

**Comprehensive Annual Financial Report**

**City of Biloxi, Mississippi**

**Fiscal Year Ended September 30, 2016**

Prepared by:

Department of Finance and Administration

**City of Biloxi, Mississippi**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended September 30, 2016**  
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## **Section I**

### **Introductory Section**

# City of Biloxi, Mississippi

Listing of City Officials as of September 30, 2016

## **Elected Officials**

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

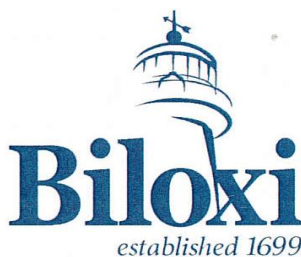
## **Appointed Officials**

City Clerk .....	Stacy Thacker
Chief Administration Officer .....	David Nichols
Director of Administration .....	Kenneth McKeown
Director of Police Department .....	John Miller
Director of Fire Department .....	Joe Boney
Director of Public Works .....	Billy Ray Allen
Director of Community Development .....	Jerry Creel
Director of Parks and Recreation .....	Cheryl Bell
Director of Legal .....	Gerald Blessey

## **Letter of Transmittal**

**Mayor**  
Andrew "FoFo" Gilich

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



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

## **FROM THE MAYOR'S DESK:**

The City of Biloxi fiscal year ending on September 30, 2016 was a period of significant growth and saw the beginning of many new economic opportunities. While casino revenues remained steady, the city saw an unprecedented expansion of more than 500 non-casino hotel rooms and building permits for three additional new hotels with more rooms coming on line in Biloxi by the end of the next fiscal year. Other community development success stories included nearly 100 new single family homes issued certificates of occupancy, 78 final building plats approved, over 300 new business licenses, and sales tax revenues \$366,000 higher than the previous fiscal year. New hotels and restaurants completed in this fiscal year, including Margaritaville, Hyatt Place, and Patio 44 began to contribute sales taxes during the year.

At the same time, we have continued to make progress on the massive federally-funded infrastructure project that is bringing new utilities, drainage and paving to 55 miles of streets in east Biloxi. Using a host of federal and state grants, the City also embarked on a program that will revitalize our waterfront, create jobs, and provide opportunity to grow our tax base.

I'm proud to say that our city continued to be served by the best-paid, best-trained, and best-equipped Police and Fire Departments in the state. In the past year, our efforts led to fewer burglaries, fewer robberies, and fewer assaults, and the three homicides committed in our city were all solved. Our Fire Department provides us with the lowest fire insurance rating in the state. We are one of only three cities in the state with a Level 3 rating that saves every homeowner and business on their fire insurance premiums.

The utility rate increase approved by our city council took effect in April 2016 and is scheduled to continue increase each year through 2020. This has, and will continue to improve the health of our water/sewer enterprise fund. Likewise, financial condition of our Port Enterprise Fund is being helped by the continued growth of special events like the annual Billfish Classic hosted at the Point Cadet Marina.

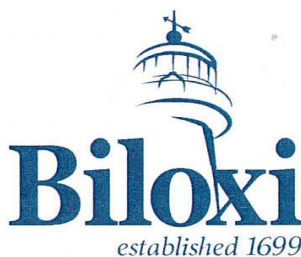
From my vantage point, the City's economic future is very bright.

Andrew "FoFo" Gilich  
Mayor



**Mayor**  
Andrew "FoFo" Gilich

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



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April 28, 2017

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, 2016. 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, 2016 and results of operations for the fiscal year then ended.

### **Control Environment**

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

### **Budgetary Controls**

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

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

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

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

### **Independent Audit**

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

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

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

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

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

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

Center-Gulfport and Huntington-Ingalls 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.

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

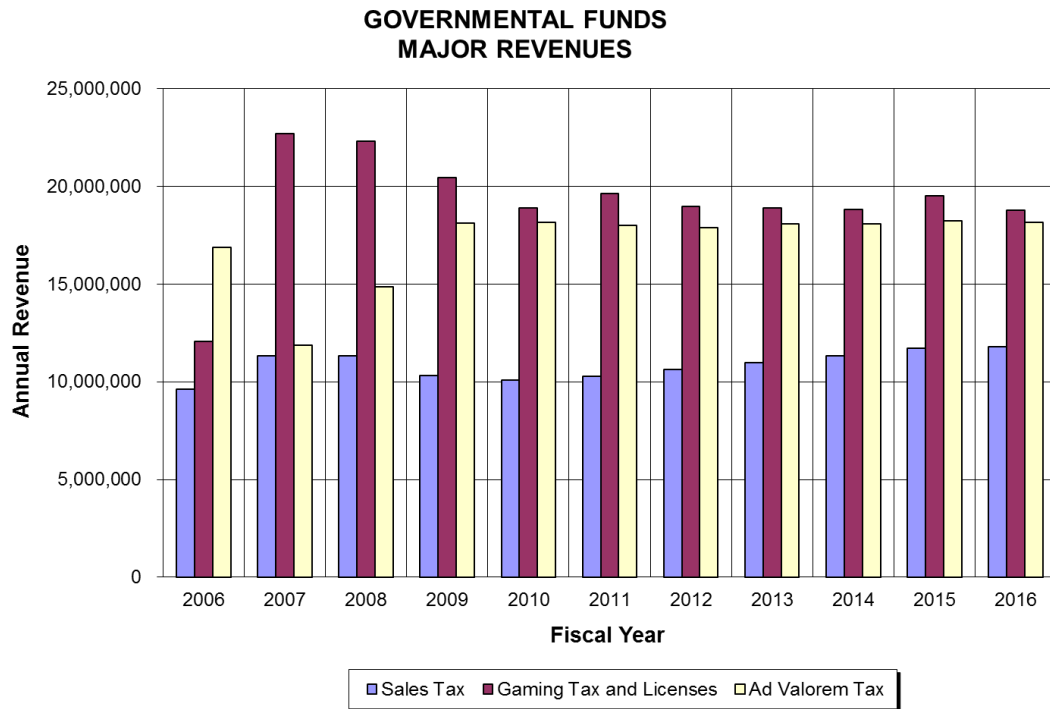
The City ended fiscal 15/16 with a General Fund balance of \$13.8 million which is adequate for the City. However, fund balance is not a recurring resource therefore, its use to pay recurring operating expenses cannot continue indefinitely. The City's general fund balance increased by \$1.1 million (page 26) on a modified accrual basis and \$8.5 million (page 74) on a budget basis for the fiscal year ended September 30, 2016.

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

The City's governing authority increased sewer rates at the end of fiscal 08/09 and again at the end of fiscal 09/10, and the increased rates produced revenue more than adequate to cover costs in fiscal 13/14. In fiscal year 2016, expenditures exceeded its revenue. In fiscal year ending September 30, 2016, the City has raised the water/sewer rates to attempt to offset this shortfall. The City governing authority has committed to annual reviews of its public utility fee structure with the goal of stabilizing its Water and Sewer Enterprise Fund.

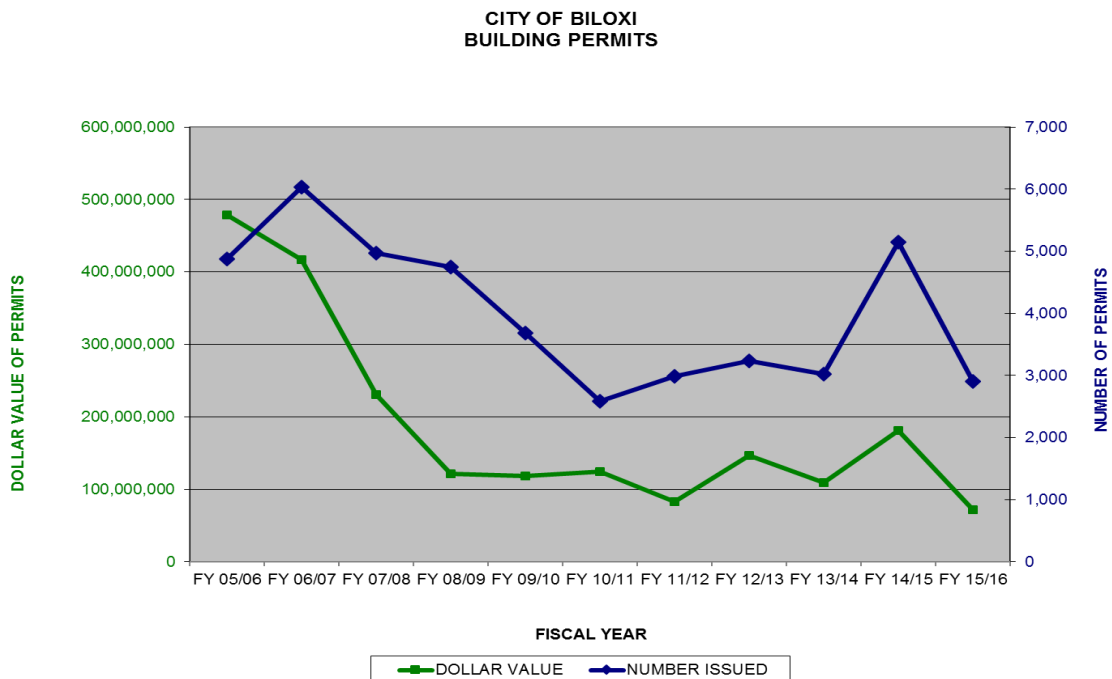
The City has not changed its ad valorem tax rate since fiscal year 2001 when it decreased the rate by 34.8 percent. As shown in Figure 1 below, the City's ad valorem tax revenue and sales tax revenue remained about the same as in prior year while gaming tax decreased slightly.

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



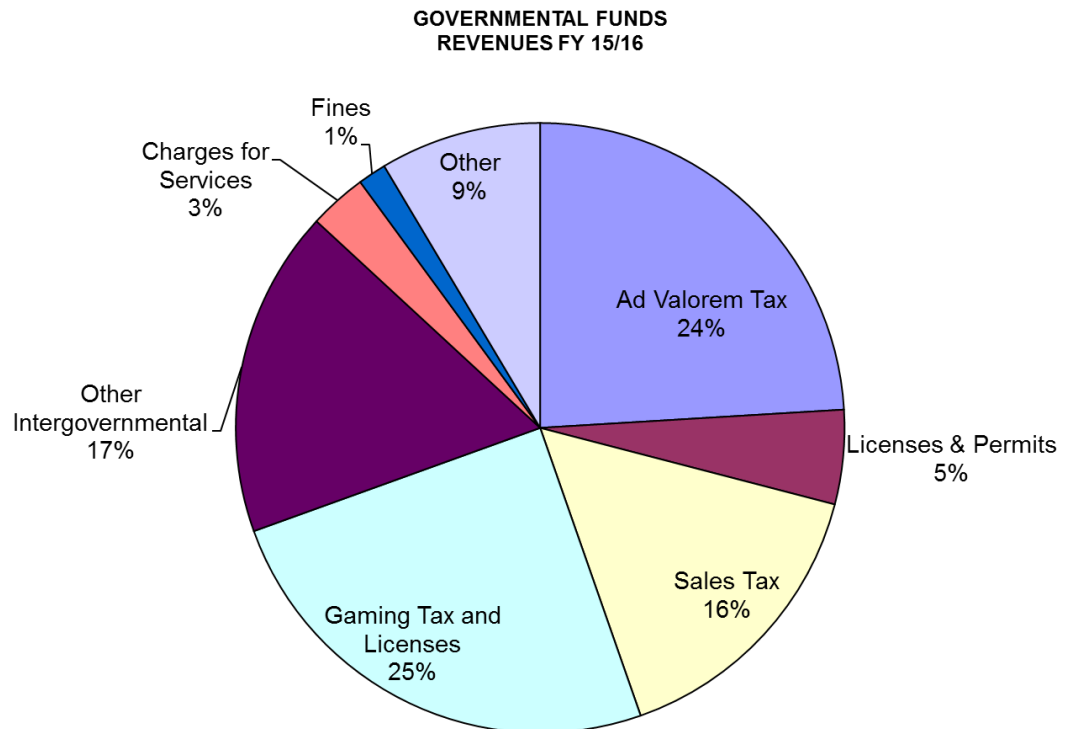
**Figure 1**

The amount of construction and reconstruction in fiscal 15/16 decreased from fiscal 14/15 but is still below the post-Katrina peak in 06/07 as measured by the number and value of building permits issued. The City issued 2,901 building permits with a total valuation of \$71,679,585. (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 15/16 the City's governmental funds received \$1.4 million in operating grants and \$11.3 million in capital grants for its governmental activities. The largest granting Federal departments were the Department of Homeland Security (FEMA) and the Department of Transportation. 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.

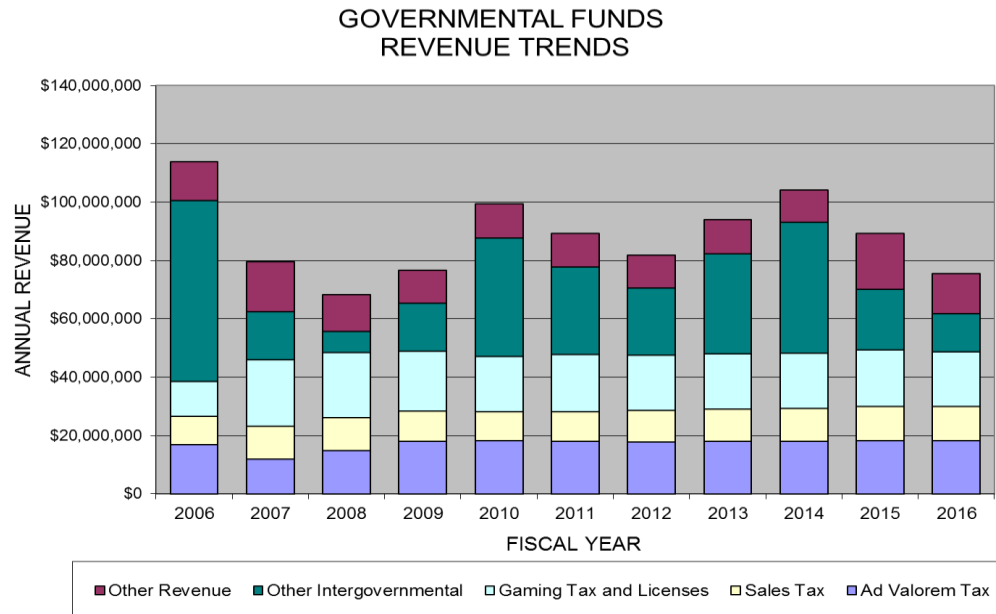
House Bill 1504, Regular Session of 1992 (Local and Private Legislation) provided for a tax of three and two tenths of one percent (3.2%) of gross gaming revenue. On the tenth day of each month the State Tax Commission remits the taxes collected in the previous month to the municipality to be distributed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

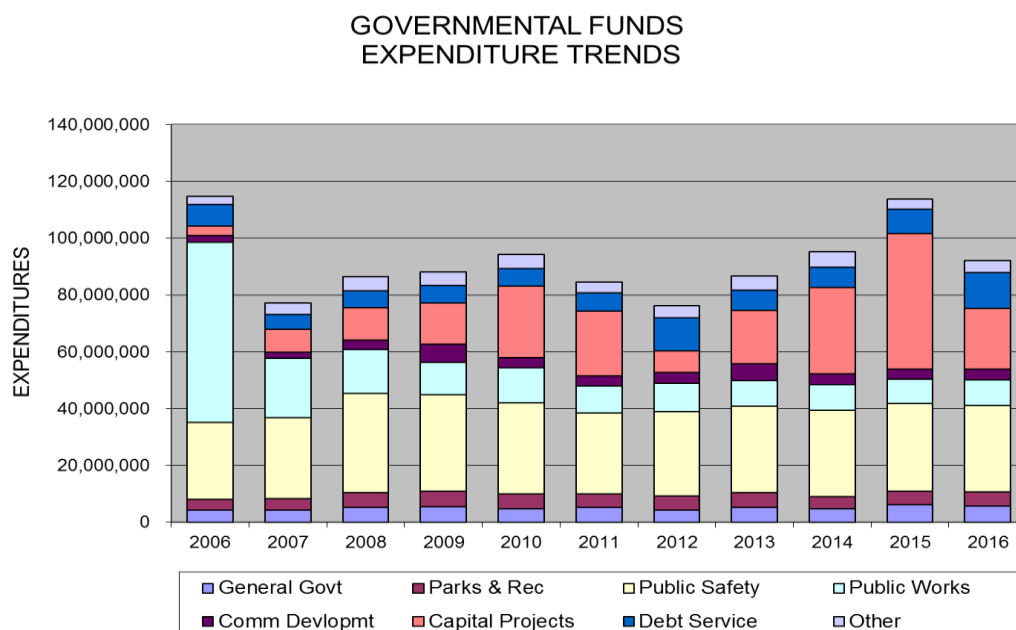
City. Note that Other Intergovernmental Revenue increased significantly in fiscal year 05/06 due to grants for Hurricane Katrina debris removal received by the City of Biloxi from the Department of Homeland Security, Federal Emergency Management Agency.



**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.

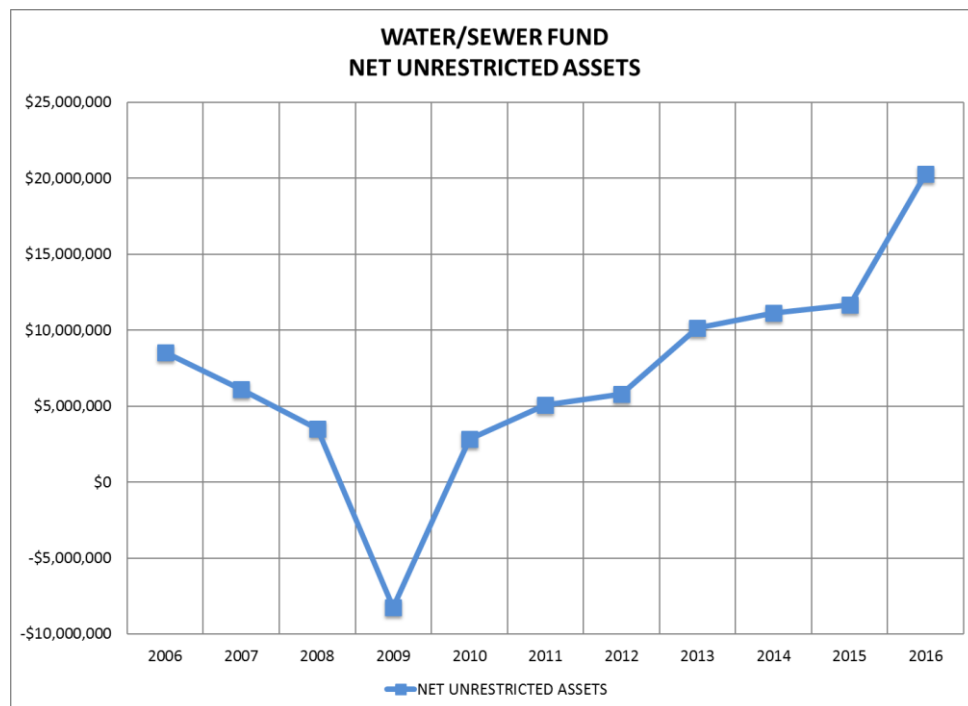


**Figure 5**

## 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 11/12. The City again increased rates in 15/16. 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,

