equipment	2,321,896	373,061	-	2,694,957
Water and sewer system	36,645,134	1,683,565	-	38,328,699
Port buildings and improvements	7,238,721	169,721	-	7,408,442
Total accumulated depreciation	<u>46,205,751</u>	<u>2,226,347</u>	<u>-</u>	<u>48,432,098</u>
Net capital assets being depreciated	<u>40,143,285</u>	<u>13,093,130</u>	<u>-</u>	<u>53,236,415</u>
Net business-type activities assets	<u><u>\$ 73,480,630</u></u>	<u><u>\$ 23,153,683</u></u>	<u><u>\$ 15,289,697</u></u>	<u><u>\$ 81,344,616</u></u>

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

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

Governmental activities	
General government	\$ 215,302
Community development	88,055
Cultural affairs	229,433
Parks and recreation	225,401
Public safety	2,624,033
Public works	640,956
Infrastructure	2,630,916
Total depreciation expense - governmental activities	<u>\$ 6,654,096</u>
Business type activities	
Water and sewer	\$ 1,996,545
Port Fund	200,772
Total depreciation expense - business-type activities	<u>\$ 2,197,317</u>
Total depreciation expense	<u>\$ 8,851,413</u>

Leased assets

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

	Governmental Activities	Business- Type Activities	Total
Cost	\$ 2,023,642	\$ 28,789,506	\$ 30,813,148
Accumulated depreciation		(7,544,907)	(7,544,907)
Carrying amount	<u>\$ 2,023,642</u>	<u>\$ 21,244,599</u>	<u>\$ 23,268,241</u>
Depreciation expense	<u>\$ -</u>	<u>\$ 200,772</u>	<u>\$ 200,772</u>

G. Leases

Capital Leases

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

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

During the fiscal year ended September 30, 2006 the City entered into a capital lease with The Peoples Bank to finance the purchase of a fire truck. The purchase amount financed was \$897,699 at the fixed, simple interest rate of 3.75% for five years. Title to the fire truck is held in the name of the City and The Peoples Bank as lien holder. The lease terms include a non-appropriation clause; however, the possibility of non-appropriation is remote. The lease does not include any contingent or purchase option payments or penalties. There are no restrictions on the City's use of the fire truck and the City insures the vehicle. The City has accounted for the lease as a financing arrangement. This lease was paid in full during 2011. The City will make the following payments of principal and interest:

Fiscal Year Ended September 30,	Principal	Interest	Total
2012	\$ 64,663	\$ 7,673	\$ 72,336
2013	67,398	4,938	72,336
2014	70,249	2,087	72,336
2015	11,993	62	12,055
Totals	<u>\$ 214,303</u>	<u>\$ 14,760</u>	<u>\$ 229,063</u>

Assets acquired through capital leases are:

Asset	Governmental Activities	Business Type Activities
Fire Truck	\$ 897,699	\$ -
Lighting	438,782	-
	<u>\$ 1,336,481</u>	<u>\$ -</u>

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

Year Ended September 30,	Governmental Activities	Business Type Activities
2012	\$ 72,336	\$ -
2013	72,336	-
2014	72,336	-
2015	12,055	-
Total minimum lease payments	229,063	-
Less amount representing interest	(14,760)	-
Present value of minimum lease payments	<u>\$ 214,303</u>	<u>\$ -</u>

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

H. Long-Term Debt

The following is a summary of bond and other long-term debt transactions of the City for the year ended September 30, 2011:

	Beginning 10/01/10	Additions	Deletions	Ending 9/30/11	Amounts Due Within One Year
Governmental activities					
General Obligation Bonds and Notes	\$25,465,000	\$ -	\$ 1,655,000	\$23,810,000	\$ 1,735,000
Limited Obligation Bonds	43,722,665	-	2,492,114	41,230,551	2,330,949
Capital leases	467,234	-	252,931	214,303	64,663
Compensated absences	6,838,113	2,374,938	2,040,773	7,172,278	1,793,069
Total governmental activities	<u>\$76,493,012</u>	<u>\$ 2,374,938</u>	<u>\$ 6,440,818</u>	<u>\$72,427,132</u>	<u>\$ 5,923,681</u>
Business-type activities					
Water and Sewer, pollution control loans	\$ 1,121,105	\$ 508,805	\$ 181,109	\$ 1,448,801	\$ 161,287
Limited tax port bonds	1,640,000	-	125,000	1,515,000	135,000
Compensated absences	252,055	137,589	138,896	250,748	62,687
Total business-type activities	<u>\$ 3,013,160</u>	<u>\$ 646,394</u>	<u>\$ 445,005</u>	<u>\$ 3,214,549</u>	<u>\$ 358,974</u>

Bonds, notes, and other long-term debt payable at September 30, 2011 are comprised of the following individual issues:

	Original Issue	Range of Interest Rates	Amount Outstanding 9/30/11
Governmental Activities			
General Obligation Bonds and Notes:			
General Obligation Bonds series 1998, due in annual installments of \$750,000 to \$895,000 through 12/1/2013	\$ 10,000,000	4.20%	\$ 2,570,000
General Obligation Bonds, series 2002, due in annual installments of \$245,000 to \$450,000 through 12/1/2022	6,000,000	3.7%-5.25%	4,260,000
General Obligation Bonds, series 2003, due in annual installments of \$590,000 to \$860,000 through 12/1/2018	9,800,000	3.00%-3.75%	5,980,000
Special Community Disaster Loan, due in one installment of principal plus interest on 12/19/2015	11,000,000	2.69%	11,000,000
Total General Obligation Bonds and Notes			<u>23,810,000</u>
Limited Obligation Bonds and Notes:			
Mississippi Development Bank promissory note, due in monthly installments of \$58,126 plus interest through 2/28/2019. Interest is based upon The Bond Market Association (TBMA) index plus 105 basis points	10,000,000	TBMA plus 1.05%	4,162,266

(Continued)

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

	Original Issue	Range of Interest Rates	Amount Outstanding 9/30/11
Mississippi Development Bank promissory note, due in monthly installments of \$25,763 plus interest through 9/28/2014 and then monthly installments of \$24,618 plus interest through 12/31/2024. Interest rate is variable.	4,500,000	1.50%-2.50%	3,980,158
Mississippi Development Association loan, due in annual installments of \$33,608, through 12/31/2022, secured by City sales tax, payable by Harrison County Development Commission	500,000	3.00%	303,127
Tax Increment Limited Obligation Refunding Bonds, series 2006 A, due in annual installments of \$200,000 to \$2,700,000 through 11/1/2027	31,685,000	4.00%-5.00%	31,685,000
Tax Increment Limited Obligation Refunding Bonds, series 2006 B due in annual installments of \$1,100,000 to \$1,235,000 through 11/1/2011	2,335,000	5.22%-5.28%	1,100,000
Total Limited Obligation Bonds and Notes			<u>41,230,551</u>
Other General Long-Term Debt:			
Hancock Bank capital lease, amortized in monthly installments of \$6,028 through 11/29/2014	483,782	4.15%	214,303
Total Other General Long-Term Debt			214,303
Compensated absences			7,172,278
Total governmental long-term debt			<u>\$ 72,427,132</u>
Business Type Activities			
Water and Sewer Fund			
State of Mississippi Pollution Control Loans, due in varying installments through 9/30/2032	3,006,708	3.0%-4.5%	\$ 1,448,801
Biloxi Port Fund			
Limited Tax Port Bonds, series 1999 due in annual installments of \$110,000 to \$210,000 through 12/1/19	2,500,000	5.4%-6.00%	1,515,000
Total business-type activities bonds and notes			2,963,801
Compensated absences			250,748
Total business-type activities long-term debt			<u>\$ 3,214,549</u>

Debt Refunding

The City of Biloxi issued Tax Increment Limited Obligation Refunding Bonds, Series 2006A, in the amount of \$31,685,000 and Tax Increment Limited Obligation Refunding Bonds, Series 2006B, in the amount of \$2,335,000. The refunding bonds were issued to raise money for the purpose of refunding the callable maturities of the City's outstanding Tax Increment Limited Obligation Bonds, Series 1999, dated October 1, 1999, issued in the original principal amount of \$12,000,000, and Tax Increment Limited Obligation Bonds, Series 2002, dated November 1, 2002, issued in the original amount of \$23,000,000, in order to reduce debt service requirements. The economic loss on the refunding transaction was \$164,035.

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

The annual requirements to pay principal and interest on the bonds, notes and loans outstanding at September 30, 2011 follow and include interest on the variable rate debt.

Year Ended September 30,	Governmental Activities				Business-Type Activities	
	General Obligation		Limited Obligation		Port Bonds & Water and Sewer Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,735,000	\$ 477,440	\$ 2,330,949	\$ 1,740,314	\$ 296,287	\$ 114,159
2013	1,805,000	410,703	2,396,677	1,645,710	232,264	122,878
2014	1,890,000	340,043	2,452,427	1,562,618	270,164	99,999
2015	1,040,000	284,385	2,392,754	1,464,212	279,165	87,191
2016	12,085,000	2,982,417	2,385,255	1,367,208	293,310	73,765
2017-2021	4,370,000	591,978	11,672,955	5,341,335	1,271,960	158,412
2022-2026	885,000	43,950	12,319,532	2,860,922	134,990	24,899
2027-2031	-	-	5,280,002	371,070	148,803	11,086
2022-2036	-	-	-	-	36,858	449
Totals	<u>\$ 23,810,000</u>	<u>\$ 5,130,916</u>	<u>\$ 41,230,551</u>	<u>\$ 16,353,389</u>	<u>\$ 2,963,801</u>	<u>\$ 692,838</u>

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

Assessed valuations 2010 (inside the City):

Real property	\$ 429,085,070
Personal property	89,793,874
Public utility	30,209,362
Autos, estimated	48,873,416
Total assessed valuations	<u>\$ 597,961,722</u>

Fifteen percent (15%) of total assessed valuation	\$ 89,694,258
Less outstanding general issues at 9/30/11	<u>23,810,000</u>
Legal debt margin	<u>\$ 65,884,258</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, 2011, was 9.20 mills or \$9.20 per \$1,000 of assessed value.

Other general long-term debt of the Enterprise Funds is \$1,448,801 of pollution control/state revolving loans from the State of Mississippi. The State Tax Commission, in accordance with a signed agreement with the City of Biloxi is currently deducting \$18,066 each month from the sales tax remittances to the City to apply as payments on these loans.

The City has authorized the issuance of limited tax port bonds for the purpose of making improvements to property belonging to the Biloxi Port Fund (previously the Biloxi Port Commission). The bonds are secured by an irrevocable pledge of the avails of a direct and continuing one (1) mill ad valorem tax to be levied by Harrison County, Mississippi. The bonds

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

are payable solely from the avails of the Harrison County tax levy. At September 30, 2011, the aggregate, outstanding principal amount of the issues was \$1,515,000.