Mike Leonard, Chief Administration Officer

Kenneth McKeown, Director of Administration





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Biloxi  
Mississippi**

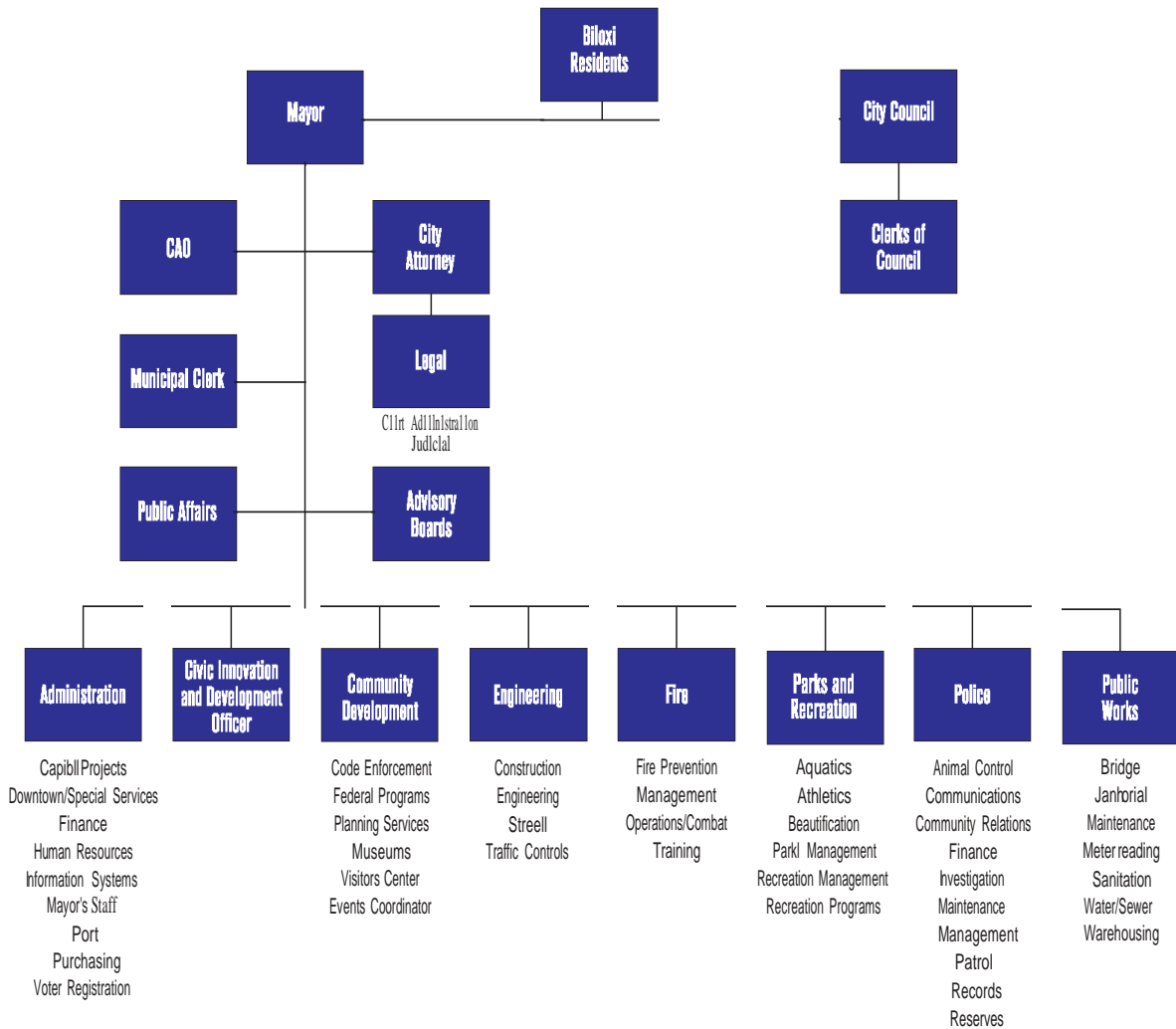
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO

# Organizational Chart



## Notes:

1. City Departments (less Legal Department) report to the Mayor through the Chief Administrative Officer
2. The Legal Department reports to the Mayor through the City Attorney
3. All City Administrative Divisions (Human Resources, Purchasing, Contracts, Information Systems, Accounting and the Port Division) report to the Chief Administrative Officer.

## **Section II**

### **Financial Section**

## **Independent Auditors' Report**

To the City Council  
City of Biloxi, Mississippi

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Biloxi, Mississippi's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 16-21 and 73-74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Biloxi, Mississippi's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedule of investments – all funds, schedule of long term debt, schedule of surety bonds for municipal officials and other municipal employees, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of investments – all funds, schedule of long term debt, schedule of surety bonds for municipal officials and other

municipal employees, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of investments – all funds, schedule of long term debt, schedule of surety bonds for municipal officials and other municipal employees, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2017, on our consideration of the City of Biloxi, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Biloxi, Mississippi's internal control over financial reporting and compliance.

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

Gulfport, Mississippi  
April 28, 2017

## **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** are designed to provide readers with a broad overview of the city's finances as a whole similar to a private-sector business. The *statement of net position* presents information on all of the City's assets and liabilities, deferred inflows, and deferred outflows at the end of the fiscal year. The difference between the assets and deferred outflows of resources and its liabilities and deferred inflows of resources is reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the city is improving or deteriorating. The *Statement of Activities* presents information showing how the City's net position has changed during the year. All changes in net position are reported as soon as underlying events giving rise to the change occurring *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Both of the government-wide financial statements 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 are reported as an increase (inflow) of expendable resources with no offsetting increase in liabilities.

A fund is a fiscal and accounting entity with a balanced set of accounts for recording and disclosing the reporting entity's stewardship of resources received and segregated for specific activities including the amount of resources received, the amount



expended, liabilities owed and the residual balance (equity) of the funds. The City uses funds to segregate resources and resource use according to the purpose for which the resources were segregated. The objective of fund accounting is to demonstrate compliance with budgetary and legal requirements that apply to the resources segregated in each fund.

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

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

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

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

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

Table 1  
City of Biloxi  
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 73,683,388	\$ 65,868,651	\$ 22,079,450	\$ 13,696,005	\$ 95,762,838	\$ 79,564,656
Capital assets	336,026,184	328,603,880	238,503,344	213,699,400	574,529,528	542,303,280
Total assets	\$ 409,709,572	\$ 394,472,531	\$ 260,582,794	\$ 227,395,405	\$ 670,292,366	\$ 621,867,936
Deferred outflows of resources	\$ 12,420,261	\$ 11,551,125	\$ 776,420	\$ 747,162	\$ 13,196,681	\$ 12,298,287
Current & other liabilities	\$ 30,173,269	\$ 19,597,366	\$ 12,860,746	\$ 13,472,018	\$ 43,034,015	\$ 33,069,384
Long-term liabilities	181,094,938	142,221,132	13,558,405	11,481,683	194,653,343	153,702,815
Total liabilities	\$ 211,268,207	\$ 161,818,498	\$ 26,419,151	\$ 24,953,701	\$ 237,687,358	\$ 186,772,199
Deferred inflows of resources	\$ 191,805	\$ -	\$ 13,115	\$ -	\$ 204,920	\$ -
Net position						
Net investment in capital assets	\$ 248,526,060	\$ 257,368,270	\$ 229,459,737	\$ 206,221,705	\$ 477,985,797	\$ 463,589,975
Restricted	40,456,498	18,852,464	870,327	857,460	41,326,825	19,709,924
Unrestricted	(78,312,737)	(32,015,576)	4,596,884	(3,890,299)	(73,715,853)	(35,905,875)
Total net position	\$ 210,669,821	\$ 244,205,158	\$ 234,926,948	\$ 203,188,866	\$ 445,596,769	\$ 447,394,024

**Table 2**  
**City of Biloxi**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 7,733,702	\$ 9,154,252	\$ 15,706,253	\$ 16,443,363	\$ 23,439,955	\$ 25,597,615
Operating grants	1,383,902	1,467,196	-	-	1,383,902	1,467,196
Capital grants and contributions	11,325,347	18,093,700	28,926,201	64,270,784	40,251,548	82,364,484
General revenues						
Property taxes	18,168,228	18,219,645	227,756	222,064	18,395,984	18,441,709
Intergovernmental, unrestricted	14,704,912	14,970,468	-	-	14,704,912	14,970,468
Gaming taxes	18,777,762	19,506,630	-	-	18,777,762	19,506,630
Other revenues	4,792,199	8,479,246	(7,036)	(11,228)	4,785,163	8,468,018
Total revenues	76,886,052	89,891,137	44,853,174	80,924,983	121,739,226	170,816,120
Expenses						
General government	9,525,710	7,336,275	-	-	9,525,710	7,336,275
Parks and recreation	9,182,682	7,099,970	-	-	9,182,682	7,099,970
Public safety	56,940,216	36,471,601	-	-	56,940,216	36,471,601
Public works	13,364,740	10,485,934	-	-	13,364,740	10,485,934
Community development	7,056,238	5,350,968	-	-	7,056,238	5,350,968
Unallocated depreciation	2,925,560	2,856,092	-	-	2,925,560	2,856,092
Interest on long-term debt	3,527,824	3,820,370	-	-	3,527,824	3,820,370
Water and sewer service	-	-	17,391,156	16,266,519	17,391,156	16,266,519
Port Fund activities	-	-	3,569,829	3,326,433	3,569,829	3,326,433
Point Cadet Development Corporation	-	-	52,526	-	52,526	-
Total expenses	102,522,970	73,421,210	21,013,511	19,592,952	123,536,481	93,014,162
Increase (decrease) in net position before transfers	(25,636,918)	16,469,927	23,839,663	61,332,031	(1,797,255)	77,801,958
Transfers	(7,898,419)	1,338,779	7,898,419	(1,338,779)	-	-
Net increase (decrease) in net position	(33,535,337)	17,808,706	31,738,082	59,993,252	(1,797,255)	77,801,958
Net position, beginning of year	244,205,158	272,701,046	203,188,866	143,558,459	447,394,024	416,259,505
Prior period adjustment	-	(46,304,594)	-	(362,845)	-	(46,667,439)
Net position, end of year	\$ 210,669,821	\$ 244,205,158	\$ 234,926,948	\$ 203,188,866	\$ 445,596,769	\$ 447,394,024

## Overall Financial Position and Results of Operations

The current year effect on net position of governmental activities decreased by \$33.5 million while the fund balance of governmental funds increased by \$10.3 million. This change in net position is reconciled 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 net position in the governmental fund financial statements. These capital expenditures are reported as increases in capital assets in the Statement of Net Position rather than as an expense on the Statement of Changes in Net Position.

The current year effect on net position of business-type activities (Water and Sewer Fund and Port Fund) increased by \$31.7 million during FY 15/16. The increase was due to grant revenues from the Department of Homeland Security (more specifically, FEMA) that replaced and upgraded the water and sewer infrastructure of the City. The City has approved an incremental rate adjustment that started in the current year and will continue with adjustments for the next three years.

## Analysis of Significant Balances and Operation of Individual Funds

### Fund Balances

**General Fund** - The General Fund is the City's primary operating fund. The General Fund at

the fund level increased its fund balance by \$1.11 million bringing its fund balance to \$13.8 million. Included in the effects on fund balance is a transfer of a receivable for \$5.78 million and a \$2.5 in actual cash. The was in connection to closing out a fund which had been funded by the General Fund to pay for a community disaster loan from the federal government after Hurricane Katrina. Later that debt was forgiven, so this was a return of those funds back to the General Fund. The city, which received a settlement from the Deepwater Horizon disaster in the previous fiscal year, set aside the net \$4.1 million for economic development operations. The City borrowed \$2.7 million to pay off some of its variable rate debt leaving approximately \$1.4 million for future economic activities.

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

**Water and Sewer Fund** – Revenues and other Water and Sewer Fund resources have not been adequate to pay the cost of operations. The Water and Sewer Fund incurred an operating loss of \$3,234,490 which includes depreciation expense of \$ 2,040,130. The City incurred a net operating loss before depreciation of \$1,194,360 for FY 15/16. 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. Also, the charges the city incurs with the Wastewater Authority for sewer collection was 9.8 million in FY 15/16. At the end of fiscal 08/09 the Governing Authority increased water and sewer rates by approximately 150 percent and again increased rates at the end of FY 09/10. The Governing Authority slightly lowered rates in FY 10/11. In April of fiscal year 2016 the City had an incremental utility rate increase. Additional incremental rate increases are scheduled for the next three years. 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, grants and transfers from governmental and business type activities to fund construction projects. The decrease in fund balance for the current year is a result of the transfer of Water & Sewer utility projects that were constructed through the General Capital projects fund.

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

The Basic Financial Statements include a budget to actual comparison for the City's General Fund revenues and expenditures. The comparison is made on the cash basis which differs from modified accrual because receivables and payables are not recognized. An explanation of the budget basis is provided in Note II.A. For FY 15/16 the City's governing authority originally budgeted a use of fund balance of \$182 thousand. The revised budget reflected a surplus of \$949 thousand. Actual results show a \$8.47 million net change to fund balance. The variance of actual to budget in the other financing sources section is mainly due to a transfer of a receivable to the General Fund from the Community Disaster debt service fund of \$5.78 million which is skewing the actual results. This would have to be deducted from the current year bottom line to reflect actual effects to cash. The city did have a favorable variance on general fund expenditures of \$4.6 million for the year. The public safety department represented \$2.42 million or roughly 53% of that variance against the budget. The city does anticipate a certain savings against budgeted expenditures and every attempt is made to be conservative with the revenue estimates.

### **Capital Assets Activity**

During FY 15/16 the City increased its investment in capital assets for governmental activities by \$7.4 million, net of dispositions and depreciation. For business type activities (Water/Sewer and Port) the City increased its investment in capital assets by \$24.8 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, 2016.

### **Long-term Debt**

The City of Biloxi has long-term debt which consist of bonds, notes, loans, leases, and compensated absences. The long-term debt for the General Government was \$88,307,505 and business type activities was \$7,842,350 at the beginning of the fiscal year 15/16. During the year the city issued a \$21,020,000 refunding issue to refinance a 2006 Tax Increment Financing issue (TIF), which will occur in the next fiscal year. The city also paid off some variable rate debt with funds it received from the BP settlement. The City also entered into an energy saving lease of \$1,984,837 which will pay out over the next 15 years from savings in energy costs. At the end of the year, the new long term debt balance was \$102,200,005 for the general government and \$9,384,994 in enterprise fund debt. 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. I discloses the City's compliance with statutory debt limitations.

### **Credit Rating**

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

On May 21, 2012, Standard & Poor's Rating Services raised its standard long-term rating from BBB+ to AA- with a stable outlook. On March 30, 2014, Standard & Poor's Rating Service affirmed that AA- for the City's long-term rating. Standard & Poor's Rating Services' rational 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 of Biloxi \$34,020,000 Tax Increment Limited Obligation Refunding Bond, Series 2006A and B, issued during FY 06/07 did not receive a rating.

Early in 2017, the City of Biloxi, in conjunction with a 2017 General Obligation issue, requested a rating by Standard and Poor's rating services. On February 8, 2017, Standard and

Poor's Global Ratings assigned its "AA-" long-term rating to Biloxi, Mississippi series 2017 general obligation public improvement bonds. This rating reflects an outlook of "stable" to this bond issue.

**Contact Information**

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

## **Basic Financial Statements**

**City of Biloxi, Mississippi**  
**Statement of Net Position**  
September 30, 2016

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 26,191,374	\$ 1,415,305	\$ 27,606,679
Restricted cash and cash equivalents	600	1,218,771	1,219,371
Investments	33,174,526	870,327	34,044,853
Receivables:			
Taxes	6,192,989	4,735	6,197,724
Customer accounts, net	234,680	1,593,594	1,828,274
Grants	6,411,394	15,388,104	21,799,498
Other	513,483	1,164,848	1,678,331
Prepays	963,537	-	963,537
Inventories	-	423,766	423,766
Mortgage loans receivable	805	-	805
Capital assets			
Land and construction in progress	122,543,702	156,736,146	279,279,848
Other (net of accumulated depreciation)	213,482,482	81,767,198	295,249,680
Total assets	<u>409,709,572</u>	<u>260,582,794</u>	<u>670,292,366</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows for pensions	12,420,261	776,420	13,196,681
Total deferred outflows of resources	<u>12,420,261</u>	<u>776,420</u>	<u>13,196,681</u>
<b>Liabilities and Net Position</b>			
Liabilities			
Accounts payable	14,150,811	579,615	14,730,426
Accounts payable from restricted assets	-	25,622	25,622
Customer deposits payable from restricted assets	-	1,220,713	1,220,713
Internal balances	(10,272,796)	10,272,796	-
Grant anticipation note	11,251,071	-	11,251,071
Unearned revenue	5,221,810	-	5,221,810
Noncurrent liabilities			
Due within one year			
Bonds and notes	4,962,716	676,653	5,639,369
Compensated absences	2,238,854	85,347	2,324,201
Claims payable from restricted assets	2,620,803	-	2,620,803
Due beyond one year			
Bonds and notes	88,281,873	8,366,954	96,648,827
Compensated absences	6,716,562	256,040	6,972,602
Net pension liability	86,096,503	4,935,411	91,031,914
Total liabilities	<u>211,268,207</u>	<u>26,419,151</u>	<u>237,687,358</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows for pensions	191,805	13,115	204,920
Total deferred inflows of resources	<u>191,805</u>	<u>13,115</u>	<u>204,920</u>
Net position			
Net investment in capital assets	248,526,060	229,459,737	477,985,797
Restricted for:			
Public safety	1,685,814	-	1,685,814
Claims	418,879	-	418,879
Economic development	4,086,319	-	4,086,319
Debt service	28,291,117	434,480	28,725,597
Grant expenditures	(1,363)	-	(1,363)
Capital improvements	5,869,465	435,847	6,305,312
Endowment, expendable	31,267	-	31,267
Maintenance	75,000	-	75,000
Unrestricted	(78,312,737)	4,596,884	(73,715,853)
Total net position	<u>\$ 210,669,821</u>	<u>\$ 234,926,948</u>	<u>\$ 445,596,769</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, 2016

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental Activities							
General Government	\$ 9,525,710	\$ 1,021	\$ 33,608	\$ -	\$ (9,491,081)	\$ -	\$ (9,491,081)
Parks and Recreation	9,182,682	518,901	-	553,607	(8,110,174)	-	(8,110,174)
Public Safety	56,940,216	1,143,445	440,306	18,500	(55,337,965)	-	(55,337,965)
Public Works	13,364,740	1,836,265	409,449	10,753,240	(365,786)	-	(365,786)
Community Development	7,056,238	4,234,070	500,539	-	(2,321,629)	-	(2,321,629)
Unallocated Depreciation, Infrastructure	2,925,560	-	-	-	(2,925,560)	-	(2,925,560)
Interest and Other, Long-term Debt	3,527,824	-	-	-	(3,527,824)	-	(3,527,824)
Total Governmental Activities	102,522,970	7,733,702	1,383,902	11,325,347	(82,080,019)	-	(82,080,019)
Business-Type Activities							
Water and Sewer	17,391,156	13,996,845	-	28,026,896	-	24,632,585	24,632,585
Biloxi Port Fund	3,569,829	1,684,784	-	899,305	-	(985,740)	(985,740)
Point Cadet Development Corporation	52,526	24,624	-	-	-	(27,902)	(27,902)
Total Business-Type Activities	21,013,511	15,706,253	-	28,926,201	-	23,618,943	23,618,943
Total Primary Government	123,536,481	23,439,955	1,383,902	40,251,548	(82,080,019)	23,618,943	(58,461,076)
General revenues							
Property taxes					18,168,228	227,756	18,395,984
Intergovernmental, unrestricted					14,704,912	-	14,704,912
Gaming taxes					18,777,762	-	18,777,762
Other taxes					454,317	-	454,317
Grants and contributions not restricted to specific programs					1,290,476	-	1,290,476
Unrestricted investment earnings					106,382	(6,568)	99,814
Gain (Loss) on sale of capital assets					1,579,443	(468)	1,578,975
Miscellaneous					1,361,581	-	1,361,581
Transfers					(7,898,419)	7,898,419	-
Total general revenues and transfers					48,544,682	8,119,139	56,663,821
Change in net position					(33,535,337)	31,738,082	(1,797,255)
Net position - beginning of period					244,205,158	203,188,866	447,394,024
Net position - end of period					\$ 210,669,821	\$ 234,926,948	\$ 445,596,769

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



**City of Biloxi, Mississippi**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2016**

	General Fund	General Capital Projects Fund	Debt Service Fund	2014 General Obligation Bond Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 9,310,393	\$ 10,042,317	\$ 4,075,132	\$ -	\$ 525,151	\$ 23,952,993
Restricted cash and cash equivalents	600	-	-	-	-	600
Investments	-	455,594	26,838,993	4,865,251	1,014,688	33,174,526
Receivables:						
Taxes	6,121,732	-	56,023	-	15,234	6,192,989
Customer accounts, net	234,680	-	-	-	-	234,680
Grants	426,033	5,959,192	-	-	26,169	6,411,394
Other	493,778	-	-	-	19,705	513,483
Due from other city funds	3,558,670	19,459,085	-	-	-	23,017,755
Prepays	963,537	-	-	-	-	963,537
Mortgage loans receivable	-	-	-	-	805	805
Total assets	<u>\$ 21,109,423</u>	<u>\$ 35,916,188</u>	<u>\$ 30,970,148</u>	<u>\$ 4,865,251</u>	<u>\$ 1,601,752</u>	<u>\$ 94,462,762</u>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ 5,232,771	\$ 11,027,122	\$ 67,296	\$ -	\$ 62,476	\$ 16,389,665
Due to other city funds	2,005,196	8,454,078	2,611,735	135,474	-	13,206,483
Grant anticipation note	-	11,251,071	-	-	-	11,251,071
Deferred revenue	37,893	5,183,917	-	-	-	5,221,810
Total liabilities	<u>7,275,860</u>	<u>35,916,188</u>	<u>2,679,031</u>	<u>135,474</u>	<u>62,476</u>	<u>46,069,029</u>
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Prepays	963,537	-	-	-	-	963,537
Long-term Receivables	-	-	-	-	805	805
<b>Restricted for</b>						
Public Safety	1,685,814	-	-	-	-	1,685,814
Claims	-	-	-	-	418,879	418,879
Economic Development	4,086,319	-	-	-	-	4,086,319
Endowment	-	-	-	-	31,267	31,267
Maintenance	-	-	-	-	75,000	75,000
<b>Committed for</b>						
Grant Expenditures	-	-	-	-	(1,363)	(1,363)
Capital Improvements	125,000	-	-	4,729,777	1,014,688	5,869,465
Debt Service	-	-	28,291,117	-	-	28,291,117
Unassigned	6,972,893	-	-	-	-	6,972,893
Total fund balances	<u>13,833,563</u>	<u>-</u>	<u>28,291,117</u>	<u>4,729,777</u>	<u>1,539,276</u>	<u>48,393,733</u>
Total liabilities and fund balances	<u>\$ 21,109,423</u>	<u>\$ 35,916,188</u>	<u>\$ 30,970,148</u>	<u>\$ 4,865,251</u>	<u>\$ 1,601,752</u>	<u>\$ 94,462,762</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 Position**  
September 30, 2016

Total fund balances of governmental funds on the balance sheet, page 24		\$ 48,393,733
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		336,026,184
Internal service funds are used by management to account for the costs of the City's risk management, including insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		79,102
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(86,096,503)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions		12,420,261
Deferred inflows of resources related to pensions		(191,805)
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	(174,227)	
Bonds Payable	(90,995,000)	
Capital leases payable	(2,075,362)	
Compensated absences	(6,716,562)	(99,961,151)
Net position of governmental activities, page 22		<u>\$ 210,669,821</u>

*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, 2016

	General Fund	General Capital Projects Fund	Debt Service Fund	2014 General Obligation Bond Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Ad valorem taxes	\$ 10,077,859	\$ -	\$ 6,754,875	\$ -	\$ 1,335,494	\$ 18,168,228
Licenses and permits	3,774,756	-	-	-	-	3,774,756
Intergovernmental	31,938,289	9,866,411	1,376,724	-	500,539	43,681,963
Charges for services	2,321,010	-	-	-	-	2,321,010
Fines	1,137,035	-	-	-	-	1,137,035
Other	6,238,125	1,454	34,218	4,993	192,744	6,471,534
Total revenues	55,487,074	9,867,865	8,165,817	4,993	2,028,777	75,554,526
<b>Expenditures</b>						
Current:						
General government	5,766,297	-	-	-	7,599	5,773,896
Parks and recreation	4,804,100	-	-	-	-	4,804,100
Public safety	29,180,026	-	-	-	1,335,494	30,515,520
Public works	9,077,932	-	-	-	-	9,077,932
Community development	3,224,117	-	-	-	405,500	3,629,617
Non-departmental	4,263,124	-	-	-	-	4,263,124
Debt service						
Principal retirement	-	-	8,978,476	-	-	8,978,476
Interest and other	-	-	2,926,529	-	-	2,926,529
Bond issue costs	-	-	601,295	-	-	601,295
Capital outlay, projects	-	21,519,255	-	-	-	21,519,255
Total expenditures	56,315,596	21,519,255	12,506,300	-	1,748,593	92,089,744
Excess (deficiency) of revenues over expenditures	(828,522)	(11,651,390)	(4,340,483)	4,993	280,184	(16,535,218)
<b>Other financing sources (uses)</b>						
Capital lease	-	1,984,837	-	-	-	1,984,837
Issuance of refunding bonds	-	-	21,020,000	-	-	21,020,000
Premium on debt	-	-	3,592,724	-	-	3,592,724
Transfers in	8,668,842	9,666,553	41	-	25,000	18,360,436
Transfers out	(6,723,555)	-	(8,314,365)	(2,421,266)	(682,628)	(18,141,814)
Total other financing sources (uses)	1,945,287	11,651,390	16,298,400	(2,421,266)	(657,628)	26,816,183
Net change in fund balance	1,116,765	-	11,957,917	(2,416,273)	(377,444)	10,280,965
Fund balances, beginning of year	12,716,798	-	16,333,200	7,146,050	1,916,720	38,112,768
Fund balances, end of year	\$ 13,833,563	\$ -	\$ 28,291,117	\$ 4,729,777	\$ 1,539,276	\$ 48,393,733

*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, 2016

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

Net change in fund balances of governmental funds, page 26	\$ 10,280,965
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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	14,051,701	
Less: current year depreciation	<u>(7,979,003)</u>	6,072,698

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

Bond issuance	(21,020,000)	
Capital lease	(1,984,837)	
Principal payments	8,978,476	
Lease payments	<u>505,936</u>	(13,520,425)

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

Donated assets	1,440,436	
Seized assets	18,500	
Basis of assets sold	<u>(109,330)</u>	1,349,606

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

Change in net pension liability	(38,116,876)	
Change in deferred outflows	869,136	
Change in deferred inflows	(191,805)	
Change in long-term compensated absences	<u>(279,056)</u>	(37,718,601)

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.

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Change in net position of governmental activities, page 23	<u>\$ (33,535,337)</u>
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*The Accompanying Notes are an Integral Part of the Financial Statements.*

**City of Biloxi, Mississippi**  
**Statement of Net Position**  
**Proprietary Funds**  
September 30, 2016

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund	Total Enterprise Funds	Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation		Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash	\$ 26,689	\$ 1,222,091	\$ 166,525	\$ 1,415,305	\$ 2,238,381
Restricted cash	1,105,130	113,641	-	1,218,771	-
Investments	-	870,327	-	870,327	-
Receivables:					
Customer accounts, net	1,001,304	7,162	-	1,008,466	-
Customer accounts earned but not billed	585,128	-	-	585,128	-
Grants	12,861,500	2,526,604	-	15,388,104	-
Taxes	-	4,735	-	4,735	-
Other	1,164,848	-	-	1,164,848	-
Due from other city funds	8,454,078	-	-	8,454,078	461,524
Supplies inventory	423,766	-	-	423,766	-
Total current assets	25,622,443	4,744,560	166,525	30,533,528	2,699,905
Noncurrent assets:					
Capital assets, net of accumulated depreciation	201,050,417	37,336,845	116,082	238,503,344	-
Total noncurrent assets	201,050,417	37,336,845	116,082	238,503,344	-
<b>Total assets</b>	226,672,860	42,081,405	282,607	269,036,872	2,699,905
<b>Deferred Outflows of Resources</b>					
Deferred outflows for pensions	470,452	305,968	-	776,420	-
<b>Total deferred outflows of resources</b>	470,452	305,968	-	776,420	-
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	529,867	49,748	-	579,615	-
Accounts payable from restricted assets	25,622	-	-	25,622	-
Customer deposits payable from restricted assets	1,107,072	113,641	-	1,220,713	-
Current portion of bond and notes	501,653	175,000	-	676,653	-
Compensated absences	30,098	55,249	-	85,347	-
Due to other city funds	984,471	17,742,403	-	18,726,874	-
Claims contingency payable from restricted assets	-	-	-	-	2,620,803
Total current liabilities	3,178,783	18,136,041	-	21,314,824	2,620,803
Non-current liabilities:					
Compensated absences	90,293	165,747	-	256,040	-
Notes payable, non-current	7,771,954	595,000	-	8,366,954	-
Net pension liability	3,007,516	1,927,895	-	4,935,411	-
Total non-current liabilities	10,869,763	2,688,642	-	13,558,405	-
<b>Total liabilities</b>	14,048,546	20,824,683	-	34,873,229	2,620,803
<b>Deferred Inflows of Resources</b>					
Deferred inflows for pensions	7,992	5,123	-	13,115	-
<b>Total deferred inflows of resources</b>	7,992	5,123	-	13,115	-
<b>Net position</b>					
Net investment in capital assets	192,776,810	36,566,845	116,082	229,459,737	-
Restricted for capital projects	-	435,847	-	435,847	-
Restricted for debt service	-	434,480	-	434,480	-
Unrestricted	20,309,964	(15,879,605)	166,525	4,596,884	79,102
<b>Total net position</b>	\$ 213,086,774	\$ 21,557,567	\$ 282,607	\$ 234,926,948	\$ 79,102

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

**City of Biloxi, Mississippi**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2016

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenues</b>					
Charges for services:					
Water sales, sewer revenues					
penalties & installations, net	\$ 13,508,741	\$ -	\$ -	\$ 13,508,741	\$ -
Keesler Air Force Base, sewer	486,694	-	-	486,694	-
Harbor fees and rents	-	1,672,995	24,624	1,697,619	-
Insurance billings	-	-	-	-	11,028,427
Total charges for service	13,995,435	1,672,995	24,624	15,693,054	11,028,427
Cobra contributions	-	-	-	-	122,296
Other income	1,410	11,789	-	13,199	-
Total operating revenues	13,996,845	1,684,784	24,624	15,706,253	11,150,723
<b>Operating expenses</b>					
Personal services	2,124,262	1,322,203	-	3,446,465	-
Contracted services	11,353,092	208,451	52,500	11,614,043	11,151,336
Other services and charges	1,713,851	273,772	26	1,987,649	-
Depreciation	2,040,130	1,712,278	-	3,752,408	-
Total operating expenses	17,231,335	3,516,704	52,526	20,800,565	11,151,336
Operating income (loss)	(3,234,490)	(1,831,920)	(27,902)	(5,094,312)	(613)
Non-operating revenues (expenses)					
Interest income	(13,635)	6,792	275	(6,568)	1,033
Interest expense	(159,821)	(53,125)	-	(212,946)	-
Loss on sale of capital assets	(468)	-	-	(468)	-
Intergovernmental tax revenues	-	227,756	-	227,756	-
Total non-operating revenues (expenses)	(173,924)	181,423	275	7,774	1,033
Income before contributions and transfers	(3,408,414)	(1,650,497)	(27,627)	(5,086,538)	420
Capital grants and contributions	36,143,937	899,305	-	37,043,242	-
Transfers out	-	(218,622)	-	(218,622)	-
Change in net position	32,735,523	(969,814)	(27,627)	31,738,082	420
Net position, beginning of year	180,351,251	22,527,381	310,234	203,188,866	78,682
Net position, end of year	\$ 213,086,774	\$ 21,557,567	\$ 282,607	\$ 234,926,948	\$ 79,102

*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, 2016

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund	Total	Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Enterprise Funds	Internal Service Funds
<b>Cash flows from operating activities</b>					
Receipts from customers	\$ 14,356,400	\$ 1,696,787	\$ 24,624	\$ 16,077,811	\$ -
Receipts from interfund services provided	-	-	-	-	11,150,723
Payments to suppliers	(13,342,683)	(485,849)	(52,526)	(13,881,058)	(11,702,398)
Payments for services of employees	(2,170,521)	(1,299,212)	-	(3,469,733)	-
Net cash provided by (used in) operating activities	(1,156,804)	(88,274)	(27,902)	(1,272,980)	(551,675)
<b>Cash flows from non-capital financing activities</b>					
Intergovernmental tax revenues	-	227,997	-	227,997	-
Loans (to) from other funds	905,108	(32,758)	-	872,350	924,543
Net cash provided by (used in) non-capital financing activities	905,108	195,239	-	1,100,347	924,543
<b>Cash flows from capital and related financing activities</b>					
Grant revenues	19,617,228	200,714	-	19,817,942	-
Proceeds from loans	2,228,624	-	-	2,228,624	-
Transfers (to) from other funds	(2,114,426)	(218,622)	-	(2,333,048)	-
Loans (to) from other funds	-	228,716	-	228,716	-
Acquisition of capital assets	(20,193,193)	(246,586)	-	(20,439,779)	-
Retirement of debt	(497,712)	(165,000)	-	(662,712)	-
Interest paid on debt	(159,821)	(53,125)	-	(212,946)	-
Net cash provided by (used in) capital and related financing activities	(1,119,300)	(253,903)	-	(1,373,203)	-
<b>Cash flows from investing activities</b>					
Interest and dividends on investments	(13,635)	6,792	275	(6,568)	1,033
Purchase of investments	-	(12,867)	-	(12,867)	-
Net cash provided by (used in) investing activities	(13,635)	(6,075)	275	(19,435)	1,033
Net increase (decrease) in cash and cash equivalents	(1,384,631)	(153,013)	(27,627)	(1,565,271)	373,901
Cash and cash equivalents, beginning of period	2,013,244	1,296,945	194,152	3,504,341	1,864,480
Cash and cash equivalents, end of period	\$ 628,613	\$ 1,143,932	\$ 166,525	\$ 1,939,070	\$ 2,238,381
Classified as:					
Current assets	\$ 26,689	\$ 1,222,091	\$ 166,525	\$ 1,415,305	\$ 2,238,381
Restricted assets	1,105,130	113,641	-	1,218,771	-
Totals	\$ 1,131,819	\$ 1,335,732	\$ 166,525	\$ 2,634,076	\$ 2,238,381

Continued on next page

*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, 2016  
(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)	\$ (3,234,490)	\$ (1,831,920)	\$ (27,902)	\$ (5,094,312)	\$ (613)
Adjustments not affecting cash					
Depreciation	2,040,130	1,712,278	-	3,752,408	-
Changes in assets and liabilities:					
Accounts receivable	330,735	21,414	-	352,149	-
Supplies inventory	(26,615)	-	-	(26,615)	-
Accounts payable and accrued expenses	(295,384)	19,365	-	(276,019)	(551,062)
Customer deposits	28,820	(9,411)	-	19,409	-
Deferred outflows for pensions	-	-	-	-	-
Net pension liability	-	-	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (1,156,804)</u>	<u>\$ (88,274)</u>	<u>\$ (27,902)</u>	<u>\$ (1,272,980)</u>	<u>\$ (551,675)</u>
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers	579,081	-	-	579,081	-
Contributions of capital assets from government	8,117,041	-	-	8,117,041	-

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



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
September 30, 2016

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**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2016

**I. Summary of Significant Accounting Policies**

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

**(A) Reporting Entity**

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

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

**(B) Component Unit Disclosure**

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

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

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

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

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

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

**(C) Related Organizations**

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

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

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

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

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

**(E) Basic Financial Statements**

**Government-Wide and Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Governmental Funds**

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

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

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

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

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

**Special Revenue Funds**

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

**Capital Projects Funds**

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

**Proprietary Funds**

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

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

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

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

**Internal Service Funds**

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

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

**Non-Current Governmental Assets / Liabilities**

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Position.

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

**Cash and Cash Equivalents**

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

**Investments**

Investments are stated at fair value.

**Accounts Receivable**

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

**Inventories and Prepaids**

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

**Capital Assets**

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

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

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

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The City has an item that meets this criterion, unamortized changes in investments actual performance, expectations, and projections, and plan assumptions related to the pension plan (see Note J).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has an item that meets this criterion, unamortized changes in plan assumptions related to the pension plan (see Note J).

**Compensated Absences**

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

**Post Employment Health Care Benefits**

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

**Interfund Transactions**

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

**Advances to Other Funds**

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

**Estimated Insurance Claims Payable**

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



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

**Long-Term Debt**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financing uses.

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

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

**Unearned Revenue and Deferred Inflows of Resources**

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

**Fund Equity**

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

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

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

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

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

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

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

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

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

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

### **A. Budgetary Data**

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

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

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

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

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.

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

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

	General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	\$ 8,475,019
<b>Adjustments</b>	
To convert receivables	( 6,562,108)
To convert prepaids	( 220,486)
To convert liabilities	( 575,660)
Totals, GAAP basis	<u>\$ 1,116,765</u>

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

For the year ended September 30, 2016, expenditures exceeded appropriations in the Debt Service Fund by \$29,623,447. This over expenditure was funded by the loan proceeds of the Tax Increment Limited Obligation Refunding Bonds, Series 2016.

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

**C. Deficit Fund Equity**

For the year ended September 30, 2016, the Community Development Block Grant Fund had a deficit balance in fund equity of (\$558).

**III. Detail Notes - All Funds**

**A. Property and Gaming Tax Revenues**

**Property Tax**

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

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

The tax levies for the calendar years 2015, 2014 and 2013 (taxes collected in the fiscal years ending 9/30/16, 9/30/15, and 9/30/14 are as follows:

	<u>9/30/16</u> <u>Millage</u>	<u>9/30/15</u> <u>Millage</u>	<u>9/30/14</u> <u>Millage</u>
<b>City Funds</b>			
General Fund	17.15	18.65	17.15
Special revenue funds:			
Disability and Relief (Pension) Funds	2.50	2.50	2.50
Debt Service Funds	9.20	7.70	9.20
Solid waste collection and disposal	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>
Total City administered funds	<u>30.10</u>	<u>30.10</u>	<u>30.10</u>
<b>School Funds</b>			
District maintenance	39.03	37.96	36.82
School debt	<u>4.34</u>	<u>5.41</u>	<u>6.23</u>
Total School administered funds	<u>43.37</u>	<u>43.37</u>	<u>43.05</u>
Total levy	<u><u>73.47</u></u>	<u><u>73.47</u></u>	<u><u>73.15</u></u>

**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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**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, 2016, there were eight casinos operating within the City of Biloxi, Mississippi. Gaming activities are taxed in a variety of ways. The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City of Biloxi, Mississippi receive .4 to .8 percent. This tax is divided 73.4% to the County, and 26.6% to the City of Biloxi, Mississippi. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City of Biloxi, Mississippi, through local ordinance in accordance with state law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the General Fund, (20% of which is designated for public safety); 20% to the Biloxi Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County Schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. The following is an analysis of the gaming revenues reported in the General Fund:

Local option 3.2% tax	\$ 15,772,458
Local share of state tax	1,539,353
Gaming licenses and permits	<u>1,465,951</u>
Total gaming revenues	<u>\$ 18,777,762</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, 2016 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	\$ 27,542,001	\$ 23,068,206
Certificates of deposit	<u>1,284,049</u>	<u>1,284,049</u>
Total deposits	<u>\$ 28,826,050</u>	<u>\$ 24,352,255</u>

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

**Custodial Credit Risk – Deposits**

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

**Investments**

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved. At September 30, 2016, 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>34,044,853</u>	\$ <u>34,044,853</u>

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

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

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

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

**C. Receivables**

The Statement of Net Position of the City of Biloxi, Mississippi includes the following receivables at September 30, 2016:

Taxes receivable:

Utility franchise taxes	\$ 773,998
Sales taxes	1,867,550
Ad valorem taxes	200,886
Gaming taxes and fees	<u>3,355,290</u>
Total taxes receivable	<u>\$ 6,197,724</u>

Customer accounts receivable:

Garbage fees	\$ 409,946
Water and sewer utility charges (billed)	1,406,454
Port berth rentals	114,825
<b>Less</b> allowance for doubtful accounts	( 688,079)
Customer accounts receivable earned but not billed	<u>585,128</u>
Total customer accounts receivable, net	<u>\$ 1,828,274</u>

Grants receivable:

Federal and state grants	<u>\$ 21,799,498</u>
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Other receivables:

Special assessments	\$ 123,919
<b>Less</b> allowance for doubtful accounts	( 105,905)
Liquor privilege tax	72,300
Other	<u>1,588,017</u>
Total other receivables	<u>\$ 1,678,331</u>