I. Retirement 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:

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

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

Under the provisions of Chapter No. 511 of the General Laws of the State of Mississippi, 1987, effective October 1, 1987, the administrative responsibility for these retirement systems was assigned to the Mississippi Municipal Retirement System, a program of the Public Employees' Retirement System of Mississippi. The City is authorized by law to require membership contributions from 1% to a maximum of 10% of the total compensation of each participating employee. City employee contributions are 9%. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the Municipal Retirement Systems' Disability and Relief Plans. That information may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 800-444-PERS. Based upon annual actuarial data provided by PERS, the City levies a tax millage sufficient to fund the current obligations for retirement payments and also provide the recommended amount to reduce the balance of the unfunded employer liability. For the year ended September 30, 2011 the combined millage was 2.5 mills. The City has no control over the administration of the plans. The City is required by statute to set a tax levy sufficient to fund the annual required contribution. The plan administrator, The Mississippi Municipal Retirement System, provides actuarial data for the two plans combined. The City accounts for these closed plans as a single, agent multiple-employer defined benefit plan.

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

Active members	2
Retirees and beneficiaries	<u>128</u>
Total	<u><u>130</u></u>

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

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

The Annual Required Contribution (ARC)
(based on the valuation as of September 30, 2011)

Normal	\$ 14,274
Accrued liability	<u>1,314,790</u>
Total	<u>\$ 1,329,064</u>

Additional information as of September 30, 2011 follows.

Valuation date	9/30/11
Actuarial cost method	entry age
Amortization method	level dollar closed
Remaining amortization period	23 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases**	4.50 – 6.00%

* Includes price inflation at 3.50%

** Includes wage inflation at 4.25%

Cost of living adjustments 3% per year, not to exceed 64.4%, for each year of retirement after 6/30/00, with compounding after the member turns age 55, in addition to any previously granted COLAs

During the year ended September 30, 2011, contributions totaling \$1,362,690 (\$1,351,393 employer and \$11,297 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the system as of September 30, 2010. The employer contributions consisted of \$13,704 for normal cost and administrative expenses and \$1,337,689 for amortization of the unfunded actuarial accrued liability.

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

Schedule of employer contributions:

Fiscal Year Ended	Annual Required Contribution	Interest on the NPO	Adjustment to Remove Amortization of Past Under/Over Contribution	Annual Pension Cost	Employer Pension Contribution	Percentage	Change in the NPO	NPO at Year End
9/30/2009	\$ 1,012,412	\$ (701,945)	\$ (806,878)	\$ 1,117,345	\$ 2,551,964	252.07%	\$ (1,434,618)	\$ (10,208,932)
9/30/2010	1,314,910	(816,715)	(951,824)	1,450,020	1,428,978	108.67%	21,042	(10,187,890)
9/30/2011	1,273,514	(815,031)	(964,306)	1,422,789	1,362,690	107.00%	60,099	(10,127,791)

The City's negative Net Pension Obligation (NPO) as of September 30, 2011 is \$10,127,791.

Actuarial Accrued Liability (AAL)	(in thousands)
Retirees and beneficiaries currently receiving benefits	\$ 23,283
Active members	1,002
Vested terminated members not yet receiving benefits	-
Total actuarial accrued liability	24,285
Less: Actuarial value of assets	10,456
Unfunded Actuarial Accrued Liability	\$ 13,829

During the year ended September 30, 2011, the plan experienced a net change of \$(226) thousand in the AAL. Additional information may be found in Required Supplementary Information, page 64.

The funded status of the Plan as of September 30, 2010, the most recent actuarial valuation date, is as follows:

Schedule of Funding Progress (\$ Thousands)						
Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry Age	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
9/30/2011	\$ 10,456	\$ 24,285	43.1%	\$ 13,829	125	11063.2%

2. Public Employees' Retirement System Defined Benefit Pension Plan

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

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

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. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS

Funding Policy: PERS' members are required to contribute 9.00% of their annual covered salary and City of Biloxi is required to contribute at an actuarially determined rate. The current rate is 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Biloxi's contributions to PERS for the years ending September 30, 2011, 2010, and 2009 were \$3,221,683, \$3,481,726, and \$3,581,701, respectively. These amounts were 100% of the required contributions.

Deferred Compensation Plan

The City also offers to its employees voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, Group Flexible Fund Retirement Contracts, administered by Nationwide Retirement Solutions, Inc., permits employees to defer a portion of their salary until future years. All plan assets are held in trust by Nationwide for the exclusive benefit of the participants and their beneficiaries and not subject to the claims of the City's general creditors. Accordingly, the assets and liabilities for the compensation deferred by plan participants is not reflected in the City's financial statements. During the year ended September 30, 2011, contributions by participants employed by the City totaled \$422,166.

J. Community Development Block Grant Program

Status of Grants

The City of Biloxi is awarded an entitlement grant every year by the Department of Housing and Urban Development Community Block Grant Program. The following represents the status of the award of grant funds as of September 30, 2011:

	Award	Drawn Prior to FYE 9/30/10	Drawn During FYE 9/30/11	Balance
CDBG B-10-MC-28-0001	\$ 609,136	\$ -	\$ -	\$ 609,136
CDBG B-11-MC-28-0001	511,204			511,204
Totals	<u>\$ 1,120,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,120,340</u>

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

Waterfront Development

Through the use of certain Department of Housing & Urban Development (HUD) grants and loans, the City has acquired and developed property commonly known as the Point Cadet Waterfront Development Project. These federal grants and loans contain restrictions which require that 5.13% of the income (such as rents), generated by these properties, be restricted as to use for CDBG eligible activities only.

The City of Biloxi has negotiated three leases with the Riverboat Corporation of Mississippi who operates the "Isle of Capri Hotel and Casino" at the Point Cadet Waterfront Development. A portion of the lease revenues are considered program income under the CDBG and HUD Section 108 loan programs, and are restricted to use for such eligible purposes. The initial lease (casino lease), dated August 1, 1992, calls for an initial term of seven (7) years with seven additional five (5) year renewal options. Minimum annual rentals are \$500,000. Minimum annual rentals for each renewal option period are adjusted by the Consumer Price Index. In addition to the minimum annual rentals, the lease calls for an additional annual amount equal to three percent (3%) of the tenant's gross annual revenues in excess of \$25,000,000 (\$829,791 in 2011).

Another lease (hotel lease), dated April 13, 1994, calls for an initial term of twenty-five (25) years with six additional ten (10) year renewal options and a final option period with a termination date of December 31, 2085. Minimum annual rentals began at \$404,000 and are adjusted every five years by reference to the Consumer Price Index. In addition to the minimum annual rentals, the lease calls for an additional amount equal to four percent (4%) of the tenant's gross revenues (\$418,368 in 2011).

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

Mortgage Loans Receivable

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

Mortgage loans receivable at September 30, 2011, consisted of the following:

Nixon Street home acquisition mortgages	\$ 3,124
Revolving Loan Program	<u>70,733</u>
Total deferred mortgage loans receivable	<u>\$ 73,857</u>

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

K. Self-Insured Risk, Claims and Other Contingencies

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

Property damage

Per occurrence deductible (SIR)	\$ 100,000
Specific excess coverage in force	30,000,000

Workers compensation

Per occurrence deductible (SIR)	500,000
Specific excess coverage in force	Statutory

General and other liability coverage

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

Annual aggregate coverage to:

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

Health

Per individual deductible (SIR)	125,000
Annual aggregate risk of loss through deductibles	7,076,364
Specific excess coverage in force	1,000,000

The following is a summary of the City's self-insurance reserves at September 30, 2011:

	Employee Medical Claims	Property, Liability & Workers' Compensation	Total
Total estimated liability and reserves – October 01, 2009	\$ 3,730,286	\$ 3,889,068	\$ 7,619,354
Claims incurred and changes in estimates	6,144,712	797,087	6,941,799
Claims paid	(6,577,402)	(1,136,534)	(7,713,936)
Total estimated liability and reserves – September 30, 2010	3,297,596	3,549,621	6,847,217
Claims incurred and changes in estimates	5,638,963	468,984	6,107,947
Claims paid	(6,192,039)	(534,873)	(6,726,912)
Total estimated liability and reserves – September 30, 2011	<u>\$ 2,744,520</u>	<u>\$ 3,483,732</u>	<u>\$ 6,228,252</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.

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

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

L. Related Party Commitments

Joint Venture

The City of Biloxi 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, 2011, a complete copy of which is on file at the administrative offices of the Authority.

Harrison County Utility Authority Synopsis

Balance Sheet

Assets

Current assets	\$ 9,337,582
Restricted assets	34,734,367
Property, plant and equipment	272,161,135
Deferred charges	<u>28,287,587</u>
Total assets	<u>\$ 344,520,671</u>

Liabilities & Fund Equity

Liabilities

Current, unrestricted	\$ 9,703,932
Current, restricted	20,207,791
Long-term liabilities	<u>143,312,909</u>
Total liabilities	<u>173,224,632</u>

Net assets	<u>171,296,039</u>
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Total liabilities and net assets	<u>\$ 344,520,671</u>
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City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Statement of Revenues and Expenses

Operating revenues	\$ 18,357,485
Operating expenses	(18,473,487)
Depreciation and amortization	(4,004,606)
Non-operating revenues (expenses)	<u>68,571,007</u>
Changes in net assets	<u>\$ 64,450,399</u>

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

General Fund

Statement of revenues, expenditures and changes in fund balance:

Public works expenditures:

Other services and charges (solid waste charges) \$ 1,797,222

Water and Sewer Enterprise Fund

Balance sheet:

Accounts Payable \$ (309,823)

Statement of revenues, expenses and changes in retained earnings:

Operating expenses:

Contracted services (wastewater treatment) \$ 8,978,093

Jointly Governed Organizations

Harrison County Library System – On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Biloxi Public Library, the City of Gulfport, 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 \$695,000 for the year ended September 30, 2011. The amount budgeted for the City of Biloxi for the fiscal year ended September 30, 2012 is \$695,000. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City of Biloxi does not have an ongoing financial responsibility.

Gulfport-Biloxi Regional Airport Authority – The Gulfport-Biloxi Regional Airport Authority was chartered on August 25, 1977, and assumed control of the Airport on October 1, 1977. The Authority is comprised of one appointee each from the local governmental units of the City of

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

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 2011-2012 fiscal year. The City of Biloxi has no equity interest in the organization.

M. Other Commitments

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 Isle of Capri. The purpose of the agreement was to resolve public trust tidelands issues affecting the Point Cadet Waterfront Development property. In lieu of the December 2, 1985, lease with the Board of Trustees of State Institutions of Higher Learning, this agreement provides that the City has an undivided one third interest in the entire Point Cadet Development site. The first \$2,733,000 of revenue from this property each year is received by the City of Biloxi. All additional annual revenue which exceeds \$2,733,000 is allocated by thirds to the City of Biloxi, IHL, and the State Tidelands Trust Fund.

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

Capital Projects

In connection with the Capital Projects Funds, the City has budgeted certain commitments for engineering services, construction and other capital project costs. The projects are to be funded, in part, with State and Federal grants. The remainder of the required funds will be generated by local sources and insurance claim proceeds. The following is a summary of the budgeted commitment for capital projects at September 30, 2011:

Total commitment for general Capital Projects	\$ <u>430,565,779</u>
Funding sources:	
Federal and State Grants	\$ 407,108,960
Bond Funds and other borrowings	10,120,282
Enterprise Funds	451,074
Insurance claim proceeds received	8,495,607
General Fund surplus and other future sources of funds to be provided	<u>4,389,856</u>
Total fund sources	\$ <u>430,565,779</u>

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

Matching Funds – USM Advanced Education Center

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

N. Forgiveness of debt

The Federal Community Disaster Loan Act of 2005 authorized the Federal Emergency Management Agency to provide direct loans, Special Community Disaster Loans (SCDL), to local governments. The purpose of the loans was to provide operational funding to those governments that incurred a significant loss in revenue due to a presidentially declared disaster that has or will adversely affect their ability to provide essential services.