**D. Prepaids**

Prepaids at September 30, 2016 consist of the following:

Prepaid insurance premiums	<u>\$ 963,537</u>
Total prepaids	<u>\$ 963,537</u>

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

**E. Interfund Receivables and Payables**

<u>Individual Interfund Balances at September 30, 2016</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund		
General Capital Projects to fund project costs	\$ -	\$ 1,595,453
Claims contingency fund for claims and expenses	-	409,743
Debt Service Fund to fund economic development	2,611,735	-
Water and Sewer Fund to fund administrative fees	<u>946,935</u>	<u>-</u>
Total General Fund	<u>3,558,670</u>	<u>2,005,196</u>
General Capital Projects Fund:		
General Fund to fund project costs	1,595,453	-
2014 General Obligation Bond Fund to fund project costs	135,474	-
Water and Sewer Fund to fund project costs	-	8,454,078
Biloxi Port Fund to fund project costs	<u>17,728,158</u>	<u>-</u>
Total General Capital Projects Fund	<u>19,459,085</u>	<u>8,454,078</u>
Debt Service Fund		
General Fund to fund economic development	<u>-</u>	<u>2,611,735</u>
Total Debt Service Fund	<u>-</u>	<u>2,611,735</u>
2014 General Obligation Bond Fund		
General Capital Projects Fund to fund project costs	<u>-</u>	<u>135,474</u>
Total 2014 TIF Capital Projects Bond Fund	<u>-</u>	<u>135,474</u>
Enterprise Fund:		
Water and Sewer Fund for claims and expenses	-	37,536
Water and Sewer Fund to General Capital Projects Fund	8,454,078	-
Water and Sewer Fund for General Fund for administrative fees		946,935
Biloxi Port Fund for claims and expenses	-	14,245
Biloxi Port Fund to General Capital Projects Fund	<u>-</u>	<u>17,728,158</u>
Total Enterprise Fund	<u>8,454,078</u>	<u>18,726,874</u>
Internal Service Self-Insurance:		
Claims Contingency Fund from General		
Fund for claims and expenses	409,743	-
Claims Contingency Fund from Water		
and Sewer Fund for claims and expenses	37,536	-
Claims Contingency Fund from Biloxi		
Port Fund for claims and expenses	<u>14,245</u>	<u>-</u>
Total Internal Service Self-Insurance	<u>461,524</u>	<u>-</u>
Totals	<u>\$ 31,933,357</u>	<u>\$ 31,933,357</u>



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

The composition of interfund transfers for the year ended September 30, 2016 was as follows:

Transfers From	Transfers Into				
	General Fund	General Capital Projects Fund	Debt Service Fund	Baseball Capital Maintenance Fund	Total
General Fund	\$ -	\$ 6,698,555	\$ -	\$ 25,000	\$ 6,723,555
Debt Service Fund	8,314,365	-	-	-	8,314,365
2014 General Obligation Bond Fund	-	2,421,266	-	-	2,421,266
Nonmajor governmental funds					
Community Development Block Grant	354,477	-	-	-	354,477
2012 GO Capital Projects Bond Fund	-	318,507	-	-	318,507
2002 TIF Capital Projects Bond Fund	-	9,603	-	-	9,603
2014 Special Obligation Bond Series	-	-	41	-	41
Total nonmajor governmental funds	354,477	328,110	41	-	682,628
Total governmental funds	8,668,842	9,447,931	41	25,000	18,141,814
Biloxi Port Fund	-	218,622	-	-	218,622
Totals	<u>\$ 8,668,842</u>	<u>\$ 9,666,553</u>	<u>\$ 41</u>	<u>\$ 25,000</u>	<u>\$ 18,360,436</u>

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

During the year ended September 30, 2016, all transfers to the General Capital Projects Fund from the General Fund were to provide funding for current or future capital projects. Transfers from the General Fund to the Baseball Capital Maintenance Fund were to provide funding for future maintenance and improvement projects for the Minor League Baseball Stadium. Transfers from the Debt Service fund for the Community Disaster loan to the General Fund were for the return of funds and a receivable to the General Fund because the debt had been forgiven in previous fiscal years. Transfers from the three bond funds and the Biloxi Port Fund to the General Capital Projects Fund were to provide funding for current capital projects. Transfers from the Community Development Block Grant Fund to the General Fund were to provide funding for the lease payment on a new fire truck. Transfers from the bond fund to the Debt Service Fund were to provide funding for current debt payments.

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

**F. Capital Asset Activity**

Capital assets activity for year ended September 30, 2016 was as follows:

	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 44,928,040	\$ 168,526	\$ -	\$ 45,096,566
Construction in progress	65,066,184	13,255,274	874,322	77,447,136
Total capital assets not being depreciated	<u>109,994,224</u>	<u>13,423,800</u>	<u>874,322</u>	<u>122,543,702</u>
Capital assets being depreciated				
Buildings	95,290,755	292,836	-	95,583,591
Improvements other than buildings	25,563,819	229,207	-	25,793,026
Machinery and equipment	40,157,220	814,927	1,068,575	39,903,572
Infrastructure - streets and drainage	166,957,716	1,624,189	-	168,581,905
Total capital assets being depreciated	<u>327,969,510</u>	<u>2,961,159</u>	<u>1,068,575</u>	<u>329,862,094</u>
Less accumulated depreciation for:				
Buildings	15,115,312	2,235,979	-	17,351,291
Improvements other than buildings	5,048,723	1,146,727	-	6,195,450
Machinery and equipment	32,282,618	1,670,737	959,245	32,994,110
Infrastructure - streets and drainage	56,913,201	2,925,560	-	59,838,761
Total accumulated depreciation	<u>109,359,854</u>	<u>7,979,003</u>	<u>959,245</u>	<u>116,379,612</u>
Net capital assets being depreciated	<u>218,609,656</u>	<u>(5,017,844)</u>	<u>109,330</u>	<u>213,482,482</u>
Net governmental activities assets	<u>\$ 328,603,880</u>	<u>\$ 8,405,956</u>	<u>\$ 983,652</u>	<u>\$ 336,026,184</u>
<b>Business type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 829,243	\$ -	\$ -	\$ 829,243
Construction in progress	128,397,454	27,763,513	254,064	155,906,903
Total capital assets not being depreciated	<u>129,226,697</u>	<u>27,763,513</u>	<u>254,064</u>	<u>156,736,146</u>
Capital assets being depreciated				
Equipment	5,379,402	214,226	241,549	5,352,079
Water and sewer system	88,712,499	833,145	-	89,545,644
Port buildings & improvements	49,784,481	-	-	49,784,481
Total capital assets being depreciated	<u>143,876,382</u>	<u>1,047,371</u>	<u>241,549</u>	<u>144,682,204</u>
Less accumulated depreciation for:				
Equipment	3,523,858	276,309	241,081	3,559,086
Water and sewer system	44,327,166	1,768,787	-	46,095,953
Port buildings and improvements	11,552,655	1,707,312	-	13,259,967
Total accumulated depreciation	<u>59,403,679</u>	<u>3,752,408</u>	<u>241,081</u>	<u>62,915,006</u>
Net capital assets being depreciated	<u>84,472,703</u>	<u>(2,705,037)</u>	<u>468</u>	<u>81,767,198</u>
Net business type activities assets	<u>\$ 213,699,400</u>	<u>\$ 25,058,476</u>	<u>\$ 254,532</u>	<u>\$ 238,503,344</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	\$ 254,545
Community development	429,277
Cultural affairs	844,914
Parks and recreation	1,572,853
Public safety	1,722,391
Public works	225,101
Engineering	4,362
Infrastructure	<u>2,925,560</u>
Total depreciation expense – governmental activities	<u>\$ 7,979,003</u>
Business-type activities	
Water and sewer	\$ 2,040,130
Port Fund	<u>1,712,278</u>
Total depreciation expense – business-type activities	<u>\$ 3,752,408</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:

	Govern- Mental <u>Activities</u>	Business- Type <u>Activities</u>	<u>Total</u>
Cost	\$ 2,032,642	\$ 50,766,230	\$ 52,798,872
Accumulated depreciation	<u>-</u>	<u>(13,429,385)</u>	<u>(13,429,385)</u>
Carrying amount	<u>\$ 2,032,642</u>	<u>\$ 37,336,845</u>	<u>\$ 39,369,487</u>
Depreciation expense	\$ <u>-</u>	\$ <u>1,712,278</u>	\$ <u>1,712,278</u>

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

**G. Short-Term Debt**

The schedule below details the changes in short-term capital borrowings during the year ended September 30, 2016 for governmental activities:

	Original issue	Interest rate	Balance October 1, 2015	Issues	Redemptions	Balance September 30, 2016
<i>Governmental activities:</i>						
Grant Anticipation Note	10/2/2014	0.96%	\$ 3,000,000	\$ -	\$ 3,000,000	\$ -
Grant Anticipation Note	2/6/2015	0.96%	2,000,000	-	2,000,000	-
Grant Anticipation Note	12/23/2015	0.96%	-	6,451,071	-	6,451,071
Grant Anticipation Note	2/25/2016	0.96%	-	4,800,000	-	4,800,000
Total short-term capital borrowings			<u>\$ 5,000,000</u>	<u>\$ 11,251,071</u>	<u>\$ 5,000,000</u>	<u>\$ 11,251,071</u>

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

**H. Leases**

**Capital Leases**

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

During the fiscal year ended September 30, 2015 the City entered into a capital lease with The Peoples Bank to finance the purchase of a fire truck. The total purchase amount financed was \$707,771 at the fixed, simple interest rate of 2.02% for twenty months. 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 fire truck. The City has accounted for the lease as a financing arrangement.

Additionally, during the fiscal year ended September 30, 2015 the City entered into a capital lease with DeLage Landen Public Finance to finance the purchase of hardware and software. The total purchase amount financed was \$142,562 at the fixed, simple interest rate of 3.085% for four years. Title to the hardware and software is held in the name of the City and DeLage

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

Landen Public Finance, LLC 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 hardware and software and the City insures the hardware and software. The City has accounted for the lease as a financing arrangement.

During the fiscal year ended September 30, 2016 the City entered into a capital lease with The First to finance a truck mounted pothole patcher and a multi-conductor CCTV inspection system. The amount financed was \$281,642 at the fixed, simple interest rate of 2.04% for five years. However, the truck mounted pothole patcher was not acquired and a principal payment of \$167,142 was made to The First. Title to the CCTV inspection system is held in the name of The First 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 multi-conductor CCTV inspection system and the City insures the system. The City has accounted for the lease as a financing arrangement.

During the fiscal year ended September 30, 2016 the City entered into a capital lease with Hancock Bank to finance an energy performance project. The amount financed was \$1,984,837 at the fixed, simple interest rate of 2.29% for eleven 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 energy efficient and conservation equipment and the City insures the equipment. The City has accounted for the lease as a financing arrangement.

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

Year Ended September 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	44,570	48,528	93,098	58,456	885	59,341
2018	224,727	45,864	270,591	11,111	30	11,141
2019	182,888	40,318	223,206	-	-	-
2020	187,100	36,106	223,206	-	-	-
2021	191,409	31,797	223,206	-	-	-
2022-2026	1,025,238	90,791	1,116,029	-	-	-
2027	219,430	3,776	223,206	-	-	-
Totals	<u>\$ 2,075,362</u>	<u>\$ 297,180</u>	<u>\$ 2,372,542</u>	<u>\$ 69,567</u>	<u>\$ 915</u>	<u>\$ 70,482</u>

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

Assets acquired through capital leases are:

Asset	Govern- mental Activities	Business- Type Activities
Breathing Apparatus	\$ 274,275	\$ -
Radio Equipment	208,073	-
Four (4) 2012 Chevy Tahoes	120,852	-
Fire Truck	707,771	-
Hardware and Software	142,562	-
CCTV Inspection System	-	114,500
Energy Efficient and Conservation Equipment	1,984,837	-
	<u>\$ 3,438,370</u>	<u>\$ 114,500</u>

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

Year Ended September 30	Govern- mental Activities	Business- Type Activities
2017	\$ 93,098	\$ 59,341
2018	270,591	11,141
2019	223,206	-
2020	223,206	-
2021	223,206	-
2022-2026	1,116,029	-
2027	223,206	-
Total minimum lease payments	2,372,542	70,482
Less: amount representing interest	(297,180)	(915)
Present value of minimum lease payments	<u>\$ 2,075,362</u>	<u>\$ 69,567</u>

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

**I. 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, 2016:

	Beginning 10/01/15	Additions	Deletions	Ending 9/30/16	Amounts Due Within One Year
<b>Governmental activities</b>					
General Obligation Bonds and Notes	\$ 45,595,000	\$ -	\$ 3,015,000	\$ 42,580,000	\$ 3,115,000
Limited Obligation Bonds	33,532,703	21,020,000	5,963,476	48,589,227	1,803,146
Capital leases	596,461	1,984,837	505,936	2,075,362	44,570
Compensated absences	<u>8,583,341</u>	<u>2,056,181</u>	<u>1,684,106</u>	<u>8,955,416</u>	<u>2,238,854</u>
Total governmental activities	<u>\$ 88,307,505</u>	<u>\$ 25,061,018</u>	<u>\$ 11,168,518</u>	<u>\$ 102,200,005</u>	<u>\$ 7,201,570</u>
<b>Business-type Activities</b>					
Water and Sewer, pollution control loans	\$ 5,517,653	\$ 1,946,982	\$ 235,721	\$ 7,228,914	\$ 392,298
Water and Sewer, drinking water improvement loans	1,025,042	-	49,916	975,126	50,899
Capital leases	-	281,642	212,075	69,567	58,456
Limited tax port bonds	935,000	-	165,000	770,000	175,000
Compensated absences	<u>364,655</u>	<u>109,308</u>	<u>132,576</u>	<u>341,387</u>	<u>85,347</u>
Total business-type activities	<u>\$ 7,842,350</u>	<u>\$ 2,337,932</u>	<u>\$ 795,288</u>	<u>\$ 9,384,994</u>	<u>\$ 762,000</u>

Bonds, notes, and other long-term debt payable at September 30, 2016 are comprised of the following individual issues:

<b>Governmental Activities</b>	Original Issue	Range of Interest Rates	Amount Outstanding 9/30/16
General Obligation Bonds and Notes:			
General Obligation Refunding Bonds, series 2011, due in annual installments of \$380,000 to \$1,240,000 through 12/1/2022	\$ 9,350,000	2.50%-2.625%	\$ 5,185,000
General Obligation Bonds, series 2012, due in annual installments of \$355,000 to \$505,000 through 4/1/2027	6,000,000	2.00%-2.40%	4,690,000
General Obligation Bonds, series 2014, due in annual installments of \$800,000 to \$1,140,000 through 1/1/2029	14,000,000	3.00%-4.00%	12,470,000
Mississippi Development Bank Special Obligation Bonds, series 2014, due in annual installments of \$790,000 to \$1,590,000 through 3/1/2034	21,000,000	3.50%-4.75%	<u>20,235,000</u>
Total General Obligation Bonds			<u>\$ 42,580,000</u>

(Continued)

**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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	<u>Original Issue</u>	<u>Range of Interest Rates</u>	<u>Amount Outstanding 9/30/16</u>
<b>Limited Obligation Bonds and Notes:</b>			
Mississippi Development Association loan, due in annual installments of \$33,608, through 11/1/2021, secured by City sales tax, payable by Harrison County Development Commission	500,000	3.00%	174,227
Tax Increment Limited Obligation Refunding Bonds, series 2006 A, due in annual installments of \$1,645,000 to \$2,700,000 through 11/1/2027	31,685,000	4.50%-5.00%	25,645,000
Tax Increment Junior Lean Limited Obligation Bonds, series 2014, due in annual installments of \$130,000 to \$145,000 through 4/15/2029	1,995,000	4.07%	1,750,000
Tax Increment Limited Obligation Refunding Bonds, series 2016 A, due in annual installments of \$1,350,000 to \$2,410,000 through 11/1/2027	21,020,000	2.00%-5.00%	<u>21,020,000</u>
Total Limited Obligation Bonds and Notes			<u>\$ 48,589,227</u>
<b>Other General Long-Term Debt:</b>			
DeLange Landen Public Finance, LLC capital lease amortized in annual installments of \$47,385 through 10/1/2017	142,562	3.11%	\$ 90,525
Hancock Bank capital lease, amortized in annual installments of \$111,603 through 9/30/2027	1,984,837	2.29%	<u>1,984,837</u> 2,075,362
Total Other General Long-Term Debt			<u>8,955,416</u>
Compensated absences			<u>\$ 102,200,005</u>
Total governmental long-term debt			
<b>Business Type Activities</b>			
<b>Water and Sewer Fund</b>			
State of Mississippi Pollution Control Loans, due in varying installments through 7/1/2037	\$11,482,697	1.75%-4.5%	\$ 7,228,914
State of Mississippi Drinking Water Improvement Loans, due in monthly installments of \$5,788 through 2/15/2033	1,133,861	1.95%	975,126
The First capital lease, amortized in annual installments of \$4,945 through 12/9/2017	281,642	2.04%	69,567
<b>Biloxi Port Fund</b>			
Limited Tax Port Bonds, series 1999 due in annual installments of \$175,000 to \$210,000 through 12/1/2019	2,500,000	5.90%-6.00%	<u>770,000</u>
Total business-type activities bonds and notes			9,043,607
Compensated absences			<u>341,387</u>
Total business-type activities long-term debt			<u>\$ 9,384,994</u>



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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**Debt Refunding**

The City of Biloxi issued Tax Incremental Limited Obligation Refunding Bonds, Series 2016, in the amount of \$21,020,000. The net proceeds of \$24,612,724 include a premium of \$3,592,724. The refunding bond was issued to raise money for the purpose of refunding the callable maturities of the City's outstanding Tax Increment Limited Obligation Refunding Bonds, Series 2006 A, dated October 31, 2006, issued in the original principal amount of \$31,685,000 which is callable on November 1, 2016, in order to reduce debt service requirements. The new bond bears interest from 2.00% to 5.00% and is due in annual installments ranging from \$1,350,000 to \$2,410,000 through November 1, 2027. The refunding decreased the City's total debt service payments by approximately \$3,248,739 and resulted in an approximate economic gain of \$2,832,101.

The annual requirements to pay principal and interest on the bonds, notes and loans outstanding at September 30, 2016 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
2017	3,115,000	1,475,681	1,803,146	1,954,418	618,197	171,687
2018	3,215,000	1,386,269	3,233,990	2,116,244	642,517	166,556
2019	3,310,000	1,294,094	3,569,860	1,978,433	656,010	146,454
2020	2,530,000	1,209,666	3,725,756	1,817,068	675,056	125,108
2021	2,605,000	1,133,123	3,896,679	1,648,851	449,271	109,665
2022-2026	13,085,000	4,408,286	21,984,796	5,440,031	2,109,985	435,422
2027-2031	10,160,000	2,058,341	10,375,000	640,941	2,305,976	239,432
2032-2036	4,560,000	329,563	-	-	1,506,900	56,445
2037	-	-	-	-	10,128	80
Totals	<u>\$ 42,580,000</u>	<u>\$ 13,295,023</u>	<u>\$ 48,589,227</u>	<u>\$ 15,595,986</u>	<u>\$ 8,974,040</u>	<u>\$ 1,450,849</u>

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

Assessed valuations 2015 (inside the City):

Real property	\$ 445,458,828
Personal property	78,303,534
Public utility	38,420,515
Autos and mobile homes, estimated	45,296,808
Total assessed valuations	<u>\$ 607,479,685</u>

Fifteen percent (15%) of total assessed valuation	\$ 91,121,953
Less outstanding general issues at 9/30/16	<u>42,580,000</u>
Legal debt margin	<u>\$ 48,541,953</u>

**City of Biloxi, Mississippi**  
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The City Council annually adopts a resolution providing for the amount of property tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City. The millage rate for the year ended September 30, 2016, was 9.2 mills or \$9.20 per \$1,000 of assessed value.

Other general long-term debt of the Enterprise Funds is \$8,204,040 of pollution control/state revolving loans and drinking water improvement loans from the State of Mississippi. The State Tax Commission, in accordance with a signed agreement with the City of Biloxi, Mississippi is deducted \$30,310 each month from the sales tax remittances to the City to apply as payments on these loans.

The City has authorized the issuance of limited tax port bonds for the purpose of making improvements to property belonging to the Biloxi Port Fund (previously the Biloxi Port Commission). The bonds are secured by an irrevocable pledge of the avails of a direct and continuing one (1) mill ad valorem tax to be levied by Harrison County, Mississippi. The bonds are payable solely from the avails of the Harrison County tax levy. At September 30, 2016, the aggregate, outstanding principal amount of the issues was \$770,000.

**J. Retirement Plans**

The City of Biloxi, Mississippi 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.

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

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

**Plan Description**

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

**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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provisions of Chapter No. 511 of the General Laws of the State of Mississippi, 1987, effective October 1, 1987, the administrative responsibility for these retirement systems was assigned to the Mississippi Municipal Retirement System, a program of the Public Employees' Retirement System of Mississippi. The City has no control over the administration of the plans. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained from its website, [www.pers.ms.gov](http://www.pers.ms.gov), by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

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

The City's employees are provided pensions through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Mississippi's Public Employees' Retirement System's Board of Trustees. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained from its website, [www.pers.ms.gov](http://www.pers.ms.gov), by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444 PERS.

**Benefits Provided**

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

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.

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

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of credited service up to and including 30 years (25 years for those who became members before July 1, 2011) plus 2.5 percent for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average

**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by State Legislature.

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

**Contributions**

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

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%. 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, 2016 the combined millage was 2.5 mills. The City is required by statute to set a tax levy sufficient to fund the annual required contribution. The plan administrator, the Mississippi Public Employees Retirement System, provides actuarial data for the two plans combined. The City's contributions to PERS for the years ended September 30, 2016, 2015, and 2014 were \$1,340,979, \$1,325,401, and \$1,347,149, respectively. The employer contributions were made in accordance with contribution requirements determined by an actuarial valuation of the system as of June 30, 2016. The City accounts for these closed plans as a single, agent multiple-employer defined benefit plan.

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

Active members	-
Retirees and beneficiaries	<u>106</u>
Total	<u><u>106</u></u>

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

The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The adequacy of these rates is assessed annually by actuarial valuation. PERS members are required to contribute 9% of their annual covered

**City of Biloxi, Mississippi**  
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salary and City is required to contribute at an actuarially determined rate. For the periods ending September 30, 2016, 2015, and 2014, the City's contribution rates were 15.75%, 15.75%, and 14.26% of annual covered payroll, respectively. The City's contributions to PERS for the years ended September 30, 2016, 2015, and 2014 were \$4,459,936, \$4,201,776, and \$4,250,441, respectively, and are equal to the required contributions for each year.

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

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

At September 30, 2016, the City recognized \$13,916,120 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2016, the City's proportion was 100 percent, which was unchanged as of June 30, 2015.

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

At September 30, 2016, the City recognized \$77,115,794 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the City's proportion was 0.431719 percent, which is an increase of 0.002731 from its proportion measured as of June 30, 2015 (0.428988 percent).

For the year ended September 30, 2016, the City recognized pension expense of \$9,490,911. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<b>Firemen's and Policemen's Disability and Relief Plan and Employees Disability and Relief Plan</b>	<b>Public Employees' Retirement System Defined Benefit Pension Plan</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Total</b>
<b><u>Governmental-type Activities</u></b>			
Differences between expected and actual experience	\$ -	\$ 4,889,865	\$ 4,889,865
Changes of assumptions	-	3,402,736	3,402,736
Net difference between projected and actual earnings on pension plan investments	838,789	2,013,305	2,852,094
City contributions subsequent to the measurement date	145,033	1,130,533	1,275,566
Total	<u>\$ 983,822</u>	<u>\$ 11,436,439</u>	<u>\$ 12,420,261</u>
	<b>Deferred Outflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Total</b>
<b><u>Business-type Activities</u></b>			
Differences between expected and actual experience	\$ -	\$ 334,349	\$ 334,349
Changes of assumptions	-	232,666	232,666
Net difference between projected and actual earnings on pension plan investments	-	137,662	137,662
City contributions subsequent to the measurement date	-	71,743	71,743
Total	<u>\$ -</u>	<u>\$ 776,420</u>	<u>\$ 776,420</u>

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

	<b>Firemen's and Policemen's Disability and Relief Plan and Employees Disability and Relief Plan</b>	<b>Public Employees' Retirement System Defined Benefit Pension Plan</b>	
	<b>Deferred Inflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Total</b>
<b><u>Governmental-type Activities</u></b>			
Changes of assumptions	\$ -	\$ 191,805	\$ 191,805
Total	\$ -	\$ 191,805	\$ 191,805
	<b>Deferred Inflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Total</b>
<b><u>Business-type Activities</u></b>			
Changes of assumptions	\$ -	\$ 13,115	\$ 13,115
Total	\$ -	\$ 204,920	\$ 13,115

\$1,347,309 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Firemen's and Policemen's Disability and Relief Plan and Employees Disability and Relief Plan</b>	<b>Public Employees' Retirement System Defined Benefit Pension Plan</b>	<b>Total</b>
Year ended September 30:			
2017	\$ 234,368	\$ 2,648,707	\$ 2,883,075
2018	234,368	2,648,707	2,883,075
2019	234,365	1,814,698	2,049,063
2020	135,688	1,044,843	1,180,531

**Actuarial assumptions**

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

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ending September 30, 2016 were based on the June 30, 2014 actuarial valuation.

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

Methods and assumptions used to determine contribution rates:

Valuation date	6/30/2016
Actuarial cost method	Ultimate Asset Reserve
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Five year smoothed market
Inflation	3.50%
Salary increases	4.50 – 6.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34.00%	5.20%
International equity	19.00	5.00
Emerging markets equity	8.00	5.45
Fixed income	20.00	0.25
Real assets	10.00	4.00
Private equity	8.00	6.15
Cash	1.00	(0.50)
Total	100.00%	

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

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 – 19.00 %, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation



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

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

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Emerging markets equity	8.00	5.45
Fixed income	20.00	0.25
Real assets	10.00	4.00
Private equity	8.00	6.15
Cash	1.00	(0.50)
Total	100.00%	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**Changes in the Net Pension Liability**

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Balances at 6/30/15</b>	<u>\$ 23,990,632</u>	<u>\$ 9,879,581</u>	<u>\$ 14,111,051</u>
<b>Changes for the year:</b>			
Service cost	-	-	-
Interest	1,769,418	-	1,769,418
Differences between expected and actual experience	(529,913)	-	(529,913)
Contributions-employer	-	1,361,189	(1,361,189)
Contributions-employee	-	-	-
Net investment income	-	49,059	(49,059)
Benefit payments, including refunds of employee contributions	(2,318,865)	(2,318,865)	-
Administrative expense	-	(27,223)	27,223
Other changes	-	51,411	(51,411)
<b>Net changes</b>	<u>(1,079,360)</u>	<u>(884,429)</u>	<u>(194,931)</u>
<b>Balances at 6/30/16</b>	<u><u>\$ 22,911,272</u></u>	<u><u>\$ 8,995,152</u></u>	<u><u>\$ 13,916,120</u></u>

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following tables present the City's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 15,775,319	\$ 13,916,120	\$ 12,303,980

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 98,879,737	\$ 77,115,793	\$ 59,058,775

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report for both the Firemen's and Policemen's Disability and Relief Plan and Employee's Disability and Relief Plan and the Public Employees' Retirement System Defined Benefit Pension Plan.

**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, 2016, contributions by participants employed by the City totaled \$555,526.

**K. Community Development Block Grant Program**

**Status of Grants**

The City of Biloxi, Mississippi is awarded an entitlement grant every year by the Department of Housing and Urban Development Community Block Grant Program. The following represents the status of the award of grant funds as of September 30, 2016:

	Award	Drawn Prior to FYE 9/30/16	Drawn During FYE 9/30/16	Balance
CDBG B-14-MC-28-0001	\$ 415,068	\$ 100,834	\$ 256,459	\$ 57,775
CDBG B-15-MC-28-0001	417,323	261,249	34,315	121,759
CDBG B-16-MC-28-0001	417,843	-	216,121	201,722
Totals	\$ <u>1,250,234</u>	\$ <u>362,083</u>	\$ <u>506,895</u>	\$ <u>381,256</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, Mississippi has negotiated three leases with Landry's Inc. who operates the "Golden Nugget Casino" at the Point Cadet Waterfront Development. A portion of the lease revenues are considered program income under the CDBG and HUD Section 108 loan programs, and are restricted to use for such eligible purposes. The initial lease (casino lease), dated August 1, 1992, calls for an initial term of seven (7) years with seven additional five (5) year renewal options. Minimum annual rentals are \$500,000. Minimum annual rentals for each renewal option period are adjusted by the Consumer Price Index. In addition to the minimum annual rentals, the lease calls for an additional annual amount equal to three percent (3%) of the tenant's gross annual revenues in excess of \$25,000,000.

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

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

**Mortgage Loans Receivable**

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

Mortgage loans receivable at September 30, 2016, consisted of the following:

Nixon Street home acquisition mortgages	\$ <u>805</u>
Total deferred mortgage loans receivable	\$ <u><u>805</u></u>

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

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

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

**Property damage for windstorm and hail**

	2% subject to a minimum of
Per occurrence deductible (SIR)	\$ 250,000
Specific excess coverage in force	75,000,000

**Property damage for all other perils**

Per occurrence deductible (SIR)	100,000
Specific excess coverage in force	75,000,000

**Workers' compensation**

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

**General and other liability coverage**

Per occurrence deductible for fire trucks auto physical damage (SIR)	\$ 50,000
Specific excess coverage in force fire trucks physical damage	500,000
Per occurrence deductible for general liability (SIR)	100,000
Specific excess coverage in force general liability	900,000
Per occurrence deductible for auto liability (SIR)	100,000
Specific excess coverage in force auto liability	900,000
Per occurrence deductible for errors and omissions (SIR)	100,000
Specific excess coverage in force errors and omissions, \$2,000,000 aggregate	1,000,000
Per occurrence deductible for employment practices (SIR)	100,000
Specific excess coverage in force employment practices, \$2,000,000 aggregate	1,000,000
Per individual deductible for sexual harassment (SIR)	100,000
Specific excess coverage in force sexual harassment, \$2,000,000 aggregate	1,000,000
Per individual deductible for employee benefits (SIR)	100,000
Specific excess coverage in force employee benefits, \$2,000,000 aggregate	1,000,000
Per individual deductible for law enforcement (SIR)	100,000
Specific excess coverage in force law enforcement	900,000

**Health**

Per individual deductible (SIR)	125,000
Annual aggregate risk of loss through deductibles	8,143,526
Specific excess coverage in force	1,000,000

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

The following is a summary of the City's self-insurance reserves at September 30, 2016:

	Employee Medical Claims	Property, Liability & Workers' Compen- sation	Total
Total estimated liability and reserves – October 1, 2014	\$ 715,797	\$ 3,895,712	\$ 4,611,509
Claims incurred and changes in estimates	5,632,231	96,439	5,728,670
Claims paid	( 5,927,305)	( 1,241,009)	( 7,168,314)
Total estimated liability and reserves – September 30, 2015	\$ 420,723	\$ 2,751,142	\$ 3,171,865
Claims incurred and changes in estimates	5,828,098	764,607	6,592,705
Claims paid	( 6,206,990)	( 936,777)	( 7,143,767)
Total estimated liability and reserves – September 30, 2016	\$ <u>41,831</u>	\$ <u>2,578,972</u>	\$ <u>2,620,803</u>

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

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

## **M. Related Party Commitments**

### **Joint Venture**

The City of Biloxi, Mississippi is a member of the Harrison County Utility Authority (Authority) which was established by an act of the Mississippi Legislature to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Harrison County, Mississippi. The governing board is comprised of one member from each of the cities and two members from each of the counties who are members of the Authority. Through a fifty-year contract, the City of Biloxi, Mississippi is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the Authority. Additionally, the City is jointly and severally liable for all of the liabilities of the Authority. The Authority is classified as a joint venture between the City of Biloxi, Mississippi and the other members. The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2016, a complete copy of which is on file at the administrative offices of the Authority.

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

**Harrison County Utility Authority Synopsis**

**Statement of Net Position**

**Assets and Deferred Outflow of Resources**

**Assets**

Current assets	\$ 12,048,823
Restricted assets	21,590,333
Property, plant and equipment	<u>275,358,374</u>
Total assets	<u>\$ 308,997,530</u>

<b>Deferred outflow of resources</b>	<u>\$ 25,870,209</u>
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**Liabilities & Net Position**

**Liabilities**

Current, unrestricted	\$ 8,939,133
Current, restricted	12,924,918
Long-term liabilities	<u>123,574,105</u>
Total liabilities	<u>\$ 145,438,156</u>

<b>Deferred inflows of resources</b>	<u>\$ 4,747</u>
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<b>Net position</b>	<u>\$ 189,424,836</u>
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**Statement of Revenues and Expenses**

Operating revenues	\$ 20,244,159
Operating expenses	( 20,194,266)
Depreciation and amortization	( 12,703,491)
Non-operating revenues (expenses)	<u>14,766,090</u>
Changes in net position	<u>\$ 2,112,492</u>

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

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

**General Fund**

Statement of net position;

Accounts payable \$ 307,910

Statement of revenues, expenditures and changes in fund balance:

Public works expenditures:

Other services and charges (solid waste charges) \$ 2,086,694

**Water and Sewer Enterprise Fund**

Statement of net position:

Accounts receivable \$ 1,143,048

Statement of revenues, expenses and changes in net position:

Operating expenses:

Contracted services (wastewater treatment) \$ 9,346,494

**Jointly Governed Organizations**

**Harrison County Library System** – On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Biloxi Public Library, the City of Gulfport, Mississippi, the Board of Supervisors of Harrison County, Mississippi, the Board of Trustees of the Gulfport-Harrison County Library, the City of Pass Christian, Mississippi, and the Board of Trustees of the Pass Christian Public Library to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Harrison County Library System. There are no specific monetary terms in the agreement and the City of Biloxi, Mississippi has no equity interest in the organization. However, a budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources. The City of Biloxi, Mississippi contributed \$695,000 for the year ended September 30, 2016. The amount budgeted for the City of Biloxi, Mississippi for the fiscal year ended September 30, 2017 is \$695,000. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City of Biloxi, Mississippi does not have an ongoing financial responsibility.

**Gulfport-Biloxi Regional Airport Authority** – The Gulfport-Biloxi Regional Airport Authority was chartered on August 25, 1977, and assumed control of the Airport on October 1, 1977. The Authority is comprised of one appointee each from the local governmental units of the City of Gulfport, Mississippi, the City of Biloxi, Mississippi, and Harrison County, Mississippi. These governmental units have agreed to subsidize the Airport annually. During the past fiscal year, the City of Biloxi, Mississippi provided no subsidy to the Gulfport-Biloxi Regional Airport. The City has budgeted \$0 for the 2016-2017 fiscal year. The City of Biloxi, Mississippi has no equity interest in the organization.



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

**N. Other Commitments**

**Property Leases**

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

The two tidelands lease agreements with the State of Mississippi dated July 15, 1988, continue in effect until June 30, 2018. Lease payments under those leases are now established at \$500,000 per year, but the Golden Nugget Casino 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, 2016:

Total commitment for general Capital Projects	\$ <u>265,785,873</u>
Funding sources:	
Federal and State Grants	\$ 255,562,142
Bond Funds	6,733,819
Enterprise Funds	1,013,075
General Fund surplus and other future sources of funds to be provided	<u>2,476,837</u>
Total fund sources	\$ <u>265,785,873</u>

**Matching Funds – USM Advanced Education Center**

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

**O. Subsequent Events**

The City's management has evaluated events occurring subsequent to year end through April 28, 2017, which is the date the statements were available to be issued.

## **Required Supplementary Information**

**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Budget Basis**  
**General Fund**  
For the Fiscal Year Ended September 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 10,338,198	\$ 10,338,198	\$ 10,167,545	\$ (170,653)
Licenses and permits	4,456,851	4,456,851	3,872,105	(584,746)
Intergovernmental	33,023,900	33,023,900	31,634,640	(1,389,260)
Federal & state grants	798,774	895,194	392,042	(503,152)
Charges for services	2,041,400	2,041,400	2,309,863	268,463
Fines	1,450,000	1,450,000	1,137,035	(312,965)
Other	5,900,348	6,925,336	7,590,771	665,435
Total revenues	58,009,471	59,130,879	57,104,001	(2,026,878)
<b>Expenditures</b>				
Administration				
Personnel services	1,580,945	1,692,109	1,558,227	133,882
Supplies	21,285	20,540	18,474	2,066
Other services & charges	275,084	296,401	289,928	6,473
Contractual services	296,598	318,476	315,499	2,977
Capital outlay	-	54,986	54,688	298
Total	2,173,912	2,382,512	2,236,816	145,696
Executive				
Personnel services	604,807	604,807	588,262	16,545
Supplies	35,075	32,310	12,705	19,605
Other services & charges	47,150	50,815	33,155	17,660
Contractual services	79,075	78,175	68,509	9,666
Total	766,107	766,107	702,631	63,476
Legislative				
Personnel services	506,540	506,540	507,570	(1,030)
Supplies	9,550	9,550	8,638	912
Other services & charges	126,350	153,500	138,672	14,828
Contractual services	7,680	9,230	7,592	1,638
Total	650,120	678,820	662,472	16,348
Legal				
Personnel services	793,683	1,008,486	920,786	87,700
Supplies	9,125	10,017	10,016	1
Other services & charges	659,650	1,148,459	1,141,061	7,398
Contractual services	57,395	36,555	36,453	102
Capital outlay	10,000	39,459	29,095	10,364
Total	1,529,853	2,242,976	2,137,411	105,565

Continued on next page

**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Budget Basis**  
**General Fund**

For the Fiscal Year Ended September 30, 2016

(Continued)

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
Community development				
Personnel services	2,140,025	2,177,798	2,161,060	16,738
Supplies	162,750	143,200	109,508	33,692
Other services & charges	674,600	824,600	622,172	202,428
Contractual services	320,950	250,500	230,287	20,213
Total	3,298,325	3,396,098	3,123,027	273,071
Parks & recreation				
Personnel services	3,437,433	3,399,660	3,128,869	270,791
Supplies	379,550	392,825	367,352	25,473
Other services & charges	750,450	906,300	900,257	6,043
Contractual services	354,500	350,875	338,755	12,120
Capital outlay	19,000	19,000	18,662	338
Total	4,940,933	5,068,660	4,753,895	314,765
Public safety				
Personnel services	26,531,660	26,552,566	25,276,627	1,275,939
Supplies	1,335,176	1,307,657	991,396	316,261
Other services & charges	622,803	657,115	629,645	27,470
Contractual services	1,378,680	1,384,624	961,160	423,464
Capital outlay	978,206	1,458,207	1,076,934	381,273
Total	30,846,525	31,360,169	28,935,762	2,424,407
Public works				
Personnel services	4,381,806	4,715,315	4,249,918	465,397
Supplies	491,926	478,718	433,832	44,886
Other services & charges	1,068,134	1,360,255	1,307,830	52,425
Contractual services	3,256,671	3,062,595	2,834,572	228,023
Capital outlay	-	98,963	98,645	318
Total	9,198,537	9,715,846	8,924,797	791,049
Nondepartmental				
Interest	17,726	23,893	22,166	1,727
Other services & charges	2,900,000	2,900,000	2,651,879	248,121
Contractual services	1,286,025	1,588,858	1,368,594	220,264
Total	4,203,751	4,512,751	4,042,639	470,112
Total expenditures	57,608,063	60,123,939	55,519,450	4,604,489
Excess (deficiency) of revenues over expenditures	401,408	(993,060)	1,584,551	2,577,611
<b>Other financing sources (uses)</b>				
Transfers in	390,000	2,916,370	8,668,842	5,752,472
Transfers out	(974,149)	(974,149)	(1,778,374)	(804,225)
Total other financing sources (uses)	(584,149)	1,942,221	6,890,468	4,948,247
Net change in fund balances	(182,741)	949,161	8,475,019	7,525,858
Fund balances, beginning of year	8,734,735	8,734,735	8,734,735	
Fund balances, end of year	<u>\$ 8,551,994</u>	<u>\$ 9,683,896</u>	<u>\$ 17,209,754</u>	<u>\$ 7,525,858</u>