In December of 2005, in response to Hurricane Katrina, the City applied for and subsequently received in scheduled payments during 2006 and 2007 two of these type loans. The City's General Fund borrowed \$11,000,000 and the City's Water and Sewer Enterprise Fund borrowed \$2,787,113.

The Federal Accountability Appropriations Act of 2007, provided for the cancellation of the SCDL to local governments meeting the criteria in Section 417(c)(1) of the Safford Act (42 U.S.C. 5184). The City met such criteria, has applied for, and has received cancellation of the loan taken out by the Water and Sewer Enterprise fund in the amount of \$2,787,113 plus any accrued interest added the loan. Therefore, \$3,085,487 was recognized as forgiveness of debt income in the Statement of Revenues, Expenses and Changes in Net Assets, Proprietary Funds during 2010. The City requested and received a five year extension of the \$11 million loan to the General Fund.

O. Subsequent Events

On October 28, 2011, the City issued general obligation bonds in the amount of \$9,350,000 for the purpose of refunding the bond issues Series 2002 and Series 2003. The approximate net present value savings for this refunding is \$600,000.

In April 2012, the City approved Water/Sewer bonds in the amount of \$6,000,000. The purpose of these bonds is to fund the installation of electronic water meters and other improvements to the water/sewer lines.

Management has evaluated subsequent events through May 21, 2012, the date on which the financial statements were available to be issued.

Required Supplementary Information

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

Schedule of Funding Progress
(\$ Thousands)

Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry Age	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
9/30/2002	\$ 7,483	\$ 25,960	28.8%	\$ 18,477	364	5076.1%
9/30/2003	8,558	25,021	34.2%	16,463	275	5986.5%
9/30/2004	8,958	24,765	36.2%	15,807	292	5413.4%
9/30/2005	9,087	23,874	38.1%	14,787	259	5709.3%
9/30/2006	9,926	23,485	42.3%	13,559	150	9039.3%
9/30/2007	10,766	22,899	47.0%	12,133	110	11030.0%
9/30/2008	11,365	22,317	50.9%	10,952	124	8832.3%
9/30/2009	11,870	25,916	45.8%	14,046	128	10973.4%
9/30/2010	11,062	24,511	45.1%	13,449	131	10266.4%
9/30/2011	10,456	24,285	43.1%	13,829	125	11063.2%

Schedule of Employer Contributions

Fiscal Year 10-1 / 9-30	Valuation Date 9-30	Annual Required Contribution	Percentage Contributed
2002-03	2002	\$ 1,625,642	161.2%
2003-04	2003	1,451,050	148.9%
2004-05	2004	1,407,163	148.1%
2005-06	2005	1,334,850	167.7%
2006-07	2006	1,230,451	165.0%
2007-08	2007	1,107,435	187.3%
2008-09	2008	1,012,412	243.8%
2009-10	2009	1,314,910	107.7%
2010-11	2010	1,273,514	106.1%
2011-12	2011	1,329,064	

Combining Financial Statements

City of Biloxi, Mississippi
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2011

Assets	Special Revenue				Capital Projects			
	Community Development Block Grant	Employees'		City Bicentennial Trust Fund	General Obligation Public Improvement		2002 TIF Capital Projects Bond Fund	
		Employees' Disability & Relief Fund	State Unemployment Fund		2003 Bond Fund	1998 Bond Fund		2000 Bond Fund
Cash	\$ 39,363	\$ -	\$ 463,666	\$ 30,649	\$ -	\$ -	\$ -	\$ 533,678
Investments	-	-	-	-	664,449	15,589	118,431	1,543,916
Taxes receivable	-	12,246	-	-	-	-	-	12,246
Mortgage loans receivable	73,857	-	-	-	-	-	-	73,857
Total assets	\$ 113,220	\$ 12,246	\$ 463,666	\$ 30,649	\$ 664,449	\$ 15,589	\$ 118,431	\$ 2,163,697
Liabilities & Fund Balance								
Liabilities								
Accounts payable	\$ 127,389	\$ 12,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,635
Due to other funds	-	-	-	-	-	-	-	4,920
Total liabilities	127,389	12,246	-	-	-	-	-	144,555
Fund balance								
Nonspendable								
Long term receivables	73,857	-	-	-	-	-	-	73,857
Restricted for								
Endowment	-	-	-	30,649	-	-	-	30,649
Committed to								
Capital Improvements	-	-	-	-	664,449	15,589	118,431	740,527
Unassigned	(88,026)	-	463,666	-	-	-	-	375,640
Total fund balances	(14,169)	-	463,666	30,649	664,449	15,589	118,431	2,019,142
Total liabilities & fund balance	\$ 113,220	\$ 12,246	\$ 463,666	\$ 30,649	\$ 664,449	\$ 15,589	\$ 118,431	\$ 2,163,697

See Independent Auditors' Report.

City of Biloxi, Mississippi
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended September 30, 2011

	Special Revenue			Capital Projects				
	Community Development Block Grant	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	General Obligation Public Improvement			2002 TIF Capital Projects Bond Fund
					2003 Bond Fund	1998 Bond Fund	2000 Bond Fund	
Revenues								
Ad valorem taxes	\$ -	\$ 1,341,216	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,341,216
Other income	163,964	-	4,138	259	66	2	12	168,515
Total revenues	163,964	1,341,216	4,138	259	66	2	12	1,509,731
Expenditures								
Community Development	350,896	-	-	-	-	-	-	350,896
Benefit payments	-	1,341,216	71,472	-	-	-	-	1,412,688
Total expenditures	350,896	1,341,216	71,472	-	-	-	-	1,763,584
Excess of revenues over expenditures	(186,932)	-	(67,334)	259	66	2	12	(253,853)
Other financing sources (uses)								
Transfers out	-	-	-	-	-	-	-	(4,920)
Net change in fund balances	(186,932)	-	(67,334)	259	66	2	12	(258,773)
Fund balance, beginning of year	172,763	-	531,000	30,390	664,383	15,587	118,419	2,277,915
Fund balance, end of year	\$ (14,169)	\$ -	\$ 463,666	\$ 30,649	\$ 664,449	\$ 15,589	\$ 118,431	\$ 2,019,142

See Independent Auditors' Report.

City of Biloxi, Mississippi
Combining Statement of Net Assets
Internal Service Funds
(for self-insured risks)
September 30, 2011

Assets	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Restricted assets				
Cash	\$ 2,968,813	\$ 2,744,520	\$ 2,061,265	\$ 7,774,598
Due from other City funds	514,919	-	-	514,919
Total restricted assets	<u>\$ 3,483,732</u>	<u>\$ 2,744,520</u>	<u>\$ 2,061,265</u>	<u>\$ 8,289,517</u>
Liabilities & Net Assets				
Liabilities payable from restricted assets				
Claims contingency payable	<u>\$ 3,483,732</u>	<u>\$ 2,744,520</u>	<u>\$ -</u>	<u>\$ 6,228,252</u>
Net assets				
Unrestricted	<u>-</u>	<u>-</u>	<u>2,061,265</u>	<u>2,061,265</u>
Total liabilities and net assets	<u>\$ 3,483,732</u>	<u>\$ 2,744,520</u>	<u>\$ 2,061,265</u>	<u>\$ 8,289,517</u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
(for self-insured risks)
For the Year Ended September 30, 2011

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Operating revenues				
Charges for services, insurance billings	\$ 3,884,142	\$ 6,951,906	\$ -	\$ 10,836,048
COBRA contributions	-	74,078	-	74,078
Total operating revenue	<u>3,884,142</u>	<u>7,025,984</u>	<u>-</u>	<u>10,910,126</u>
Operating expenses				
Insurance and reinsurance	2,845,616	392,373	-	3,237,989
Claims expense	<u>1,038,526</u>	<u>6,658,067</u>	<u>-</u>	<u>7,696,593</u>
Total operating expenses	<u>3,884,142</u>	<u>7,050,440</u>	<u>-</u>	<u>10,934,582</u>
Excess (deficiency) of revenues over expenditures	-	(24,456)	-	(24,456)
Other financing sources (uses)				
Interest income	-	24,456	17,434	41,890
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>24,456</u>	<u>17,434</u>	<u>41,890</u>
Net change in fund balances	-	-	17,434	17,434
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>2,043,831</u>	<u>2,043,831</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,061,265</u>	<u>\$ 2,061,265</u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Combining Statement of Cash Flows
Internal Service Funds
(for self-insured risks)
For the Year Ended September 30, 2011

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Cash flows from operating activities				
Receipts from customers	\$ 3,884,142	\$ 7,025,984	\$ -	\$ 10,910,126
Payments to suppliers	(3,950,031)	(7,603,086)	-	(11,553,117)
Net cash provided by (used in) operating activities	(65,889)	(577,102)	-	(642,991)
Cash flows from non-capital financing activities				
Loans (to) other funds	(436,684)	-	-	(436,684)
Cash flows from investing activities				
Interest and dividends on investments	-	24,456	17,434	41,890
Net increase (decrease) in cash and cash equivalents	(502,573)	(552,646)	17,434	(1,037,785)
Cash and cash equivalents, beginning of period	3,471,386	3,297,166	2,043,831	8,812,383
Cash and cash equivalents, end of period	<u>\$ 2,968,813</u>	<u>\$ 2,744,520</u>	<u>\$ 2,061,265</u>	<u>\$ 7,774,598</u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget Basis
Debt Service Fund
For the Year Ended September 30, 2011

	Actual	Budget	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 6,554,416	\$ 6,654,640	\$ (100,224)
Intergovernmental	1,233,608	1,233,608	-
Other income	76,090	8,000	68,090
Total revenues	<u>7,864,114</u>	<u>7,896,248</u>	<u>(32,134)</u>
Expenditures			
Principal retirement	4,147,114	4,147,114	-
Interest expense	2,271,281	3,636,647	1,365,366
Paying agents' fees	18,063	26,000	7,937
Total expenditures	<u>6,436,458</u>	<u>7,809,761</u>	<u>1,373,303</u>
Excess (deficiency) of revenues over expenditures	<u>1,427,656</u>	<u>86,487</u>	<u>1,341,169</u>
Fund balances, beginning of year	<u>11,238,138</u>	<u>11,238,138</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 12,665,794</u></u>	<u><u>\$ 11,324,625</u></u>	<u><u>\$ 1,341,169</u></u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budget Basis
Community Development Block Grant
For the Year Ended September 30, 2011

	Actual	Budget	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ -	\$ 609,136	\$ (609,136)
Other income	167,129	184,911	(17,782)
Total revenues	<u>167,129</u>	<u>794,047</u>	<u>(626,918)</u>
Expenditures			
Community development	<u>336,286</u>	<u>794,047</u>	<u>457,761</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(169,157)	-	(169,157)
Fund balances, beginning of year	<u>95,741</u>	<u>95,741</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ (73,416)</u></u>	<u><u>\$ 95,741</u></u>	<u><u>\$ (169,157)</u></u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget Basis
Employees' Disability & Relief Funds
For the Year Ended September 30, 2011