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Last Ten Fiscal Years**

	<b>Firemen's and Policemen's Disability and Relief Plan and Employee's Disability and Relief Plan</b>		<b>Public Employee's System Defined Benefit Pension Plan</b>		<b>Firemen's and Policemen's Disability and Relief Plan and Employee's Disability and Relief Plan</b>		<b>Public Employee's System Defined Benefit Pension Plan</b>	
	<b>2016</b>				<b>2015</b>			
Proportion of the net pension liability	100.000%		0.432%		100.000%		0.429%	
Proportionate share of the net pension liability (asset)	\$	13,916,120	\$	77,115,794	\$	14,111,051	\$	66,314,940
Covered employee payroll	N/A		27,548,362		N/A		26,671,663	
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A		279.93%		N/A		248.63%	
Plan fiduciary net position as a percentage of total pension liability	39.26%		57.47%		41.18%		61.70%	

**Note:**

This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

**City of Biloxi, Mississippi**  
**Required Supplementary Information**  
**Schedule of Pension Contributions**  
**Last Ten Fiscal Years**

	<b>Firemen's and Policemen's Disability and Relief Plan and Employee's Disability and Relief Plan</b>	<b>Public Employee's System Defined Benefit Pension Plan</b>	<b>Firemen's and Policemen's Disability and Relief Plan and Employee's Disability and Relief Plan</b>	<b>Public Employee's System Defined Benefit Pension Plan</b>
	<b>2016</b>		<b>2015</b>	
Contractually required contribution	1,361,189	\$ 4,349,855	\$ 1,325,049	\$ 4,221,110
Contributions in relation to the contractually required contribution	(1,361,189)	(4,349,855)	(1,325,049)	(4,221,110)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	N/A	\$ 27,548,362	N/A	\$ 26,671,663
Contributions as a percentage of covered-employee payroll	N/A	15.79%	N/A	15.83%

**Note:**

This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

**City of Biloxi, Mississippi**  
**Required Supplementary Information**  
**Firemen's and Policemen's Disability and Relief Plan and**  
**Employee's Disability and Relief Plan**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**Last Ten Fiscal Years**

	<b>Firemen's and Policemen's Disability and Relief Plan and Employee's Disability and Relief Plan 2016</b>	<b>Firemen's and Policemen's Disability and Relief Plan and Employee's Disability and Relief Plan 2015</b>
<b>Total pension liability</b>		
Service cost	\$ -	\$ -
Interest	1,769,418	1,796,013
Changes of benefit terms	-	-
Difference between expected and actual experience	(529,913)	269,639
Assumption changes	-	647,459
Benefit payments, including refunds of employee contributions	(2,318,865)	(2,345,298)
<b>Net Change in total pension liability</b>	(1,079,360)	367,813
<b>Total pension liability, beginning</b>	23,990,632	23,622,819
<b>Total pension liability, ending</b>	22,911,272	23,990,632
<b>Plan fiduciary net position</b>		
Contributions-employer	1,361,189	1,325,049
Contributions-employee	-	-
Net investment income	49,059	313,745
Benefit payments, including refunds of employee contributions	(2,318,865)	(2,345,298)
Administrative expenses	(27,223)	(26,501)
Other changes	51,411	-
<b>Net Change in total plan fiduciary net position</b>	(884,429)	(733,005)
<b>Plan fiduciary net position, beginning</b>	9,879,581	10,612,586
<b>Plan fiduciary net position, ending</b>	8,995,152	9,879,581
<b>Net pension liability</b>	\$ 13,916,120	\$ 14,111,051
 Plan fiduciary net position as a percentage of the total pension liability	 39.26%	 41.18%
Projected covered employee payroll	N/A	N/A
Net pension liability as a percentage of covered employee payroll	N/A	N/A

**Note:**

This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Notes to the Required Supplementary Information**  
**For the Year Ended September 30, 2016**

**Note 1: Changes of Assumptions**

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

**Note 2: Method and Assumptions used in Calculations of Actuarially Determined Contributions**

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for the fiscal year ending September 30, 2016 were based on June 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Ultimate Asset Reserve
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Five year smoothed market
Inflation	3.50%
Salary increases	4.50% - 6.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation



## Combining Financial Statements

**City of Biloxi, Mississippi**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
September 30, 2016

	Special Revenue					Capital Projects					
	Community Development Block Grant	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	Baseball Capital Maintenance Fund	General Obligation 2000 Bond Fund	Public Improvement 2003 Bond Fund	2012 Bond Fund	2002 TIF Capital Projects Bond Fund	2014 Special Obligation Bond Series	Total
<b>Assets</b>											
Cash	\$ 5	\$ -	\$ 418,879	\$ 31,267	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 525,151
Investments	-	-	-	-	-	83,887	635,408	57,009	238,382	2	1,014,688
Receivables:											
Taxes	-	15,234	-	-	-	-	-	-	-	-	15,234
Grants	26,169	-	-	-	-	-	-	-	-	-	26,169
Other	19,705	-	-	-	-	-	-	-	-	-	19,705
Mortgage loans receivable	805	-	-	-	-	-	-	-	-	-	805
Total assets	<u>\$ 46,684</u>	<u>\$ 15,234</u>	<u>\$ 418,879</u>	<u>\$ 31,267</u>	<u>\$ 75,000</u>	<u>83,887</u>	<u>\$ 635,408</u>	<u>\$ 57,009</u>	<u>\$ 238,382</u>	<u>\$ 2</u>	<u>\$ 1,601,752</u>
<b>Liabilities &amp; Fund Balance</b>											
<b>Liabilities</b>											
Accounts payable	\$ 47,242	\$ 15,234	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,476
Due to other city funds	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>47,242</u>	<u>15,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,476</u>
<b>Fund balances</b>											
Nonspendable											
Long-term receivables	805	-	-	-	-	-	-	-	-	-	805
Restricted for											
Claims	-	-	418,879	-	-	-	-	-	-	-	418,879
Endowment	-	-	-	31,267	-	-	-	-	-	-	31,267
Maintenance	-	-	-	-	75,000	-	-	-	-	-	75,000
Committed to											
Grant expenditures	(1,363)	-	-	-	-	-	-	-	-	-	(1,363)
Capital improvements	-	-	-	-	-	83,887	635,408	57,009	238,382	2	1,014,688
Total fund balances	<u>(558)</u>	<u>-</u>	<u>418,879</u>	<u>31,267</u>	<u>75,000</u>	<u>83,887</u>	<u>635,408</u>	<u>57,009</u>	<u>238,382</u>	<u>2</u>	<u>1,539,276</u>
Total liabilities & fund balances	<u>\$ 46,684</u>	<u>\$ 15,234</u>	<u>\$ 418,879</u>	<u>\$ 31,267</u>	<u>\$ 75,000</u>	<u>\$ 83,887</u>	<u>\$ 635,408</u>	<u>\$ 57,009</u>	<u>\$ 238,382</u>	<u>\$ 2</u>	<u>\$ 1,601,752</u>

*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, 2016

	Special Revenue					Capital Projects					
	Community Development Block Grant	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	Baseball Capital Maintenance Fund	General Obligation 2000 Bond Fund	Public Improvement 2003 Bond Fund	2012 Bond Fund	2002 TIF Capital Projects Bond Fund	2014 Special Obligation Bond Series	Total
<b>Revenues</b>											
Ad valorem taxes	\$ -	\$ 1,335,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	1,335,494
Intergovernmental	500,539	-	-	-	-	-	-	-	-	-	500,539
Other income	164,991	-	2,252	166	25,000	10	469	(329)	144	41	192,744
Total revenues	665,530	1,335,494	2,252	166	25,000	10	469	(329)	144	41	2,028,777
<b>Expenditures</b>											
Community Development	405,500	-	-	-	-	-	-	-	-	-	405,500
Benefit payments	-	1,335,494	7,599	-	-	-	-	-	-	-	1,343,093
Total expenditures	405,500	1,335,494	7,599	-	-	-	-	-	-	-	1,748,593
Excess (deficiency) of revenues over expenditures	260,030	-	(5,347)	166	25,000	10	469	(329)	144	41	280,184
<b>Other financing sources (uses)</b>											
Transfers in	-	-	-	-	25,000	-	-	-	-	-	25,000
Transfers out	(354,477)	-	-	-	-	-	-	(318,507)	(9,603)	(41)	(682,628)
Total other financing sources uses	(354,477)	-	-	-	25,000	-	-	(318,507)	(9,603)	(41)	(657,628)
Net change in fund balances	(94,447)	-	(5,347)	166	50,000	10	469	(318,836)	(9,459)	-	(377,444)
Fund balances, beginning of year	93,889	-	424,226	31,101	25,000	83,877	634,939	375,845	247,841	2	1,916,720
Fund balances, end of year	\$ (558)	\$ -	\$ 418,879	\$ 31,267	\$ 75,000	\$ 83,887	\$ 635,408	\$ 57,009	\$ 238,382	\$ 2	\$ 1,539,276

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
(for self-insured risks)  
September 30, 2016

<b>Assets</b>	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
<b>Restricted assets</b>				
Cash	\$ 2,117,448	\$ 41,831	\$ 79,102	\$ 2,238,381
Due from other City funds	461,524	-	-	461,524
Total restricted assets	<u>\$ 2,578,972</u>	<u>\$ 41,831</u>	<u>\$ 79,102</u>	<u>\$ 2,699,905</u>
<b>Liabilities &amp; Net Position</b>				
<b>Liabilities payable from restricted assets</b>				
Claims contingency payable	<u>\$ 2,578,972</u>	<u>\$ 41,831</u>	<u>\$ -</u>	<u>\$ 2,620,803</u>
<b>Net position</b>				
Unrestricted	<u>-</u>	<u>-</u>	<u>79,102</u>	<u>79,102</u>
Total liabilities and net position	<u>\$ 2,578,972</u>	<u>\$ 41,831</u>	<u>\$ 79,102</u>	<u>\$ 2,699,905</u>

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds**  
(for self-insured risks)  
For the Year Ended September 30, 2016

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
<b>Operating revenues</b>				
Charges for services, insurance billings	\$ 4,066,171	\$ 6,962,256	\$ -	\$ 11,028,427
COBRA contributions	-	122,296	-	122,296
Total operating revenues	<u>\$ 4,066,171</u>	<u>\$ 7,084,552</u>	<u>\$ -</u>	<u>\$ 11,150,723</u>
<b>Operating expenses</b>				
Insurance and reinsurance	\$ 2,333,590	\$ 379,021	\$ -	\$ 2,712,611
Claims expense	1,732,581	6,706,144	-	8,438,725
Total operating expenses	<u>4,066,171</u>	<u>7,085,165</u>	<u>-</u>	<u>11,151,336</u>
Operating income (loss)	-	(613)	-	(613)
<b>Non-operating revenues (expenses)</b>				
Interest income	-	613	420	1,033
Income before transfers	-	-	420	420
Change in net position	-	-	420	420
Net position, beginning	-	-	78,682	78,682
Net position, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,102</u>	<u>\$ 79,102</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, 2016

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 4,066,171	\$ 7,084,552	\$ -	\$ 11,150,723
Payments to suppliers	(4,238,341)	(7,464,057)	-	(11,702,398)
Net cash provided by (used in) operating activities	(172,170)	(379,505)	-	(551,675)
<b>Cash flows from non-capital financing activities</b>				
Loans (to) other funds	924,543	-	-	924,543
Net cash provided by (used in) non-capital financing activities	924,543	-	-	924,543
<b>Cash flows from investing activities</b>				
Interest and dividends on investments	-	613	420	1,033
Net cash provided by (used in) investing activities	-	613	420	1,033
Net increase (decrease) in cash and cash equivalents	752,373	(378,892)	420	373,901
Cash and cash equivalents, beginning of period	1,365,075	420,723	78,682	1,864,480
Cash and cash equivalents, end of period	\$ 2,117,448	\$ 41,831	\$ 79,102	\$ 2,238,381

*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, 2016

	Actual	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 6,766,843	\$ 6,822,270	\$ (55,427)
Intergovernmental	1,376,724	1,233,608	143,116
Other income	34,218	8,800	25,418
	<u>8,177,785</u>	<u>8,064,678</u>	<u>113,107</u>
<b>Expenditures</b>			
Principal retirement	33,410,013	5,497,929	(27,912,084)
Interest expense	4,122,026	3,002,958	(1,119,068)
Paying agents' fees	18,000	27,000	9,000
Bond issue costs	601,295	-	(601,295)
Total expenditures	<u>38,151,334</u>	<u>8,527,887</u>	<u>(29,623,447)</u>
Excess (deficiency) of revenues over expenditures	<u>(29,973,549)</u>	<u>(463,209)</u>	<u>(29,510,340)</u>
<b>Other financing sources (uses)</b>			
Issuance of bonds	24,612,724	-	24,612,724
Transfers in	1,489,670	2,757,264	(1,267,594)
Transfers out	(9,803,994)	(2,526,370)	(7,277,624)
Total other financing sources (uses)	<u>16,298,400</u>	<u>230,894</u>	<u>16,067,506</u>
Excess (deficiency) of revenues over and other sources over expenditures and other uses	<u>(13,675,149)</u>	<u>(2,989,579)</u>	<u>(13,442,834)</u>
Fund balances, beginning of year	<u>15,120,045</u>	<u>15,120,045</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 1,444,896</u></u>	<u><u>\$ 12,130,466</u></u>	<u><u>\$(10,685,570)</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, 2016

	Actual	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 506,895	\$ 955,000	\$ (448,105)
Other income	238,362	180,510	57,852
Total revenues	<u>745,257</u>	<u>1,135,510</u>	<u>(390,253)</u>
<b>Expenditures</b>			
Community Development	<u>382,071</u>	<u>818,685</u>	<u>436,614</u>
Excess (deficiency) of revenues over expenditures	363,186	316,825	46,361
<b>Other financing sources (uses)</b>			
Transfers out	<u>(354,477)</u>	<u>(390,000)</u>	<u>35,523</u>
Total other financing sources (uses)	<u>(354,477)</u>	<u>(390,000)</u>	<u>35,523</u>
Excess (deficiency) of revenues and other expenditures and other uses	<u>8,709</u>	<u>(73,175)</u>	<u>81,884</u>
Fund balances, beginning of year	<u>(94,758)</u>	<u>(94,758)</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ (86,049)</u></u>	<u><u>\$ (167,933)</u></u>	<u><u>\$ 81,884</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, 2016

	Fire and Police Disability & Relief Fund	Employees' Disability & Relief Fund	Total	Budget	Variance Positive (Negative)
<b>Revenues</b>					
Ad valorem taxes	\$ 858,234	\$ 482,745	\$ 1,340,979	\$ 1,366,781	\$ (25,802)
<b>Expenditures</b>					
Benefit payments	858,234	482,745	1,340,979	1,366,781	25,802
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, 2016

	Actual	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Other income	\$ 2,252	\$ 1,000	\$ 1,252
Total revenues	<u>2,252</u>	<u>1,000</u>	<u>1,252</u>
<b>Expenditures</b>			
Benefit payments	<u>7,599</u>	<u>20,000</u>	<u>12,401</u>
Excess (deficiency) of revenues over (under) expenditures	(5,347)	(19,000)	13,653
Fund balances, beginning of year	<u>424,226</u>	<u>424,226</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 418,879</u></u>	<u><u>\$ 405,226</u></u>	<u><u>\$ 13,653</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, 2016

	Actual	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Other income	\$ 166	\$ 65	\$ 101
Total revenues	<u>166</u>	<u>65</u>	<u>101</u>
<b>Expenditures</b>			
Benefit payments	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	166	65	101
Fund balances, beginning of year	<u>31,101</u>	<u>31,101</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 31,267</u></u>	<u><u>\$ 31,166</u></u>	<u><u>\$ 101</u></u>

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Budget Basis**  
**Baseball Capital Maintenance Fund**  
For the Year Ended September 30, 2016

	Actual	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Other income	\$ 25,000	\$ -	\$ 25,000
Total revenues	<u>25,000</u>	<u>-</u>	<u>25,000</u>
<b>Expenditures</b>			
Maintenance payments	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	25,000	-	25,000
<b>Other financing sources (uses)</b>			
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	50,000	25,000	25,000
Fund balances, beginning of year	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 75,000</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ 25,000</u></u>

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Budget Basis**  
**Capital Projects Funds**  
For the Year Ended September 30, 2016

	General Capital Projects Fund	General Obligation Public Improvement		2002 TIF Capital Projects Bond Fund	2012 GO Capital Projects Bond Fund	2014 General Obligation Bond Fund	2014 Special Obligation Bond Series	Total	Budget	Variance Positive (Negative)
		2003 Bond Fund	2000 Bond Fund							
<b>Revenues</b>										
Intergovernmental	\$ 26,896,270	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,896,270	\$ 275,287,342	\$ (248,391,072)
Other income	1,454	469	10	144	(329)	4,992	41	6,781	100	6,681
Total revenues	26,897,724	469	10	144	(329)	4,992	41	26,903,051	275,287,442	(248,384,391)
<b>Expenditures</b>										
Capital projects	40,695,280	-	-	-	-	-	-	40,695,280	293,154,109	252,458,829
Interest expense	46,760	-	-	-	-	-	-	46,760	-	(46,760)
Total expenditures	40,742,040	-	-	-	-	-	-	40,742,040	293,154,109	252,412,069
Excess (deficiency) of revenues over expenditures	(13,844,316)	469	10	144	(329)	4,992	41	(13,838,989)	(17,866,667)	4,027,678
<b>Other financing sources (uses)</b>										
Issuance of notes	3,854,599	-	-	-	-	-	-	3,854,599	3,413,827	440,772
Transfers in	5,348,009	-	-	-	-	-	-	5,348,009	9,860,695	(4,512,686)
Transfers out	-	-	-	(10,763)	(318,507)	(2,579,164)	(41)	(2,908,475)	(7,360,248)	4,451,773
Total other financing sources (uses)	9,202,608	-	-	(10,763)	(318,507)	(2,579,164)	(41)	6,294,133	5,914,274	379,859
Excess (deficiency) of revenues and other sources over expenditures and other uses	(4,641,708)	469	10	(10,619)	(318,836)	(2,574,172)	-	(7,544,856)	(11,952,393)	4,407,537
Fund balances, beginning of year	(13,377,738)	634,939	83,876	249,001	375,844	7,303,948	2	(4,730,128)	(4,730,128)	-
Fund balances, end of year	<u>\$ (18,019,446)</u>	<u>\$ 635,408</u>	<u>\$ 83,886</u>	<u>\$ 238,382</u>	<u>\$ 57,008</u>	<u>\$ 4,729,776</u>	<u>\$ 2</u>	<u>\$ (12,274,984)</u>	<u>\$ (16,682,521)</u>	<u>\$ 4,407,537</u>

*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, 2016

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services:			
Water and sewer charges	\$13,465,350	\$14,063,000	\$ (597,650)
Keesler Air Force Base, sewer	743,485	650,000	93,485
Interest income	(13,635)	10,000	(23,635)
Other income	1,410	6,000	(4,590)
Total revenues	<u>14,196,610</u>	<u>14,729,000</u>	<u>(532,390)</u>
<b>Expenses</b>			
Personal services	1,662,917	1,682,927	20,010
Contracted services	11,549,764	11,590,692	40,928
Other services and charges	1,680,939	1,787,182	106,243
Debt principal	285,637	400,000	114,363
Interest expense	82,601	80,000	(2,601)
Capital outlay	196,356	373,942	177,586
Total expenses	<u>15,458,214</u>	<u>15,914,743</u>	<u>456,529</u>
Operating income (loss)	(1,261,604)	(1,185,743)	(75,861)
Income before transfers	(1,261,604)	(1,185,743)	(75,861)
Transfers out	<u>(624,273)</u>	<u>(1,516,840)</u>	<u>892,567</u>
Change in net position	<u><u>\$ (1,885,877)</u></u>	<u><u>\$ (2,702,583)</u></u>	<u><u>\$ 816,706</u></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, 2016