	Fire and Police Disability & Relief Fund	Employees' Disability & Relief Fund	Total	Budget	Variance Positive (Negative)
Revenues					
Ad valorem taxes	\$ 859,131	\$ 483,270	\$ 1,342,401	\$ 1,422,358	\$ (79,957)
Expenditures					
Benefit payments	859,131	483,270	1,342,401	1,422,358	79,957
Excess of revenues over expenditures	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budget Basis
Employees' State Unemployment Fund
For the Year Ended September 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
Revenues			
Other income	<u>\$ 4,138</u>	<u>\$ 4,000</u>	<u>\$ 138</u>
Expenditures			
Benefit payments	<u>76,643</u>	<u>21,000</u>	<u>(55,643)</u>
Excess (deficiency) of revenues over expenditures	(72,505)	(17,000)	(55,505)
Fund balances, beginning of year	<u>536,172</u>	<u>536,172</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 463,667</u></u>	<u><u>\$ 519,172</u></u>	<u><u>\$ (55,505)</u></u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budget Basis
City Bicentennial Trust Fund
For the Year Ended September 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
Revenues			
Other income	<u>\$ 259</u>	<u>\$ 200</u>	<u>\$ 59</u>
Expenditures			
Benefit payments	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	259	200	59
Fund balances, beginning of year	<u>30,390</u>	<u>30,390</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 30,649</u></u>	<u><u>\$ 30,590</u></u>	<u><u>\$ 59</u></u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget Basis
Capital Projects Funds
For the Year Ended September 30, 2011

	General Capital Projects Fund	General Obligation Public Improvement				2002 TIF Capital Projects		Total	Budget	Variance Positive (Negative)
		2003 Bond Fund	1998 Bond Fund		2000 Bond Fund	Bond Fund	Bond Fund			
Revenues										
Intergovernmental	\$ 25,832,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,832,874	\$ 406,223,027	\$ (380,390,153)
Other income	-	66	2	12	12	74	74	154	530	(376)
Total revenues	25,832,874	66	2	12	12	74	74	25,833,028	406,223,557	(380,390,529)
Expenditures										
Capital projects	33,211,993	-	-	-	-	-	-	33,211,993	433,912,293	400,700,300
Excess (deficiency) of revenues over expenditures	(7,379,119)	66	2	12	12	74	74	(7,378,965)	(27,688,736)	20,309,771
Other financing sources (uses)										
Loan proceeds	508,805	-	-	-	-	-	-	508,805	8,787,267	(8,278,462)
Transfers in	811,932	-	-	-	-	-	-	811,932	3,327,249	(2,515,317)
Transfers out	-	-	-	-	-	(4,920)	(4,920)	(4,920)	(491,707)	486,787
Total other financing sources (uses)	1,320,737	-	-	-	-	(4,920)	(4,920)	1,315,817	11,622,809	(10,306,992)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(6,058,382)	66	2	12	12	(4,846)	(4,846)	(6,063,148)	(16,065,927)	10,002,779
Fund balances, beginning of year	9,366,108	607,600	15,587	118,419	118,419	745,373	745,373	10,853,087	10,853,087	-
Fund balances, end of year	3,307,726	607,666	15,589	118,431	118,431	740,527	740,527	4,789,939	(5,212,840)	10,002,779

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues and Expenses Compared to Budget
Water and Sewer Fund
For the Year Ended September 30, 2011

	Actual	Budget	Variance Positive (Negative)
Revenues			
Charges for services:			
Water and sewer charges	\$ 14,122,524	\$ 13,485,000	\$ 637,524
Keesler Air Force Base, sewer	457,462	540,000	(82,538)
Interest income	9,479	6,000	3,479
Other income	6,719	-	6,719
Total revenues	<u>14,596,184</u>	<u>14,031,000</u>	<u>565,184</u>
Expenses			
Personal services	1,270,626	1,485,086	214,460
Contracted services	9,031,757	10,333,613	1,301,856
Other services and charges	1,438,844	1,551,540	112,696
Bond principal	181,109	181,109	-
Interest expense	35,685	35,685	-
Total expenses	<u>11,958,021</u>	<u>13,587,033</u>	<u>1,629,012</u>
Excess (deficiency) of revenues over expenses	2,638,163	443,967	2,194,196
Other financial sources (uses)			
Transfers out	<u>-</u>	<u>(250,000)</u>	<u>250,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 2,638,163</u>	<u>\$ 193,967</u>	<u>\$ 2,444,196</u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues and Expenses Compared to Budget
Biloxi Port Fund
For the Year Ended September 30, 2011

	Actual	Budget	Variance Positive (Negative)
Revenues			
Charges for services:			
Harbor fees and rents	\$ 1,515,970	\$ 1,375,864	\$ 140,106
Intergovernmental revenues	223,342	329,018	(105,676)
Other income	7,585	13,000	(5,415)
Total revenues	<u>1,746,897</u>	<u>1,717,882</u>	<u>29,015</u>
Expenses			
Personal services	1,009,297	1,063,681	54,384
Contracted services	80,012	93,430	13,418
Other services and charges	249,997	275,196	25,199
Bond principal	125,000	125,000	-
Interest expense	94,841	97,105	2,264
Capital outlay	1,370	27,551	26,181
Total expenses	<u>1,560,517</u>	<u>1,681,963</u>	<u>121,446</u>
Excess (deficiency) of revenues over expenses	<u>186,380</u>	<u>35,919</u>	<u>150,461</u>
Other financial sources (uses)			
Transfers out	<u>(565,993)</u>	<u>(134,795)</u>	<u>(431,198)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u><u>\$ (379,613)</u></u>	<u><u>\$ (98,876)</u></u>	<u><u>\$ (280,737)</u></u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues and Expenses Compared to Budget
Internal Service Funds
(for self-insured risks)
For the Year Ended September 30, 2011

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total	Budget	Variance Positive (Negative)
Revenues						
Charges for services, insurance billings	\$ 3,884,142	\$ 6,951,906	\$ -	\$ 10,836,048	\$ 10,692,000	\$ 144,048
COBRA contributions	-	74,078	-	74,078	60,000	14,078
Interest income	-	24,456	17,434	41,890	49,000	(7,110)
Total revenues	3,884,142	7,050,440	17,434	10,952,016	10,801,000	151,016
Expenses						
Insurance and reinsurance	2,845,616	392,373	-	3,237,989	3,121,000	(116,989)
Claims expense	1,038,526	6,639,832	-	7,678,358	7,637,600	(40,758)
Total expenses	3,884,142	7,032,205	-	10,916,347	10,758,600	(157,747)
Excess of revenues over expenditures	-	18,235	17,434	35,669	42,400	(6,731)
Other financial sources (uses)						
Transfers out	-	-	-	-	(1,000,000)	1,000,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ 18,235	\$ 17,434	\$ 35,669	\$ (957,600)	\$ 993,269

See Independent Auditors' Report.

Supplemental Information

City of Biloxi, Mississippi
Schedule of Investments – All Funds
September 30, 2011

	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Governmental Funds					
Debt Service Funds					
Money Market Fund	0.00%	various	N/A	\$ 26	\$ 26
Capital Projects Funds					
2003 GO Bond Fund					
Money Market Fund	0.01%	various	N/A	664,450	664,450
GOPI 1998 Bond Fund					
Money Market Fund	0.01%	various	N/A	15,589	15,589
GOPI 2000 Bond Fund					
Money Market Fund	0.01%	various	N/A	118,431	118,431
2002 TIF Capital Projects Bond Fund					
Money Market Fund	0.01%	various	N/A	745,447	745,447
Total investments, governmental funds				<u>1,543,943</u>	<u>1,543,943</u>
Proprietary funds					
Biloxi Port Fund					
Money Market Fund	0.01%	various	N/A	703,586	703,586
Money Market Fund	0.01%	various	N/A	174,764	174,764
Money Market Fund	0.01%	various	N/A	223,616	223,616
Total investments, proprietary funds				<u>1,101,966</u>	<u>1,101,966</u>
Total investments				<u><u>\$ 2,645,909</u></u>	<u><u>\$ 2,645,909</u></u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Long-Term Debt
September 30, 2011

	Date Issued	Original Issue	Balance		New Issues	Retirements	Balance September 30, 2011		Requirements Year Ended September 30, 2012		
			October 1, 2010				September 30, 2011		Principal	Interest	
General Obligation Bonds and Notes											
GOPI 1998	05/01/00	\$ 10,000,000	\$ 3,355,000	\$ -	\$ 785,000	\$ 2,570,000	\$ 820,000	\$ 90,720			
General Obligation Bonds of 2002	12/01/02	6,000,000	4,515,000	-	255,000	4,260,000	270,000	188,545			
General Obligation Bonds of 2003	12/01/03	9,800,000	6,595,000	-	615,000	5,980,000	645,000	198,175			
Special Community Disaster Loan	12/20/05	7,000,000	11,000,000	-	-	11,000,000	-	-			
Total General Obligation Bonds and Notes			25,465,000	-	1,655,000	23,810,000	1,735,000	477,440			
Limited Obligation Bonds and Notes											
Mississippi Development Bank promissory note 1	01/04/01	10,000,000	5,086,650	-	924,384	4,162,266	697,512	107,926			
Mississippi Development Authority Loan	11/01/01	500,000	326,699	-	23,572	303,127	24,279	9,329			
Bonds, Series 2006 A & B	10/31/06	31,685,000	34,020,000	-	1,235,000	32,785,000	1,300,000	1,526,923			
Mississippi Development Bank promissory note 2	10/22/09	4,500,000	4,289,316	-	309,158	3,980,158	309,158	96,136			
Total Limited Obligation Bonds and Notes			43,722,665	-	2,492,114	41,230,551	2,330,949	1,740,314			
Other General Long-Term Debt											
Lease/Purchase, The Peoples Bank	04/01/06	897,699	190,892	-	190,892	-	-	-			
Lease/Purchase, Hancock Bank	11/29/07	438,782	276,342	-	62,039	214,303	64,663	7,673			
Total Other General Long-Term Debt			467,234	-	252,931	214,303	64,663	7,673			
Total General Long-Term Debt			69,654,899	-	4,400,045	65,254,854	4,130,612	2,225,427			
Proprietary Funds Debt											
Water and sewer pollution control loans	1992-2001	2,497,903	1,121,105	508,805	181,109	1,448,801	161,287	29,357			
Limited Tax Port Bonds, Series 1999	12/01/99	2,500,000	1,640,000	-	125,000	1,515,000	135,000	84,802			
Total Proprietary Funds Debt			2,761,105	508,805	306,109	2,963,801	296,287	114,159			
Totals			\$ 72,416,004	\$ 508,805	\$ 4,706,154	\$ 68,218,655	\$ 4,426,899	\$ 2,339,586			

See Independent Auditors' Report.