	Actual	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services:			
Harbor fees and rents	\$ 1,687,300	\$ 1,461,497	\$ 225,803
Intergovernmental revenues	272,018	225,000	47,018
Other income	18,579	5,800	12,779
Total revenues	<u>1,977,897</u>	<u>1,692,297</u>	<u>285,600</u>
<b>Expenses</b>			
Personal services	1,096,638	1,181,110	84,472
Contracted services	208,451	224,193	15,742
Other services and charges	259,697	317,153	57,456
Bond principal	165,000	155,000	(10,000)
Interest expense	53,125	62,705	9,580
	17,870	18,500	630
Total expenses	<u>1,800,781</u>	<u>1,958,661</u>	<u>157,880</u>
Operating income (loss)	<u>177,116</u>	<u>(266,364)</u>	<u>443,480</u>
Income before transfers	177,116	(266,364)	443,480
Transfers out	<u>(61,928)</u>	<u>(34,458)</u>	<u>(27,470)</u>
Change in net position	<u>\$ 115,188</u>	<u>\$ (300,822)</u>	<u>\$ 416,010</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, 2016

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total	Budget	Variance Positive (Negative)
<b>Revenues</b>						
Charges for services, insurance billings	\$4,066,171	\$6,962,256	\$ -	\$ 11,028,427	\$ 11,212,500	\$ (184,073)
COBRA contributions	-	122,296	-	122,296	90,000	32,296
Interest income	-	613	420	1,033	1,200	(167)
Total revenues	<u>4,066,171</u>	<u>7,085,165</u>	<u>420</u>	<u>11,151,756</u>	<u>11,303,700</u>	<u>(151,944)</u>
<b>Expenses</b>						
Insurance and reinsurance	2,333,590	379,021	-	2,712,611	3,481,228	768,617
Claims expense	<u>1,732,581</u>	<u>6,706,144</u>	<u>-</u>	<u>8,438,725</u>	<u>8,511,272</u>	<u>72,547</u>
Total expenses	<u>4,066,171</u>	<u>7,085,165</u>	<u>-</u>	<u>11,151,336</u>	<u>11,992,500</u>	<u>841,164</u>
Operating income (loss)	-	-	420	420	(688,800)	689,220
Income before transfers	<u>-</u>	<u>-</u>	<u>420</u>	<u>420</u>	<u>(688,800)</u>	<u>689,220</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 420</u>	<u>\$ 420</u>	<u>\$ (688,800)</u>	<u>\$ 689,220</u>

*See Independent Auditors' Report.*



## **Supplemental Information**

**City of Biloxi, Mississippi**  
**Schedule of Investments – All Funds**  
September 30, 2016

	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Reported Amount</u>	<u>Fair Value</u>
<b>Governmental Funds</b>					
<b>Capital Projects Funds</b>					
General Capital Projects Fund					
Money Market Fund	0.25%	various	N/A	\$ 455,594	\$ 455,594
2014 GO Bond Fund					
Money Market Fund	0.17%	various	N/A	4,865,251	4,865,251
GOPI 2000 Bond Fund					
Money Market Fund	0.17%	various	N/A	83,887	83,887
2003 GO Bond Fund					
Money Market Fund	0.17%	various	N/A	635,408	635,408
2012 GO Bond Fund					
Money Market Fund	0.17%	various	N/A	57,009	57,009
2002 TIF Capital Projects Bond Fund					
Money Market Fund	0.17%	various	N/A	238,382	238,382
2014 TIF Capital Projects Bond Fund					
Money Market Fund	0.25%	various	N/A	2	2
<b>Debt Service Funds</b>					
Money Market Fund	0.17%	various	N/A	24,915	24,915
State and Local Government Series Security	0.22%	8/10/2016	11/1/2016	<u>26,814,078</u>	<u>26,814,078</u>
Total investments, governmental funds				33,174,526	33,174,526
<b>Proprietary funds</b>					
<b>Biloxi Port Fund</b>					
Money Market Fund	0.17%	various	N/A	435,847	435,847
Money Market Fund	0.17%	various	N/A	211,340	211,340
Money Market Fund	0.17%	various	N/A	<u>223,140</u>	<u>223,140</u>
Total investments, proprietary funds				870,327	870,327
Total investments				<u>\$ 34,044,853</u>	<u>\$ 34,044,853</u>

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Schedule of Long-Term Debt**  
September 30, 2016

	Date Issued	Original Issue	Balance October 1, 2015	New Issues	Retirements	Balance September 30, 2016	Requirements Year Ended September 30, 2017	
							Principal	Interest
<b>General Obligation Bonds and Notes</b>								
General Obligation Refunding Bonds, Series 2011	10/28/11	\$ 9,350,000	\$ 6,315,000	\$ -	\$ 1,130,000	\$ 5,185,000	\$ 1,170,000	\$ 115,500
General Obligation Bonds, Series 2012	04/01/12	6,000,000	5,035,000	-	345,000	4,690,000	355,000	97,668
General Obligation Bonds, Series 2014	01/15/14	14,000,000	13,245,000	-	775,000	12,470,000	800,000	404,250
Mississippi Development Bank Special Obligation Bonds, Series 2014	02/24/14	21,000,000	21,000,000	-	765,000	20,235,000	790,000	858,263
Total General Obligation Bonds and Notes			45,595,000	-	3,015,000	42,580,000	3,115,000	1,475,681
<b>Limited Obligation Bonds and Notes</b>								
Mississippi Development Bank Promissory Note 1	01/04/01	10,000,000	1,488,887	-	1,488,887	-	-	-
Mississippi Development Authority Loan	11/01/01	500,000	201,553	-	27,326	174,227	28,146	5,462
Tax Increment Limited Obligation Refunding Bonds, Series 2006 A	10/31/06	31,685,000	27,210,000	-	1,565,000	25,645,000	1,645,000	1,182,493
Mississippi Development Bank Promissory Note 2	10/22/09	4,500,000	2,757,263	-	2,757,263	-	-	-
Tax Increment Junior Lien Limited Obligation Bonds, Series 2014	06/26/14	1,995,000	1,875,000	-	125,000	1,750,000	130,000	71,225
Tax Increment Limited Obligation Refunding Bonds, Series 2016	08/10/16	21,020,000	-	21,020,000	-	21,020,000	-	695,239
Total Limited Obligation Bonds and Notes			33,532,703	21,020,000	5,963,476	48,589,227	1,803,146	1,954,419
<b>Other General Long-Term Debt</b>								
Lease/Purchase, Hancock Bank	04/23/12	603,200	123,261	-	123,261	-	-	-
Lease/Purchase, The Peoples Bank	10/28/14	707,771	337,771	-	337,771	-	-	-
Lease/Purchase, DeLage Landen Public Finance	02/01/15	142,562	135,429	-	44,904	90,525	44,570	2,815
Lease/Purchase, Hancock Bank	04/05/16	1,984,837	-	1,984,837	-	1,984,837	-	45,713
Total Other General Long-Term Debt			596,461	1,984,837	505,936	2,075,362	44,570	48,528
Total General Long-Term Debt			79,724,164	23,004,837	9,484,412	93,244,589	4,962,716	3,478,628
<b>Proprietary Funds Debt</b>								
Water and Sewer Pollution Control Loans	1998-2015	11,482,697	5,517,653	1,946,982	235,721	7,228,914	392,298	112,447
Drinking Water Improvement Loan	11/03/11	1,133,861	1,025,042	-	49,916	975,126	50,899	18,562
Lease/Purchase, The First Bank	11/09/15	281,642	-	281,642	212,075	69,567	58,456	885
Limited Tax Port Bonds, Series 1999	12/01/99	2,500,000	935,000	-	165,000	770,000	175,000	40,678
Total Proprietary Funds Debt			7,477,695	2,228,624	662,712	9,043,607	676,653	172,572
Totals			\$ 87,201,859	\$ 25,233,461	\$ 10,147,124	\$ 102,288,196	\$ 5,639,369	\$ 3,651,200

*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>
Andrew Gilich	Mayor	Fidelity and Deposit Company of Maryland	\$ 100,000
George Lawrence	Councilman	Fidelity and Deposit Company of Maryland	100,000
Felix Gines	Councilman	Fidelity and Deposit Company of Maryland	100,000
Dixie Newman	Councilman	Fidelity and Deposit Company of Maryland	100,000
Robert L. Deming III	Councilman	Fidelity and Deposit Company of Maryland	100,000
Paul A. Tisdale	Councilman	Fidelity and Deposit Company of Maryland	100,000
Kenny Glavan	Councilman	Fidelity and Deposit Company of Maryland	100,000
David Fayard	Councilman	Fidelity and Deposit Company of Maryland	100,000
Scott McElroy	Controller	Fidelity and Deposit Company of Maryland	50,000
Stacy Thacker	City Clerk/ Tax Collector	Fidelity and Deposit Company of Maryland	50,000
David J. Leckich	Court Clerk	Fidelity and Deposit Company of Maryland	50,000
John Miller	Director of Police	Fidelity and Deposit Company of Maryland	50,000

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

*See Independent Auditors' Report.*

### **Section III**

#### **Statistical Section**

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

<b>Schedules of:</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	98
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	103
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.	106
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	111
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.	113

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, Mississippi**  
**Net Position by Component**  
**Last Ten Fiscal Years**

	<b>Fiscal Year</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Governmental activities				
Net investment in capital assets	\$ 248,526,060	\$ 257,368,270	\$ 208,874,271	\$ 217,689,178
Restricted	40,456,498	18,852,464	55,596,738	26,040,170
Unrestricted	<u>(78,312,737)</u>	<u>(32,015,576)</u>	<u>8,230,037</u>	<u>13,068,206</u>
Total governmental activities net position	<u>\$ 210,669,821</u>	<u>\$ 244,205,158</u>	<u>\$ 272,701,046</u>	<u>\$ 256,797,554</u>
Business-type activities				
Net investment in capital assets	\$ 229,459,737	\$ 206,221,705	\$ 144,899,350	\$ 129,653,322
Restricted	870,327	857,460	851,135	844,640
Unrestricted	<u>4,596,884</u>	<u>(3,890,299)</u>	<u>(2,192,026)</u>	<u>(6,921,099)</u>
Total business-type activities net position	<u>\$ 234,926,948</u>	<u>\$ 203,188,866</u>	<u>\$ 143,558,459</u>	<u>\$ 123,576,863</u>
Primary government				
Net investment in capital assets	\$ 477,985,797	\$ 463,589,975	\$ 353,773,621	\$ 347,342,500
Restricted	41,326,825	19,709,924	56,447,873	26,884,810
Unrestricted	<u>(73,715,853)</u>	<u>(35,905,875)</u>	<u>6,038,011</u>	<u>6,147,107</u>
Total primary government net position	<u>\$ 445,596,769</u>	<u>\$ 447,394,024</u>	<u>\$ 416,259,505</u>	<u>\$ 380,374,417</u>

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 198,377,139	\$ 202,599,253	\$ 182,350,760	\$ 162,209,803	\$ 148,298,408	\$ 137,454,714
38,699,539	25,272,915	30,767,976	35,399,734	30,633,195	10,146,382
4,992,905	9,779,655	9,948,987	19,660,287	32,009,500	70,540,236
<u>\$ 242,069,583</u>	<u>\$ 237,651,823</u>	<u>\$ 223,067,723</u>	<u>\$ 217,269,824</u>	<u>\$ 210,941,103</u>	<u>\$ 218,141,332</u>
\$ 100,198,366	\$ 78,380,815	\$ 70,719,525	\$ 61,716,508	\$ 47,402,255	\$ 41,667,384
837,393	1,101,967	1,117,520	1,105,935	1,121,037	1,726,398
(3,011,177)	4,528,206	2,002,188	(11,504,300)	7,505,527	9,620,633
<u>\$ 98,024,582</u>	<u>\$ 84,010,988</u>	<u>\$ 73,839,233</u>	<u>\$ 51,318,143</u>	<u>\$ 56,028,819</u>	<u>\$ 53,014,415</u>
\$ 298,575,505	\$ 280,980,068	\$ 253,070,285	\$ 223,926,311	\$ 195,700,663	\$ 179,122,098
39,536,932	26,374,882	31,885,496	36,505,669	31,754,232	11,872,780
1,981,728	14,307,861	11,951,175	8,155,987	39,515,027	80,160,869
<u>\$ 340,094,165</u>	<u>\$ 321,662,811</u>	<u>\$ 296,906,956</u>	<u>\$ 268,587,967</u>	<u>\$ 266,969,922</u>	<u>\$ 271,155,747</u>



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

	<b>Fiscal Year</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 9,525,710	\$ 7,336,275	\$ 5,789,900	\$ 5,749,015
Parks and recreation	9,182,682	7,099,970	6,920,693	5,999,954
Public safety	56,940,216	36,471,601	36,417,140	34,082,368
Public works	13,364,740	10,485,934	10,652,115	11,876,265
Community development	7,056,238	5,350,968	3,861,583	6,720,748
Unallocated depreciation, infrastructure	2,925,560	2,856,092	3,043,524	2,630,920
Interest and other, long-term debt	3,527,824	3,820,370	2,161,010	2,766,751
Total governmental activities expenses	<u>102,522,970</u>	<u>73,421,210</u>	<u>68,845,965</u>	<u>69,826,021</u>
Business-type activities:				
Water & Sewer	17,391,156	16,266,519	15,459,099	14,236,840
Biloxi Port Fund	3,569,829	3,326,433	2,973,079	2,547,550
Point Cadet Development Corporation	52,526	-	200,000	-
Total business-type activities expenses	<u>21,013,511</u>	<u>19,592,952</u>	<u>18,632,178</u>	<u>16,784,390</u>
Total primary government expenses	<u>\$ 123,536,481</u>	<u>\$ 93,014,162</u>	<u>\$ 87,478,143</u>	<u>\$ 86,610,411</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 1,021	\$ 4,513	\$ 675	\$ 844
Parks and recreation	518,901	529,834	523,550	529,679
Public safety	1,143,445	1,461,704	1,222,643	1,175,149
Public works	1,836,265	1,438,371	1,455,771	1,419,928
Community development	4,234,070	5,719,830	4,167,428	4,988,389
Operating grants and contributions	1,383,902	1,467,196	902,346	2,310,684
Capital grants and contributions	11,325,347	18,093,700	43,981,867	30,528,891
Total governmental activities program reviews	<u>20,442,951</u>	<u>28,715,148</u>	<u>52,254,280</u>	<u>40,953,564</u>
Business-type activities:				
Charges for services:				
Water & Sewer	13,996,845	14,723,045	14,120,797	13,755,104
Biloxi Port Fund	1,684,784	1,698,409	1,477,090	1,338,749
Point Cadet Development Corporation	24,624	21,909	24,929	23,847
Capital grants and contributions	28,926,201	64,270,784	1,939,175	4,450,601
Total business-type activities program revenues	<u>44,632,454</u>	<u>80,714,147</u>	<u>17,561,991</u>	<u>19,568,301</u>
Total primary government program revenues	<u>\$ 65,075,405</u>	<u>\$ 109,429,295</u>	<u>\$ 69,816,271</u>	<u>\$ 60,521,865</u>

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 5,024,709	\$ 5,769,907	\$ 5,293,011	\$ 6,289,441	\$ 5,545,240	\$ 4,902,940
5,216,154	5,243,857	5,456,041	5,892,707	5,720,051	4,797,664
34,096,575	33,274,315	36,873,912	39,554,918	36,120,835	29,601,484
10,500,823	11,023,132	12,577,626	12,174,671	18,051,184	22,402,881
4,546,745	4,488,481	4,810,435	7,633,964	4,332,445	4,728,570
2,642,780	2,630,916	2,583,406	2,355,172	2,292,270	2,254,458
2,499,336	2,600,008	2,740,362	2,750,274	2,866,857	1,996,618
64,527,122	65,030,616	70,334,793	76,651,147	74,928,882	70,684,615
14,605,675	14,810,503	14,080,437	13,064,569	11,475,922	9,829,590
1,770,860	1,659,485	1,611,282	1,594,012	1,653,803	1,254,929
-	-	34	471	18,851	131
16,376,535	16,469,988	15,691,753	14,659,052	13,148,576	11,084,650
\$ 80,903,657	\$ 81,500,604	\$ 86,026,546	\$ 91,310,199	\$ 88,077,458	\$ 81,769,265
\$ 715	\$ 662	\$ 771	\$ 1,506	\$ 1,935	\$ 1,080
544,357	482,485	462,444	407,165	398,565	442,126
1,576,015	1,463,649	1,499,085	1,462,173	1,236,468	1,136,610
1,433,888	1,367,422	1,035,303	585,385	603,235	591,434
4,673,921	4,790,107	4,854,342	5,115,057	5,204,757	5,724,975
1,481,036	1,437,584	2,180,921	4,311,030	2,453,282	13,728,661
20,131,998	25,576,003	33,925,142	9,135,507	2,476,562	2,454,944
29,841,930	35,117,912	43,958,008	21,017,823	12,374,804	24,079,830
13,948,734	14,714,317	10,205,340	7,519,605	7,738,610	7,864,670
1,386,143	1,523,162	1,127,665	1,470,994	1,246,597	1,660,968
25,330	22,668	19,873	24,837	58,844	27,595
1,287,599	477,166	3,287,713	1,379,466	7,222,126	1,801,139
16,647,806	16,737,313	14,640,591	10,394,902	16,266,177	11,354,372
\$ 46,489,736	\$ 51,855,225	\$ 58,598,599	\$ 31,412,725	\$ 28,640,981	\$ 35,434,202

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

	Fiscal Year			
	2016	2015	2014	2013
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (82,080,019)	\$ (44,706,062)	\$ (16,591,685)	\$ (28,872,457)
Business-type activities	23,618,943	61,121,195	(1,070,187)	2,783,911
 Total primary government net expense	<u>\$ (58,461,076)</u>	<u>\$ 16,415,133</u>	<u>\$ (17,661,872)</u>	<u>\$ (26,088,546)</u>
 <b>General Revenues and Other Changes In Net Position</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 18,168,228	\$ 18,219,645	\$ 18,061,043	\$ 18,065,315
Intergovernmental, unrestricted	14,704,912	14,970,468	14,493,067	13,915,324
Gaming taxes	18,777,762	19,506,630	18,805,326	18,878,204
Other taxes	454,317	490,324	519,032	544,906
Unrestricted grants and contributions	1,290,476	1,200,000	1,200,000	1,200,000
Unrestricted investment earnings	106,382	51,589	20,323	49,425
Gain (Loss) on sale of capital assets	1,579,443	-	-	-
Insurance proceeds	-	-	-	-
Miscellaneous	1,361,581	6,737,333	210,985	413,597
Transfers	(7,898,419)	1,338,779	(20,814,599)	(22,519,734)
Special item				
Community Disaster Loan forgiveness	-	-	-	13,053,391
Total governmental activities	<u>48,544,682</u>	<u>62,514,768</u>	<u>32,495,177</u>	<u>43,600,428</u>
 Business-type activities:				
Property taxes	227,756	222,064	223,650	230,264
Investment earnings	(6,568)	(11,228)	13,534	18,373
Gain (Loss) on sale of capital assets	(468)	-	-	-
Transfers	7,898,419	(1,338,779)	20,814,599	22,519,734
Total business-type activities	<u>8,119,139</u>	<u>(1,127,943)</u>	<u>21,051,783</u>	<u>22,768,371</u>
 Total primary government	<u>\$ 56,663,821</u>	<u>\$ 61,386,825</u>	<u>\$ 53,546,960</u>	<u>\$ 66,368,799</u>
 <b>Change in Net Position</b>				
Governmental activities	\$ (33,535,337)	\$ 17,808,706	\$ 15,903,492	\$ 14,727,971
Business-type activities	31,738,082	59,993,252	19,981,596	25,552,282
 Total primary government	<u>\$ (1,797,255)</u>	<u>\$ 77,801,958</u>	<u>\$ 35,885,088</u>	<u>\$ 40,280,253</u>