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

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
A. J. Holloway	Mayor	Fidelity and Deposit Company of Maryland	\$ 100,000
George Lawrence	Councilman	Fidelity and Deposit Company of Maryland	100,000
William Stallworth	Councilman	Fidelity and Deposit Company of Maryland	100,000
Lucy Denton	Councilman	Fidelity and Deposit Company of Maryland	100,000
Clark Griffith	Councilman	Fidelity and Deposit Company of Maryland	100,000
Tom Wall	Councilman	Fidelity and Deposit Company of Maryland	100,000
Edward Gemmill	Councilman	Fidelity and Deposit Company of Maryland	100,000
David Fayard	Councilman	Fidelity and Deposit Company of Maryland	100,000
William L. Lanham	Deputy Clerk	Fidelity and Deposit Company of Maryland	50,000
Brenda Johnston	City Treasurer/ Tax Collector	Fidelity and Deposit Company of Maryland	50,000
Patricia Richardson	Court Clerk	Fidelity and Deposit Company of Maryland	10,000
John Miller	Director of Police	Fidelity and Deposit Company of Maryland	50,000

Note – In addition to the Surety Bond Coverage detailed above, all employees are covered under a \$1,000,000 Honesty Blanket Bond.

See Independent Auditors' Report.

SECTION III
STATISTICAL SECTION

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

Schedules of:	Page
Financial Trends	83
These schedules contain trend information to help the reader understand how the City of Biloxi's financial performance and well-being have changed over time.	
Revenue Capacity	88
These schedules contain information to help the reader assess the City of Biloxi's most significant local revenue sources.	
Debt Capacity	91
These schedules present information to help the reader assess the affordability of the City of Biloxi's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	96
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City of Biloxi's financial activities take place.	
Operating Information	98
These schedules contain service and infrastructure data to help the reader understand how the information in the City of Biloxi's financial report relates to the services the City provides and the activities it performs.	

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

Schedule 1
City of Biloxi
Net Assets by Component
Last Nine Fiscal Years

	Fiscal Year		
	2011	2010	2009
Governmental activities			
Invested in capital assets, net of related debt	\$ 202,599,253	\$ 182,350,760	\$ 162,209,803
Restricted	25,272,915	30,767,976	35,399,734
Unrestricted	<u>9,779,655</u>	<u>9,948,987</u>	<u>19,660,287</u>
Total governmental activities net assets	<u><u>\$ 237,651,823</u></u>	<u><u>\$ 223,067,723</u></u>	<u><u>\$ 217,269,824</u></u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 78,380,815	\$ 70,719,525	\$ 61,716,508
Restricted	1,101,967	1,117,520	1,105,935
Unrestricted	<u>4,528,206</u>	<u>2,002,188</u>	<u>(11,504,300)</u>
Total business-type activities net assets	<u><u>\$ 84,010,988</u></u>	<u><u>\$ 73,839,233</u></u>	<u><u>\$ 51,318,143</u></u>
Primary government			
Invested in capital assets, net of related debt	\$ 280,980,068	\$ 253,070,285	\$ 223,926,311
Restricted	26,374,882	31,885,496	36,505,669
Unrestricted	<u>14,307,861</u>	<u>11,951,175</u>	<u>8,155,987</u>
Total primary government net assets	<u><u>\$ 321,662,811</u></u>	<u><u>\$ 296,906,956</u></u>	<u><u>\$ 268,587,967</u></u>

* The City did not prepare this schedule or accumulate this data prior to 2003.

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 148,298,408	\$ 137,454,714	\$ 122,446,292	\$ 125,208,731	\$ 115,566,223	\$ 104,918,348
30,633,195	10,146,382	11,814,028	13,202,408	22,015,077	21,906,281
32,009,500	70,540,236	58,845,246	26,346,700	20,354,065	27,138,061
<u>\$ 210,941,103</u>	<u>\$ 218,141,332</u>	<u>\$ 193,105,566</u>	<u>\$ 164,757,839</u>	<u>\$ 157,935,365</u>	<u>\$ 153,962,690</u>
\$ 47,402,255	\$ 41,667,384	\$ 39,094,116	\$ 39,210,473	\$ 40,657,098	\$ 38,554,905
1,121,037	1,726,398	1,684,296	1,897,170	2,127,659	181,334
7,505,527	9,620,633	13,393,377	12,549,989	9,922,771	9,560,438
<u>\$ 56,028,819</u>	<u>\$ 53,014,415</u>	<u>\$ 54,171,789</u>	<u>\$ 53,657,632</u>	<u>\$ 52,707,528</u>	<u>\$ 48,296,677</u>
\$ 195,700,663	\$ 179,122,098	\$ 161,540,408	\$ 164,419,204	\$ 156,223,321	\$ 143,473,253
31,754,232	11,872,780	13,498,324	15,099,578	24,142,736	22,087,615
39,515,027	80,160,869	72,238,623	38,896,689	30,276,836	36,698,499
<u>\$ 266,969,922</u>	<u>\$ 271,155,747</u>	<u>\$ 247,277,355</u>	<u>\$ 218,415,471</u>	<u>\$ 210,642,893</u>	<u>\$ 202,259,367</u>

Schedule 2
City of Biloxi
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2011	2010	2009
Expenses			
Governmental activities:			
General government	\$ 5,769,907	\$ 5,293,011	\$ 6,289,441
Parks and recreation	5,243,857	5,456,041	5,892,707
Public safety	33,274,315	36,873,912	39,554,918
Public works	11,023,132	12,577,626	12,174,671
Community development	4,488,481	4,810,435	7,633,964
Unallocated depreciation, infrastructure	2,630,916	2,583,406	2,355,172
Interest and other, long-term debt	2,600,008	2,740,362	2,750,274
Total governmental activities expenses	<u>65,030,616</u>	<u>70,334,793</u>	<u>76,651,147</u>
Business-type activities:			
Water & Sewer	14,810,503	14,080,437	13,064,569
Biloxi Port Fund	1,659,485	1,611,282	1,594,012
Point Cadet Development Corporation	-	34	471
Total business-type activities expenses	<u>16,469,988</u>	<u>15,691,753</u>	<u>14,659,052</u>
Total primary government expenses	<u>\$ 81,500,604</u>	<u>\$ 86,026,546</u>	<u>\$ 91,310,199</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 662	\$ 771	\$ 1,506
Parks and recreation	482,485	462,444	407,165
Public safety	1,463,649	1,499,085	1,462,173
Public works	1,367,422	1,035,303	585,385
Community development	4,790,107	4,854,342	5,115,057
Operating grants and contributions	1,437,584	2,180,921	4,311,030
Capital grants and contributions	25,576,003	33,925,142	9,135,507
Total governmental activities program reviews	<u>35,117,912</u>	<u>43,958,008</u>	<u>21,017,823</u>
Business-type activities:			
Charges for services:			
Water & Sewer	14,714,317	10,205,340	7,519,605
Biloxi Port Fund	1,523,162	1,127,665	1,470,994
Point Cadet Development Corporation	22,668	19,873	24,837
Capital grants and contributions	477,166	3,287,713	1,379,466
Total business-type activities program revenues	<u>16,737,313</u>	<u>14,640,591</u>	<u>10,394,902</u>
Total primary government program revenues	<u>\$ 51,855,225</u>	<u>\$ 58,598,599</u>	<u>\$ 31,412,725</u>

* The City did not prepare this schedule or accumulate this data prior to 2003.

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 5,545,240	\$ 4,902,940	\$ 4,444,590	\$ 4,505,044	\$ 4,494,668	\$ 4,998,883
5,720,051	4,797,664	4,294,691	5,528,890	5,718,522	6,315,711
36,120,835	29,601,484	27,540,929	29,591,921	26,638,158	25,810,017
18,051,184	22,402,881	64,616,111	19,942,138	9,706,107	9,525,166
4,332,445	4,728,570	2,364,826	7,186,148	8,326,850	6,413,034
2,292,270	2,254,458	2,219,360	1,869,584	1,664,522	1,664,522
2,866,857	1,996,618	2,786,442	3,327,475	2,898,309	2,450,726
<u>74,928,882</u>	<u>70,684,615</u>	<u>108,266,949</u>	<u>71,951,200</u>	<u>59,447,136</u>	<u>57,178,059</u>
11,475,922	9,829,590	9,925,601	12,515,510	10,662,616	10,224,620
1,653,803	1,254,929	1,415,121	1,666,327	2,024,677	-
18,851	131	5,730	372,659	22,394	46,885
<u>13,148,576</u>	<u>11,084,650</u>	<u>11,346,452</u>	<u>14,554,496</u>	<u>12,709,687</u>	<u>10,271,505</u>
<u>\$ 88,077,458</u>	<u>\$ 81,769,265</u>	<u>\$ 119,613,401</u>	<u>\$ 86,505,696</u>	<u>\$ 72,156,823</u>	<u>\$ 67,449,564</u>
\$ 1,935	\$ 1,080	\$ 34,656	\$ 36,776	\$ 37,828	\$ 223,257
398,565	442,126	522,282	596,247	477,684	404,137
1,236,468	1,136,610	1,352,917	1,249,630	1,166,560	1,268,426
603,235	591,434	544,772	702,655	614,340	935,568
5,204,757	5,724,975	5,761,969	4,151,971	4,295,159	4,293,780
2,453,282	13,728,661	56,706,429	1,196,313	1,254,752	1,649,026
2,476,562	2,454,944	1,214,462	17,373,396	1,969,950	1,622,550
<u>12,374,804</u>	<u>24,079,830</u>	<u>66,137,487</u>	<u>25,306,988</u>	<u>9,816,273</u>	<u>10,396,744</u>
7,738,610	7,864,670	6,989,753	8,762,117	9,566,541	9,416,309
1,246,597	1,660,968	1,768,179	1,752,748	1,723,490	-
58,844	27,595	20,874	17,594	21,175	18,352
7,222,126	1,801,139	2,269,780	978,930	406,216	-
<u>16,266,177</u>	<u>11,354,372</u>	<u>11,048,586</u>	<u>11,511,389</u>	<u>11,717,422</u>	<u>9,434,661</u>
<u>\$ 28,640,981</u>	<u>\$ 35,434,202</u>	<u>\$ 77,186,073</u>	<u>\$ 36,818,377</u>	<u>\$ 21,533,695</u>	<u>\$ 19,831,405</u>

Schedule 2
City of Biloxi
Changes in Net Assets
Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year		
	2011	2010	2009
Net (Expense)/Revenue			
Governmental activities	\$ (29,912,704)	\$ (26,376,785)	\$ (55,633,324)
Business-type activities	267,325	(1,051,162)	(4,264,150)
Total primary government net expense	<u>\$ (29,645,379)</u>	<u>\$ (27,427,947)</u>	<u>\$ (59,897,474)</u>
General Revenues and Other			
Changes In Net Assets			
Governmental activities:			
Taxes			
Property taxes	\$ 18,000,323	\$ 18,148,452	\$ 18,125,894
Franchise taxes	2,875,067	3,040,417	3,095,826
Sales taxes	10,280,744	10,012,878	10,309,316
Gaming taxes	19,617,237	18,902,497	19,631,434
Other taxes	1,445,804	995,736	711,062
Unrestricted grants and contributions	1,200,000	3,367,995	6,018,256
Unrestricted investment earnings	274,424	307,179	399,787
Insurance proceeds	-	-	-
Miscellaneous	472,894	729,762	251,009
Transfers	(9,669,689)	(23,330,232)	3,419,459
Total governmental activities	<u>44,496,804</u>	<u>32,174,684</u>	<u>61,962,043</u>
Business-type activities:			
Property taxes	223,343	219,590	209,134
Investment earnings	11,398	22,430	46,799
Transfers	9,669,689	23,330,232	(702,459)
Total business-type activities	<u>9,904,430</u>	<u>23,572,252</u>	<u>(446,526)</u>
Total primary government	<u>\$ 54,401,234</u>	<u>\$ 55,746,936</u>	<u>\$ 61,515,517</u>
Change in Net Assets			
Governmental activities	\$ 14,584,100	\$ 5,797,899	\$ 6,328,719
Business-type activities	10,171,755	22,521,090	(4,710,676)
Total primary government	<u>\$ 24,755,855</u>	<u>\$ 28,318,989</u>	<u>\$ 1,618,043</u>

* The City did not prepare this schedule or accumulate this data prior to 2003.

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ (62,554,078)	\$ (46,604,785)	\$ (42,129,462)	\$ (46,644,212)	\$ (49,630,863)	\$ (46,781,315)
3,117,601	269,722	(297,866)	(3,043,107)	(992,265)	(836,844)
<u>\$ (59,436,477)</u>	<u>\$ (46,335,063)</u>	<u>\$ (42,427,328)</u>	<u>\$ (49,687,319)</u>	<u>\$ (50,623,128)</u>	<u>\$ (47,618,159)</u>
\$ 14,850,437	\$ 11,884,058	\$ 16,859,108	\$ 15,599,678	\$ 15,621,385	\$ 16,494,797
2,968,811	2,742,974	2,360,722	2,653,549	2,555,738	2,619,001
11,162,329	11,355,382	10,159,154	11,944,584	12,294,618	11,551,426
22,030,475	22,518,892	15,187,146	20,968,845	21,441,126	20,428,337
1,065,200	1,684,283	706,999	654,641	722,315	862,366
399,672	-	527,815	1,200,000	1,200,000	1,200,000
2,009,599	4,217,134	2,298,869	1,136,693	415,483	735,195
-	12,794,680	16,306,863	1,436,097	-	-
190,307	1,444,358	756,751	906,688	1,447,516	401,842
677,019	2,998,790	(933,637)	(3,034,089)	(2,992,157)	(3,861,291)
<u>55,353,849</u>	<u>71,640,551</u>	<u>64,229,790</u>	<u>53,466,686</u>	<u>52,706,024</u>	<u>50,431,673</u>
229,178	872,186	920,215	657,426	987,051	-
344,644	699,508	389,262	301,696	128,965	129,585
(677,019)	(2,998,790)	(497,454)	3,034,089	2,992,157	3,861,291
<u>(103,197)</u>	<u>(1,427,096)</u>	<u>812,023</u>	<u>3,993,211</u>	<u>4,108,173</u>	<u>3,990,876</u>
<u>\$ 55,250,652</u>	<u>\$ 70,213,455</u>	<u>\$ 65,041,813</u>	<u>\$ 57,459,897</u>	<u>\$ 56,814,197</u>	<u>\$ 54,422,549</u>
\$ (7,200,229)	\$ 25,035,766	\$ 22,100,328	\$ 6,822,474	\$ 3,075,161	\$ 3,650,388
3,014,404	(1,157,374)	514,157	950,104	3,115,908	3,154,032
<u>\$ (4,185,825)</u>	<u>\$ 23,878,392</u>	<u>\$ 22,614,485</u>	<u>\$ 7,772,578</u>	<u>\$ 6,191,069</u>	<u>\$ 6,804,420</u>

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

	Fiscal Year			
	2011	2010	2009	2008
General Fund				
Reserved	\$ 3,576,165	\$ 3,142,091	\$ 3,822,099	\$ 2,345,677
Unreserved	15,530,567	15,040,957	23,635,948	36,736,391
Total general fund	<u>\$ 19,106,732</u>	<u>\$ 18,183,048</u>	<u>\$ 27,458,047</u>	<u>\$ 39,082,068</u>
All other governmental funds				
Reserved	\$ 23,042,578	\$ 28,706,822	\$ 32,905,850	\$ 28,434,989
Unreserved, reported in:				
General Capital Projects Fund	-	-	-	-
Other non-major governmental funds, special revenue	375,640	626,741	(269,498)	568,205
Total all other governmental funds	<u>\$ 23,418,218</u>	<u>\$ 29,333,563</u>	<u>\$ 32,636,352</u>	<u>\$ 29,003,194</u>

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ 2,864,621	\$ 2,525,615	\$ 2,000,359	\$ 49,058	\$ 55,345	\$ 815,112
55,178,878	52,281,003	26,975,995	21,420,184	28,581,807	34,822,162
<u>\$ 58,043,499</u>	<u>\$ 54,806,618</u>	<u>\$ 28,976,354</u>	<u>\$ 21,469,242</u>	<u>\$ 28,637,152</u>	<u>\$ 35,637,274</u>
\$ 7,442,457	\$ 9,453,276	\$ 11,420,479	\$ 5,841,560	\$ 5,891,439	\$ 5,043,537
20,133,801	-	-	7,947,935	11,130,049	-
812,124	695,568	539,941	8,963,706	5,749,106	4,033
<u>\$ 28,388,382</u>	<u>\$ 10,148,844</u>	<u>\$ 11,960,420</u>	<u>\$ 22,753,201</u>	<u>\$ 22,770,594</u>	<u>\$ 5,047,570</u>

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

	Fiscal Year			
	2011	2010	2009	2008
Revenues				
Taxes	\$ 18,000,327	\$ 18,148,456	\$ 18,125,894	\$ 14,850,437
Licenses and permits	3,972,726	3,848,235	4,006,293	4,192,441
Intergovernmental	59,699,160	69,507,081	47,334,921	37,283,930
Charges for services	1,841,049	1,520,101	1,035,225	1,198,608
Fines	1,336,302	1,404,579	1,361,195	1,202,481
Other	4,417,712	5,015,051	4,778,893	5,882,659
Total revenues	<u>89,267,276</u>	<u>99,443,503</u>	<u>76,642,421</u>	<u>64,610,556</u>
Expenditures				
General government	5,101,367	4,650,116	5,549,821	5,111,940
Parks and recreation	4,948,222	5,213,572	5,316,864	5,344,806
Public safety	28,495,792	32,081,669	33,953,635	34,791,692
Public works	9,383,848	12,358,655	11,340,820	15,457,386
Community development	3,481,616	3,587,332	6,423,995	3,425,986
Non-departmental	3,934,012	4,956,816	4,826,960	5,003,572
Retirement contribution				
Capital outlay	22,807,930	25,130,739	14,560,072	11,351,010
Debt service:				
Principal	4,147,114	3,878,578	3,621,661	3,278,169
Interest	2,289,344	2,367,400	2,454,374	2,570,957
Bond issue costs		66,184	-	-
Total expenditures	<u>84,589,245</u>	<u>94,291,061</u>	<u>88,048,202</u>	<u>86,335,518</u>
Excess of revenues over (under) expenditures	4,678,031	5,152,442	(11,405,781)	(21,724,962)
Other Financing Sources (Uses)				
Insurance proceeds	-	-	-	-
Issuance of bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Issuance of notes		4,500,000	2,717,000	2,258,000
Capital lease	-	-	-	438,782
Transfers in	811,932	4,234,063	6,675,931	9,168,356
Transfers out	(10,481,621)	(5,189,932)	(5,973,471)	(8,491,337)
Total other financing sources (uses)	<u>(9,669,689)</u>	<u>3,544,131</u>	<u>3,419,460</u>	<u>3,373,801</u>
Net change in fund balances	<u>\$ (4,991,658)</u>	<u>\$ 8,696,573</u>	<u>\$ (7,986,321)</u>	<u>\$ (18,351,161)</u>
Debt services as a percentage of noncapital expenditures	10.4%	9.1%	8.3%	7.8%

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ 11,884,058	\$ 16,859,108	\$ 15,599,678	\$ 15,621,385	\$ 16,494,797	\$ 15,788,474
4,366,535	4,059,907	3,667,843	3,597,812	3,661,074	3,320,782
50,509,539	83,596,269	53,337,778	38,546,261	37,250,012	36,101,336
1,000,762	1,124,939	1,081,843	982,416	1,129,740	1,213,723
1,123,537	1,346,888	1,241,663	1,156,867	1,180,109	1,133,113
10,760,698	6,956,788	5,442,861	4,988,822	4,908,527	4,780,681
79,645,129	113,943,899	80,371,666	64,893,563	64,624,259	62,338,109
4,319,296	4,221,591	4,225,009	4,066,268	4,021,258	4,159,184
3,965,717	3,766,106	4,926,209	4,564,356	4,323,630	4,254,332
28,417,622	27,139,584	26,922,427	23,522,963	22,412,569	22,203,686
20,885,545	63,498,853	18,802,996	8,829,393	8,114,028	7,639,287
2,338,863	2,248,326	3,702,265	3,702,108	4,128,317	3,777,394
4,031,368	2,919,036	5,535,248	5,380,002	6,180,177	4,816,858
		2,108,989	2,085,382	2,691,822	2,728,111
7,986,131	3,259,444	19,299,416	23,236,972	26,681,858	18,041,127
3,590,680	4,787,845	9,813,918	3,661,674	2,641,116	2,627,508
1,615,844	2,786,442	3,246,883	2,863,804	1,689,836	1,821,497
75,219	-	80,592	120,031	760,890	-
77,226,285	114,627,227	98,663,952	82,032,953	83,645,501	72,068,984
2,418,844	(683,328)	(18,292,286)	(17,139,390)	(19,021,242)	(9,730,875)
12,794,680	16,306,863	5,528,315	-	-	-
34,020,000	-	5,530,000	9,801,416	29,000,000	500,000
(31,669,936)	-	-	-	-	-
4,000,000	7,000,000	2,000,000	-	-	-
-	897,699	-	-	-	-
28,184,393	3,255,948	17,378,176	21,421,773	25,256,872	16,878,390
(28,271,562)	(2,758,494)	(15,429,874)	(21,269,102)	(24,846,156)	(16,259,161)
19,057,575	24,702,016	15,006,617	9,954,087	29,410,716	1,119,229
\$ 21,476,419	\$ 24,018,688	\$ (3,285,669)	\$ (7,185,303)	\$ 10,389,474	\$ (8,611,646)
7.6%	6.8%	16.6%	11.3%	8.9%	8.2%

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

Fiscal Year Ended	Real Property (1)		Personal Property	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2011	\$ 432,803,922	\$ 3,163,771,360	\$ 81,961,919	\$ 546,412,793
2010	422,530,047	3,088,669,934	94,168,478	627,789,853
2009	416,010,814	3,041,014,722	99,426,267	662,841,780
2008	315,103,936	2,303,391,345	86,235,198	574,901,320
2007	264,457,015	1,933,165,314	42,427,809	282,852,060
2006	367,933,781	2,689,574,423	97,968,890	653,125,933
2005	358,029,587	2,617,175,344	90,986,491	606,576,607
2004	349,059,331	2,551,603,297	87,534,512	583,563,413
2003	363,850,114	2,659,723,056	89,559,850	597,065,667
2002	364,674,681	2,665,750,592	86,133,392	574,222,613

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

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

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

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

Fiscal Year Ended	Tax Year	City of Biloxi		
		Operating Millage	Debt Service	Total
2011	2010	20.90	9.20	30.10
2010	2009	20.90	9.20	30.10
2009	2008	20.90	9.20	30.10
2008	2007	20.90	9.20	30.10
2007	2006	20.90	9.20	30.10
2006	2005	20.90	9.20	30.10
2005	2004	22.40	7.70	30.10
2004	2003	22.40	7.70	30.10
2003	2002	23.40	6.70	30.10
2002	2001	23.40	6.70	30.10

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

Utility		Automobile & Mobile Home		Total		Ratio of Assessed to Actual
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
\$ 33,429,527	\$ 222,863,513	\$ 48,500,401	\$ 161,668,003	\$ 596,695,769	\$ 4,094,715,670	14.57%
30,822,609	205,484,060	56,529,070	188,430,233	604,050,204	4,110,374,081	14.70%
30,021,990	200,146,600	60,482,827	201,609,423	605,941,898	4,105,612,526	14.76%
28,489,554	189,930,360	65,897,368	219,657,893	495,726,056	3,287,880,918	15.08%
20,810,411	138,736,073	61,828,287	206,094,290	389,523,522	2,560,847,738	15.21%
21,956,503	146,376,687	54,004,362	180,014,540	541,863,536	3,669,091,583	14.77%
23,589,400	157,262,667	46,875,398	156,251,327	519,480,876	3,537,265,944	14.69%
23,673,558	157,823,720	49,958,644	166,528,813	510,226,045	3,459,519,243	14.75%
22,826,980	152,179,867	48,284,298	160,947,660	524,521,242	3,569,916,249	14.69%
23,614,559	157,430,393	46,417,107	154,723,690	520,839,739	3,552,127,289	14.66%

Harrison County			Biloxi School District			Total Millage	Total City and School
Operating Millage	Debt Service	Total	Operating Millage	Debt Service	Total		
32.58	3.37	35.95	32.97	7.11	40.08	106.13	70.18
32.58	3.37	35.95	32.97	7.11	40.08	106.13	70.18
32.58	3.37	35.95	30.64	7.39	38.03	104.08	68.13
34.24	2.37	36.61	30.44	7.59	38.03	104.74	68.13
34.35	2.14	36.49	30.44	7.59	38.03	104.62	68.13
34.14	2.35	36.49	30.58	7.45	38.03	104.62	68.13
33.39	2.31	35.70	29.01	9.02	38.03	103.83	68.13
33.51	2.19	35.70	32.34	4.34	36.68	102.48	66.78
32.90	2.80	35.70	30.84	4.34	35.18	100.98	65.28
32.45	3.25	35.70	27.09	4.34	31.43	97.23	61.53

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

	2011			2001		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Taxpayer						
Beau Rivage	\$ 72,469,032	1	12.15%	\$ 85,635,311	1	16.77%
Imperial Palace	34,560,861	2	5.79%	27,266,772	3	5.34%
Isle of Capri Casino	21,610,103	3	3.62%	16,469,936	5	3.23%
Mississippi Power	22,441,957	4	3.76%	8,078,906	8	1.58%
Grand Casino	18,365,910	5	3.08%	29,467,464	2	5.77%
Hard Rock Casino	10,474,665	6	1.76%			
Palace Casino	7,175,597	7	1.20%			
Bell South	6,947,634	8	1.16%	9,049,262	7	1.77%
American National	5,860,303	9	0.98%	6,061,838	10	1.19%
Boomtown Casino	5,860,303	10	0.98%			
Casino Magic				24,047,730	4	4.71%
Mastar				14,330,480	6	2.81%
President Casino				7,191,228	9	1.41%
Total	<u><u>\$ 205,766,365</u></u>		<u><u>34.48%</u></u>	<u><u>\$ 227,598,927</u></u>		<u><u>40.36%</u></u>

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 38,618,482	\$ 38,598,059	99.95%	\$ 632,153	\$ 39,230,212	101.58%
2010	37,966,436	37,478,389	98.71%	683,980	38,162,369	100.52%
2009	30,784,713	29,715,851	96.53%	739,625	30,455,476	98.93%
2008	23,611,125	23,088,759	97.79%	1,176,800	24,265,559	102.77%
2007	33,817,049	33,670,317	99.57%	1,094,228	34,764,545	102.80%
2006	32,839,579	32,332,482	98.46%	415,459	32,747,941	99.72%
2005	31,900,734	31,894,516	99.98%	434,597	32,329,113	101.34%
2004	32,263,406	32,095,387	99.48%	1,043,193	33,138,580	102.71%
2003	30,269,675	29,505,708	97.48%	446,975	29,952,683	98.95%
2002	29,595,998	28,845,271	97.46%	522,664	29,367,935	99.23%

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

Fiscal Year	Governmental Activities				Business-Type Activities	
	General Obligation Bonds	Limited Obligation Bonds	Capital Leases	Other General Long-Term Debt	Water/ Sewer Revenue Bonds	SRF Loans
2011	\$ 12,810,000	\$ 32,785,000	\$ 214,303	\$ 19,445,551	\$ -	\$ 1,448,801
2010	14,465,000	34,020,000	467,234	20,702,616	-	1,121,106
2009	17,110,000	34,020,000	713,228	17,436,183	-	1,296,002
2008	19,800,000	34,020,000	949,731	15,650,854	-	1,464,905
2007	22,460,000	34,020,000	729,324	14,011,023	-	1,628,026
2006	24,995,000	30,405,000	897,699	10,542,312	-	1,628,026
2005	28,040,000	31,625,000	-	4,065,157	-	1,628,026
2004	26,946,849	32,785,000	-	6,282,226	-	1,746,170
2003	23,160,000	33,890,000	-	2,825,749	-	1,860,468
2002	19,090,000	11,280,000	-	3,146,865	-	1,970,978

Business-Type Activities

Port Bonds	Other Loans	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 1,640,000	\$ -	\$ 68,343,655	Not Available	1,493
1,640,000	-	72,415,956	Not Available	1,582
1,760,000	2,787,113	75,122,526	Not Available	1,641
1,870,000	2,787,113	76,542,603	4.62%	1,670
1,975,000	2,787,113	77,610,486	4.53%	1,678
2,680,000	1,000,000	72,148,037	4.74%	1,563
3,370,000	-	68,728,183	4.58%	1,359
4,050,000	-	71,810,245	5.22%	1,413
-	-	61,736,217	4.59%	1,233
-	-	35,487,843	2.75%	711

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

Fiscal Year Ended 9/30	Estimated Population (1)	Actual Value of Property (2)	Gross General Obligation Debt (3)	Less Debt Service Fund	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Net Bonded Debt Per Capita
2011	45,766	\$ 4,094,715,670	\$32,255,551	\$ 13,910,717	\$ 18,344,834	0.45%	401
2010	45,766	4,110,374,081	34,840,966	12,487,416	22,353,550	0.54%	488
2009	45,766	4,105,612,526	34,196,599	10,826,183	23,370,416	0.57%	511
2008	45,828	3,287,880,918	35,079,051	6,524,693	28,554,358	0.87%	623
2007	46,246	2,560,847,738	36,077,648	3,716,525	32,361,123	1.26%	783
2006	46,166	3,669,091,583	35,115,160	3,651,761	31,463,399	0.86%	710
2005	50,579	3,537,265,944	31,662,672	4,421,727	27,240,945	0.77%	546
2004	50,817	3,459,519,243	32,766,849	5,549,995	27,216,854	0.79%	542
2003	50,068	3,569,916,249	25,504,357	5,588,664	19,915,693	0.56%	401
2002	49,897	3,552,127,289	21,736,865	3,926,622	17,810,243	0.50%	359

(1) *Annual Estimates of the Resident Population for Incorporated Places in Mississippi, April 1, 2000 to July 1, 2009.*

Retrieved December 7, 2010 from <http://www.census.gov/popest/cities>.

(2) Schedule "Assessed and Actual Value of Property"

(3) Includes notes; excludes debt paid from Enterprise Fund revenues

Schedule 11
City of Biloxi
Direct and Overlapping
General Obligation Debt
As of September 30, 2011

	Net General Obligation Bonded Debt Outstanding	Applicable Percentage	Amount Applicable to City of Biloxi
Jurisdiction			
Direct:			
City of Biloxi	\$ 18,344,834	100.00%	\$ 18,344,834
Overlapping:			
Biloxi School District	39,980,000	100.00%	39,980,000
Harrison County	143,349,775	27.81%	39,865,572
City of Biloxi Limited Tax Port Bonds (2)	1,515,000	27.81%	421,322
Total overlapping	<u>184,844,775</u>		<u>80,266,894</u>
Totals	<u>\$ 203,189,609</u>		<u>\$ 98,611,728</u>

- (1) Outstanding general obligation bonded debt less amount available in Debt Service Fund.
Includes Port Fund (enterprise) general obligation debt.
- (2) Secured by the pledge of the avails of a continuing tax by Harrison County.

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

	Fiscal Year			
	2011	2010	2010	2008
Debt Limit	\$ 89,504,365	\$ 90,607,531	\$ 90,891,285	\$ 74,358,908
Total net debt applicable to limit	<u>23,810,000</u>	<u>25,465,000</u>	<u>28,110,000</u>	<u>30,800,000</u>
Legal debt margin	<u>\$ 65,694,365</u>	<u>\$ 65,142,531</u>	<u>\$ 62,781,285</u>	<u>\$ 43,558,908</u>
Total net debt applicable to the limit as a percentage of the debt limit	26.60%	28.10%	30.93%	41.42%

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ 58,428,528	\$ 81,279,530	\$ 77,922,131	\$ 78,301,512	\$ 76,764,019	\$ 79,622,455
33,460,000	31,995,000	31,662,672	32,766,849	25,504,357	21,736,865
<u>\$ 24,968,528</u>	<u>\$ 49,284,530</u>	<u>\$ 46,259,459</u>	<u>\$ 45,534,663</u>	<u>\$ 51,259,662</u>	<u>\$ 57,885,590</u>
57.27%	39.36%	40.63%	41.85%	33.22%	27.30%

Legal Debt Margin Calculated

for Fiscal Year 2011

Assessed value	\$ 596,695,769
Debt limit (15% of assessed value)	89,504,365
Debt applicable to limit:	
General obligation bonds	<u>23,810,000</u>
Total debt applicable to limit	<u>23,810,000</u>
Legal debt margin	<u>\$ 65,694,365</u>

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

Fiscal Year Ended 9/30	Gross Revenues	Operating Expenses	Net Revenues Available for Debt Service	Debt Service Requirements (1)			
				Principal	Interest	Total	Coverage
2011	\$14,422,912	\$ 14,767,495	\$ (344,583)	\$ 181,109	\$ 35,685	\$ 216,794	-158.94%
2010	10,205,341	13,959,998	(3,754,657)	174,896	41,898	216,794	-1731.90%
2009	7,399,448	12,941,452	(5,542,004)	168,903	47,891	216,794	-2556.35%
2008	7,964,405	11,346,358	(3,381,953)	163,121	53,673	216,794	-1559.98%
2007	8,264,274	9,730,830	(1,466,556)	-	-	-	N/A
2006	7,212,180	9,925,146	(2,712,966)	-	-	-	N/A
1005	9,002,050	12,450,570	(3,448,520)	118,210	58,531	176,741	-1951.17%
2004	9,672,172	10,600,079	(927,907)	114,298	62,537	176,835	-524.73%
2003	9,545,558	10,158,286	(612,728)	110,510	66,335	176,845	-346.48%
2002	9,484,598	9,986,717	(502,119)	98,108	62,742	160,850	-312.17%

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

Schedule 14
City of Biloxi
Demographic and
Economic Statistics
Last Ten Calander Years

Year	Estimated Population (1)	Per Capita Personal Income (2)	Personal Income (3)	School Enrollment (4)	Unemployment Rate (5)
2011	45,766	Not available	Not available	4,913	10.2
2010	45,766	Not available	Not available	4,806	9.8
2009	45,766	\$ 36,225	\$ 1,657,873,350	4,686	8.0
2008	45,828	36,188	1,658,423,664	4,780	6.0
2007	46,246	37,074	1,714,524,204	4,816	6.8
2006	46,166	32,983	1,522,693,178	4,711	15.6
2005	50,579	29,668	1,500,577,772	6,051	8.3
2004	50,817	27,073	1,375,768,641	6,132	5.5
2003	50,068	26,859	1,344,776,412	6,009	5.7
2002	49,897	25,817	1,288,190,849	5,854	6.0

- (1) *Annual Estimates of the Resident Populaton for Incorporated Places in Mississippi April 1, 2000 to July 1, 2009* . Retrieved March 27, 2012 from www.census.gov/popest/cities.
- (2) US Department of Commerce, Bureau of Economic Analysis *Per Capita Personal Income 2/ CAI-3 for Harrison County, Mississippi, April, 2010* . March 27, 2012 from <http://www.bea.gov/regional/reis/drill.cfm>.
- (3) Calculated by multiplying Estimated Population by Per Capita Personal Income
- (4) Biloxi School District
- (5) Annual average monthly figures for calendar year, City of Biloxi, Mississippi Employment Security Commission

Schedule 15
City of Biloxi
Principal Employers
Current & Five Years Prior

	Fiscal Year			
	2011		2006	
Employer	Employees	Rank	Employees	Rank
Keesler Air Force Base	12,222	1	16,000	1
Beau Rivage Casino & Resort	2,366	2	3,600	2
Biloxi Veterans Admin Hospital	1,985	3	-	-
Imperial Palace Casino Resort Spa	1,656	4	2,900	3
Hard Rock Hotel & Casino Biloxi	772	5	-	-
Biloxi Regional Medical Center	750	6	542	10
Grand Casino Biloxi	715	7	1,500	4
Biloxi Public School District	665	8	720	6
Palace Casino Resort	630	9	600	9
Isle Casino	605	10	1,200	5
City of Biloxi	601		652	8
Boomtown Biloxi Casino			700	7
Total	22,967		28,414	

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

Source: Harrison County Development Commission.

Schedule 16
City of Biloxi
Full-Time Equivalent City Government
Employees by Function/Program
Last Six Fiscal Years

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

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

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

Function/Program	Fiscal Year			
	2011	2010	2009	2008
Police				
Physical arrests	7,763	7,971	9,108	9,953
Parking violations	315	128	232	103
Traffic violations	15,229	16,222	19,490	13,278
Fire				
Emergency responses	7,194	6,883	6,500	6,338
Inspections	4,047	3,759	3,856	4,491
Water				
Average daily consumption (thousands of gallons)	5,507	4,850	5,380	5,559
Wastewater				
Average daily sewage treatment (thousands of gallons)	8,003	9,680	9,779	8,927

Sources: Various departments of City of Biloxi.

Fiscal Year					
2007	2006	2005	2004	2003	2002
8,421	10,171	16,351	10,772	10,087	10,120
98	245	441	308	269	351
3,197	5,622	7,838	10,274	15,729	12,319
5,873	5,729	5,117	3,939	3,427	3,427
4,076	4,056	3,270	3,500	3,106	3,106
5,414	5,910	5,739	7,713	8,002	8,002
7,909	7,398	10,859	11,111	11,870	11,485

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

Function/Program	Fiscal Year			
	2011	2010	2009	2008
Police				
Stations	1	1	1	1
Patrol units	123	128	135	144
Fire stations	9	9	9	9
Other public works				
Streets (miles)	220	220	220	217
Traffic signals	40	40	40	40
Parks and recreation				
Acreage	258	258	258	258
Playgrounds	20	20	20	20
Ballfields	30	30	30	30
Community centers	5	5	2	2
Water				
Water mains	251	251	234	234
Fire hydrants	1,890	1,890	1,820	1,786
Storage capacity (thousands of gallons)	14,793	14,793	14,793	14,793
Wastewater				
Sanitary sewers	235	235	235	235
Treatment capacity (thousands of gallons)	21,582	21,582	21,582	21,582

Sources: Various departments of City of Biloxi.

Fiscal Year					
2007	2006	2005	2004	2003	2002
1	1	1	1	1	1
144	135	136	165	150	135
9	9	9	9	8	8
217	215				
40	40				
258	258	161	170	170	170
20	20				
30	30				
2	2	2	4	5	5
234	234	234	234	231	231
1,729	1,729				
14,793	14,793	14,793	14,793	13,066	13,066
235	235	235	235	235	235
21,582	21,582	21,582	21,582	21,582	18,924

SECTION IV
COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards

City of Biloxi
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2011

Grantor Federal Agency / Pass-Through Agency / Program Title	CFDA Number	Pass-Through Grantor No.	Federal Expenditures
Department of Justice			
United States Department of Justice Direct Programs			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-F3237-MS DJ	\$ 41,507
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1389	58,600
AARA-Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-SB-B9-2981	163,129
Community Capacity Development Office	16.595	2009-WS-QX-0040	<u>4,688</u>
Total			<u>267,924</u>
Department of Housing & Urban Development			
Pass through MS Development Authority			
Community Development Block Grants/Small Cities Program	14.228	R101-06-002-1	9,899
Community Development Block Grants/Small Cities Program	14.228	R-103-122-01-KP	11,160
Community Development Block Grants/Small Cities Program	14.228	R-103-122-01-KCR	2,327,023
Community Development Block Grants/Small Cities Program	14.228	R-103-122-02-KP	17,410
Community Development Block Grants/Small Cities Program	14.228	R-109-122-04-KCR	<u>5,583,273</u>
Total			<u>7,948,765</u>
Department of Transportation			
Pass through Mississippi Department of Transportation			
Highway Planning and Construction	20.205	104913-701	726,238
Highway Planning and Construction	20.205	104913-702	111,359
Highway Planning and Construction	20.205	105677-701	462,105
ARRA - Highway Planning and Construction	20.205	105669-701	4,001
ARRA - Highway Planning and Construction	20.205	105753-701	<u>83,120</u>
Total			<u>1,386,823</u>
Department of Homeland Security			
Pass through MEMA			
Disaster Grants-Public Assistance (Presidentially Declared)	97.036	FEMA 1604	16,068,058
Hazard Mitigation Grant	97.039	DR-1604-MS-0280	1,250,845
Hazard Mitigation Grant	97.039	DR-1604-MS-0277	249,589
Homeland Security Grant Program	97.067		<u>37,625</u>
Total			<u>17,606,117</u>
Department of the Interior			
Pass through Mississippi Department of Archives & History			
Grant in Aid to Update Design Review Guidelines	15.904		<u>17,205</u>
Department of Energy			
Pass through Office of Energy Efficiency			
ARRA - Energy Efficiency Retrofitting	81.128	DE-EE0002907	<u>18,867</u>
Total expenditures of federal awards			<u><u>\$ 27,245,701</u></u>

Continued on next page

City of Biloxi
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2011

<u>Grantor Federal Agency / Pass-Through Agency / Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Federal Expenditures</u>
Loans and Loan Guarantees			
Department of Homeland Security			
Federal Emergency Management Assistance			
Special Community Disaster Loan Program	97.030	1604MS07	\$ 11,000,000
Environmental Protection Agency			
Mississippi Department of Environmental Quality			
Water Pollution Control Revolving Loan Fund	66.458	SRF-C280756-05	508,805

See accompanying notes to schedule of expenditures of federal awards.

City of Biloxi
Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2011

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The City of Biloxi, Mississippi under programs of the federal government for the year ended September 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of The City of Biloxi, Mississippi, it is not intended to and does not present the financial position, results of operations and cash flows of The City of Biloxi, Mississippi.

Note B - Summary of Significant Accounting Policies

1. General

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

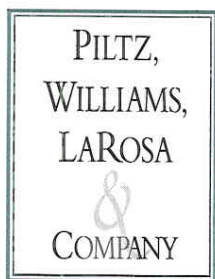
2. Contingency

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

3. Loan and Loan Guarantees

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

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



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William S. Thompson, CPA (Retired)
Gene M. Clark, Jr., CPA (Retired)

To the City Council
City of Biloxi
Biloxi, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the City of Biloxi, Mississippi's basic financial statements and have issued our report thereon dated May 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

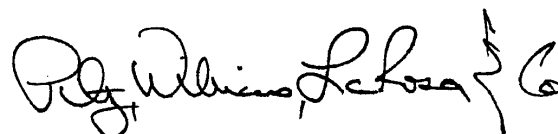
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination 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.

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

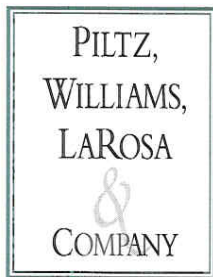
This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "P. J. Williams & Co.", with a stylized flourish at the end.

Certified Public Accountants

Biloxi, Mississippi
May 21, 2012

**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**



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To the City Council
City of Biloxi
Biloxi, Mississippi

Compliance

We have audited of the City of Biloxi, Mississippi's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Biloxi, Mississippi's major federal programs for the year ended September 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Biloxi, Mississippi's management. Our responsibility is to express an opinion on the City of Biloxi, Mississippi's compliance based on our audit.

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

In our opinion, the City of Biloxi, Mississippi complied, in all material respects, with the compliance requirements referred to above that have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

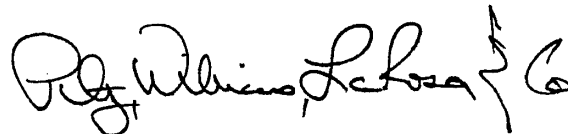
Management of the City of Biloxi, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Biloxi,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

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Robert Williams LeFlore", followed by a stylized flourish or symbol.

Certified Public Accountants

Biloxi, Mississippi
May 21, 2012

The City of Biloxi, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 1 – Summary of Auditors’ Results

1. An unqualified opinion was issued on the general purpose financial statements.
2. The audit did not disclose any material weaknesses or reportable conditions over financial reporting.
3. The audit did not disclose any noncompliance which is material to the basic financial statements.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit did not disclose any audit findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The major programs were:

Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036
Dept. of Transportation – Highway Planning and Construction	20.205
ARRA–Dept. of Transportation – Hwy Planning and Construction (105669-701)	20.205
ARRA–Dept. of Transportation – Hwy Planning and Construction (105753-701)	20.205
Dept. of Justice – Edward Byrne Memorial Justice Assistance Program	16.738
AARA–Dept. of Justice – Edward Byrne Memorial Justice Assistance Program	16.738
Department of Homeland Security – Hazard Mitigation Grants	97.039
Environmental Protection Agency – Water Pollution Control Revolving Loan	66.458

8. The dollar threshold used to distinguish between Type A and Type B Programs was \$817,371.
9. The auditee did qualify as a low-risk auditee.

Section 2 – Finding Relating to the Financial Statements

None

Section 3 – Finding and Questioned Costs Relating to Major Federal Awards

None

The City of Biloxi, Mississippi
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2011

There were no prior audit findings relative to federal awards.