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ (34,685,192)	\$ (29,912,704)	\$ (26,376,785)	\$ (55,633,324)	\$ (62,554,078)	\$ (46,604,785)
271,271	267,325	(1,051,162)	(4,264,150)	3,117,601	269,722
<u>\$ (34,413,921)</u>	<u>\$ (29,645,379)</u>	<u>\$ (27,427,947)</u>	<u>\$ (59,897,474)</u>	<u>\$ (59,436,477)</u>	<u>\$ (46,335,063)</u>
\$ 17,894,495	\$ 18,000,323	\$ 18,148,452	\$ 18,125,894	\$ 14,850,437	\$ 11,884,058
13,380,910	13,155,811	13,053,295	13,405,142	14,131,140	14,098,356
18,958,797	19,617,237	18,902,497	19,631,434	22,030,475	22,518,892
448,154	1,445,804	995,736	711,062	1,065,200	1,684,283
1,543,637	1,200,000	3,367,995	6,018,256	399,672	-
216,010	274,424	307,179	399,787	2,009,599	4,217,134
-	-	-	-	-	-
-	-	-	-	-	12,794,680
151,675	472,894	729,762	251,009	190,307	1,444,358
(13,490,726)	(9,669,689)	(23,330,232)	3,419,459	677,019	2,998,790
-	-	-	-	-	-
<u>39,102,952</u>	<u>44,496,804</u>	<u>32,174,684</u>	<u>61,962,043</u>	<u>55,353,849</u>	<u>71,640,551</u>
223,269	223,343	219,590	209,134	229,178	872,186
28,328	11,398	22,430	46,799	344,644	699,508
-	-	-	-	-	-
13,490,726	9,669,689	23,330,232	(702,459)	(677,019)	(2,998,790)
<u>13,742,323</u>	<u>9,904,430</u>	<u>23,572,252</u>	<u>(446,526)</u>	<u>(103,197)</u>	<u>(1,427,096)</u>
<u>\$ 52,845,275</u>	<u>\$ 54,401,234</u>	<u>\$ 55,746,936</u>	<u>\$ 61,515,517</u>	<u>\$ 55,250,652</u>	<u>\$ 70,213,455</u>
\$ 4,417,760	\$ 14,584,100	\$ 5,797,899	\$ 6,328,719	\$ (7,200,229)	\$ 25,035,766
14,013,594	10,171,755	22,521,090	(4,710,676)	3,014,404	(1,157,374)
<u>\$ 18,431,354</u>	<u>\$ 24,755,855</u>	<u>\$ 28,318,989</u>	<u>\$ 1,618,043</u>	<u>\$ (4,185,825)</u>	<u>\$ 23,878,392</u>

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

	Fiscal Year			
	2016	2015	2014	2013
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable				
Prepays	963,537	1,184,022	1,038,687	1,606,357
Restricted for				
Public Safety	1,685,814	1,696,553	2,118,923	2,283,789
Economic Development	4,086,319	-	-	-
Committed for				
Capital improvements	125,000	249,706	603,424	603,424
Unassigned	6,972,893	9,586,517	3,765,031	7,281,575
Total general fund	<u>\$ 13,833,563</u>	<u>\$ 12,716,798</u>	<u>\$ 7,526,065</u>	<u>\$ 11,775,145</u>
All other governmental funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
General Capital Projects Fund	-	-	-	-
Other non-major governmental funds, special revenue	-	-	-	-
Nonspendable				
Prepays	-	-	-	-
Long-term receivables	805	1,211	12,337	71,091
Restricted for				
Claims	418,879	424,226	424,796	436,755
Endowment	31,267	31,101	31,028	30,959
Maintenance	75,000	25,000	-	-
Committed for				
Grant expenditures	(1,363)	92,678	42,899	-
Capital improvements	5,744,465	8,488,554	34,680,797	6,207,516
Debt Service	28,291,117	16,333,200	17,694,871	-
Unassigned	-	-	-	16,447,973
Total all other governmental funds	<u>\$ 34,560,170</u>	<u>\$ 25,395,970</u>	<u>\$ 52,886,728</u>	<u>\$ 23,194,294</u>

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

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

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ -	\$ -	\$ 3,142,091	\$ 3,822,099	\$ 2,345,677	\$ 2,864,621
-	-	15,040,957	23,635,948	36,736,391	55,178,878
1,885,369	1,271,971	-	-	-	-
2,147,890	2,304,194	-	-	-	-
-	-	-	-	-	-
961,111	2,437,365	-	-	-	-
10,996,461	13,093,202	-	-	-	-
<u>\$ 15,990,831</u>	<u>\$ 19,106,732</u>	<u>\$ 18,183,048</u>	<u>\$ 27,458,047</u>	<u>\$ 39,082,068</u>	<u>\$ 58,043,499</u>
\$ -	\$ -	\$ 28,706,822	\$ 32,905,850	\$ 28,434,989	\$ 7,442,457
-	-	-	-	-	20,133,801
-	-	626,741	-	568,205	812,124
-	3,500,146	-	-	-	-
72,253	73,857	-	-	-	-
-	-	-	-	-	-
30,888	30,649	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16,100,494	9,027,355	-	-	-	-
-	-	-	-	-	-
19,755,268	10,786,211	-	-	-	-
<u>\$ 35,958,903</u>	<u>\$ 23,418,218</u>	<u>\$ 29,333,563</u>	<u>\$ 32,636,352</u>	<u>\$ 29,003,194</u>	<u>\$ 28,388,382</u>

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

	Fiscal Year			
	2016	2015	2014	2013
<b>Revenues</b>				
Taxes	\$ 18,168,228	\$ 18,219,645	\$ 18,061,043	\$ 18,065,315
Licenses and permits	3,774,756	4,273,811	4,105,012	3,971,017
Intergovernmental	43,681,963	51,886,483	75,025,316	64,224,966
Charges for services	2,321,010	1,969,514	1,930,054	1,900,722
Fines	1,137,035	1,452,446	1,582,593	1,162,496
Other	6,471,534	11,467,883	3,483,482	4,694,793
Total revenues	<u>75,554,526</u>	<u>89,269,782</u>	<u>104,187,500</u>	<u>94,019,309</u>
<b>Expenditures</b>				
General government	5,773,896	6,087,561	4,841,742	5,131,720
Parks and recreation	4,804,100	4,740,023	4,154,492	5,328,234
Public safety	30,515,520	31,041,531	30,312,720	30,479,166
Public works	9,077,932	8,548,707	9,008,665	8,946,705
Community development	3,629,617	3,436,443	3,852,521	5,969,673
Non-departmental	4,263,124	3,533,429	5,390,673	5,066,437
Retirement contribution	-	-	-	-
Capital outlay	21,519,255	47,843,061	30,460,296	18,752,843
Debt service:				
Principal	8,978,476	4,707,794	4,742,428	4,596,677
Interest	2,926,529	3,820,370	1,848,628	2,426,967
Bond issue costs	601,295	-	623,088	-
Total expenditures	<u>92,089,744</u>	<u>113,758,919</u>	<u>95,235,253</u>	<u>86,698,422</u>
Excess of revenues over (under) expenditures	(16,535,218)	(24,489,137)	8,952,247	7,320,887
<b>Other Financing Sources (Uses)</b>				
Insurance proceeds	-	-	-	-
Issuance of bonds	21,020,000	-	37,305,706	-
Premium on debt	3,592,724	-	-	-
Payment to refunded bond escrow agent	-	-	-	(3,781,448)
Issuance of notes	-	-	-	-
Capital lease	1,984,837	850,333	-	-
Transfers in	18,360,436	26,790,224	9,301,508	7,217,108
Transfers out	(18,141,814)	(25,451,445)	(30,116,107)	(27,736,842)
Total other financing sources (uses)	<u>26,816,183</u>	<u>2,189,112</u>	<u>16,491,107</u>	<u>(24,301,182)</u>
Net change in fund balances	<u>\$ 10,280,965</u>	<u>\$ (22,300,025)</u>	<u>\$ 25,443,354</u>	<u>\$ (16,980,295)</u>
Debt services as a percentage of noncapital expenditures	15.3%	12.2%	10.2%	10.1%

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 17,894,496	\$ 18,000,327	\$ 18,148,456	\$ 18,125,894	\$ 14,850,437	\$ 11,884,058
3,600,317	3,972,726	3,848,235	4,006,293	4,192,441	4,366,535
52,759,556	59,699,160	69,507,081	47,334,921	37,283,930	50,509,539
1,945,448	1,841,049	1,520,101	1,035,225	1,198,608	1,000,762
1,461,955	1,336,302	1,404,579	1,361,195	1,202,481	1,123,537
4,188,264	4,417,712	5,015,051	4,778,893	5,882,659	10,760,698
81,850,036	89,267,276	99,443,503	76,642,421	64,610,556	79,645,129
4,300,384	5,101,367	4,650,116	5,549,821	5,111,940	4,319,296
4,870,366	4,948,222	5,213,572	5,316,864	5,344,806	3,965,717
29,711,155	28,495,792	32,081,669	33,953,635	34,791,692	28,417,622
9,922,377	9,383,848	12,358,655	11,340,820	15,457,386	20,885,545
3,838,829	3,481,616	3,587,332	6,423,995	3,425,986	2,338,863
4,220,796	3,934,012	4,956,816	4,826,960	5,003,572	4,031,368
-	-	-	-	-	-
7,596,960	22,807,930	25,130,739	14,560,072	11,351,010	7,986,131
3,520,949	4,147,114	3,878,578	3,621,661	3,278,169	3,590,680
2,183,209	2,289,344	2,367,400	2,454,374	2,570,957	1,615,844
419,948	-	66,184	-	-	75,219
70,584,973	84,589,245	94,291,061	88,048,202	86,335,518	77,226,285
11,265,063	4,678,031	5,152,442	(11,405,781)	(21,724,962)	2,418,844
-	-	-	-	-	12,794,680
9,673,738	-	-	-	-	34,020,000
-	-	-	-	-	-
(5,980,000)	-	-	-	-	(31,669,936)
6,083,655	-	4,500,000	2,717,000	2,258,000	4,000,000
-	-	-	-	438,782	-
2,588,311	811,932	4,234,063	6,675,931	9,168,356	28,184,393
(14,205,984)	(10,481,621)	(5,189,932)	(5,973,471)	(8,491,337)	(28,271,562)
(1,840,280)	(9,669,689)	3,544,131	3,419,460	3,373,801	19,057,575
\$ 9,424,783	\$ (4,991,658)	\$ 8,696,573	\$ (7,986,321)	\$ (18,351,161)	\$ 21,476,419
9.1%	10.4%	9.3%	8.5%	8.4%	7.9%



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

<b>Fiscal Year Ended</b>	<b>Real Property (1)</b>		<b>Personal Property</b>	
	<b>Assessed Value</b>	<b>Actual Value</b>	<b>Assessed Value</b>	<b>Actual Value</b>
<b>2016</b>	\$ 445,458,828	\$ 3,256,277,982	\$ 78,303,534	\$ 522,023,560
<b>2015</b>	437,392,996	3,197,317,222	80,991,055	539,940,367
<b>2014</b>	433,584,144	3,169,474,737	86,086,954	573,913,027
<b>2013</b>	435,311,024	3,182,098,129	82,773,399	551,822,660
<b>2012</b>	429,562,389	3,140,075,943	82,127,814	547,518,760
<b>2011</b>	432,803,922	3,163,771,360	81,961,919	546,412,793
<b>2010</b>	422,530,047	3,088,669,934	94,168,478	627,789,853
<b>2009</b>	416,010,814	3,041,014,722	99,426,267	662,841,780
<b>2008</b>	315,103,936	2,303,391,345	86,235,198	574,901,320
<b>2007</b>	264,457,015	1,933,165,314	42,427,809	282,852,060

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

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

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

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

<b>Fiscal Year Ended</b>	<b>Tax Year</b>	<b>City of Biloxi</b>		
		<b>Operating Millage</b>	<b>Debt Service</b>	<b>Total</b>
<b>2016</b>	2015	20.90	9.20	30.10
<b>2015</b>	2014	22.40	7.70	30.10
<b>2014</b>	2013	20.90	9.20	30.10
<b>2013</b>	2012	20.90	9.20	30.10
<b>2012</b>	2011	20.90	9.20	30.10
<b>2011</b>	2010	20.90	9.20	30.10
<b>2010</b>	2009	20.90	9.20	30.10
<b>2009</b>	2008	20.90	9.20	30.10
<b>2008</b>	2007	20.90	9.20	30.10
<b>2007</b>	2006	20.90	9.20	30.10

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

Utility		Automobile & Mobile Home		Total		Ratio of Assessed to Actual
Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	
\$ 38,420,515	\$ 256,136,767	\$ 45,296,808	\$ 150,989,360	\$ 607,479,685	\$4,185,427,669	14.51%
38,662,283	257,748,553	42,722,799	142,409,330	599,769,133	4,137,415,472	14.50%
38,561,283	257,075,220	44,272,817	147,576,057	602,505,198	4,148,039,041	14.53%
35,325,443	235,502,953	45,166,010	150,553,367	598,575,876	4,119,977,109	14.53%
30,756,859	205,045,727	48,253,043	160,843,477	590,700,105	4,053,483,907	14.57%
33,429,527	222,863,513	48,500,401	161,668,003	596,695,769	4,094,715,669	14.57%
30,822,609	205,484,060	56,529,070	188,430,233	604,050,204	4,110,374,080	14.70%
30,021,990	200,146,600	60,482,827	201,609,423	605,941,898	4,105,612,525	14.76%
28,489,554	189,930,360	65,897,368	219,657,893	495,726,056	3,287,880,918	15.08%
20,810,411	138,736,073	61,828,287	206,094,290	389,523,522	2,560,847,737	15.21%

Harrison County			Biloxi School District			Total Millage	Total City and School
Operating Millage	Debt Service	Total	Operating Millage	Debt Service	Total		
32.32	4.10	36.42	39.03	4.34	43.37	109.89	73.47
32.13	4.10	36.23	37.96	5.41	43.37	109.70	73.47
32.58	3.37	35.95	36.82	6.23	43.05	109.10	73.15
32.58	3.37	35.95	35.16	7.89	43.05	109.10	73.15
32.58	3.37	35.95	33.78	7.77	41.55	107.60	71.65
32.58	3.37	35.95	34.13	7.42	41.55	107.60	71.65
32.58	3.37	35.95	32.97	7.11	40.08	106.13	70.18
32.58	3.37	35.95	30.64	7.39	38.03	104.08	68.13
34.24	2.37	36.61	30.44	7.59	38.03	104.74	68.13
34.35	2.14	36.49	30.44	7.59	38.03	104.62	68.13

**Schedule 7**  
**City of Biloxi, Mississippi**  
**Principal Property Tax Payers**  
**September 30, 2016**

	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
<b>Taxpayer</b>						
Beau Rivage	\$ 70,453,229	1	11.60%	\$ 31,748,528	1	8.15%
Imperial Palace	34,439,167	2	5.67%	20,461,998	2	5.25%
Mississippi Power	27,172,214	3	4.47%	11,439,334	4	2.94%
Golden Nugget Casino/Isle of Capri Casino	24,467,124	4	4.03%	17,262,634	3	4.43%
Hard Rock Casino	23,903,335	5	3.93%	-		-
Harrah's/Grand Casino	15,199,228	6	2.50%	7,086,868	6	1.82%
Palace Casino	10,360,938	7	1.71%	5,901,676	7	1.52%
Boomtown Casino	6,284,729	8	1.03%	1,330,737	10	0.34%
American National	6,266,136	9	1.03%	-		-
Merit Health Biloxi Regional	5,958,419	10	0.98%	-		-
Bell South	-	-	0.00%	7,325,814	5	1.88%
Casino Magic	-	-	0.00%	3,761,241	8	0.97%
Master	-	-	0.00%	2,834,956	9	0.73%
<b>Total</b>	<b>\$ 224,504,519</b>		<b>36.95%</b>	<b>\$ 109,153,786</b>		<b>28.03%</b>

**Schedule 8**  
**City of Biloxi, Mississippi**  
**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
2016	\$ 17,558,644	\$ 17,211,802	98.02%	\$ 204,095	\$ 17,415,897	99.19%
2015	17,325,760	17,247,428	99.55%	(99,733)	17,147,695	98.97%
2014	17,404,495	17,054,583	97.99%	221,227	17,275,810	99.26%
2013	17,258,970	17,093,431	99.04%	189,712	17,283,143	100.14%
2012	17,155,294	16,878,012	98.38%	188,761	17,066,773	99.48%
2011	17,390,281	17,097,514	98.32%	184,682	17,282,196	99.38%
2010	17,584,637	17,181,185	97.71%	195,648	17,376,833	98.82%
2009	17,663,710	17,042,508	96.48%	302,184	17,344,692	98.19%
2008	14,398,027	13,907,027	96.59%	326,768	14,233,795	98.86%
2007	11,302,612	10,961,821	96.98%	519,913	11,481,734	101.58%

Taxes levied were derived from final tax rolls as assembled by Harrison County. Ad valorem on the purchase of new car tags can result in excess tax collections exceeding 100%.

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

<b>Fiscal Year</b>	<b>Governmental Activities</b>				<b>Business-Type Activities</b>	
	<b>General Obligation Bonds</b>	<b>Limited Obligation Bonds</b>	<b>Capital Leases</b>	<b>Other General Long-Term Debt</b>	<b>Capital Leases</b>	<b>SRF Loans</b>
<b>2016</b>	\$ 42,580,000	\$ 48,415,000	\$ 2,075,362	\$ 174,227	\$ 69,567	\$ 7,228,914
<b>2015</b>	45,595,000	29,085,000	596,461	4,447,703	-	5,517,653
<b>2014</b>	47,790,000	30,695,000	256,112	5,350,497	-	3,474,187
<b>2013</b>	15,080,000	30,120,000	444,859	6,382,925	-	3,528,580
<b>2012</b>	20,990,000	31,485,000	628,443	18,414,602	-	2,922,390
<b>2011</b>	12,810,000	32,785,000	214,303	19,445,551	-	1,448,801
<b>2010</b>	14,465,000	34,020,000	467,234	20,702,664	-	1,121,106
<b>2009</b>	17,110,000	34,020,000	713,228	17,436,183	-	1,296,002
<b>2008</b>	19,800,000	34,020,000	949,731	15,650,854	-	1,464,905
<b>2007</b>	22,460,000	34,020,000	729,324	14,011,023	-	1,628,026

**Business-Type Activities**

<b>Port Bonds</b>	<b>Other Loans</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
\$ 770,000	\$ 975,126	\$ 102,288,196	Not Available	2,241
935,000	1,025,042	87,201,859	Not Available	1,911
1,090,000	1,073,995	89,729,791	5.75%	1,995
1,240,000	1,122,004	57,918,368	3.81%	1,295
1,380,000	179,419	75,999,854	5.03%	1,705
1,640,000	-	68,343,655	4.54%	1,545
1,640,000	-	72,416,004	4.81%	1,644
1,760,000	2,787,113	75,122,526	4.85%	1,641
1,870,000	2,787,113	76,542,603	4.86%	1,670
1,975,000	2,787,113	77,610,486	4.70%	1,678

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

Fiscal Year Ended 9/30	Estimated Population (1)	Actual Value of Property (2)	Gross General Obligation Debt (3)	Less Debt Service Fund	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Net Bonded Debt Per Capita
2016	45,637	\$ 4,185,427,669	\$ 42,580,000	\$ 28,291,117	\$ 14,288,883	0.34%	313
2015	45,637	4,137,415,472	45,595,000	16,333,200	29,261,800	0.71%	641
2014	44,984	4,148,039,041	47,790,000	17,694,871	30,095,129	0.73%	669
2013	44,735	4,119,977,109	15,080,000	16,477,727	(1,397,727)	-0.03%	-31
2012	44,578	4,053,483,907	20,990,000	19,459,156	1,530,844	0.04%	34
2011	44,239	4,094,715,669	12,810,000	13,910,717	(1,100,717)	-0.03%	-25
2010	44,054	4,110,374,080	14,465,000	12,487,416	1,977,584	0.05%	45
2009	45,766	4,105,612,525	17,110,000	10,826,183	6,283,817	0.15%	137
2008	45,828	3,287,880,918	19,800,000	6,524,693	13,275,307	0.40%	290
2007	46,246	2,560,847,737	22,460,000	3,716,525	18,743,475	0.73%	405

(1) *Annual Estimates of the Resident Population for Incorporated Places in Mississippi, April 1, 2004 to July 1, 2015.*

Retrieved April 11, 2017 from <http://www.census.gov/popest/cities>.

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

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

**Schedule 11**  
**City of Biloxi, Mississippi**  
**Direct and Overlapping**  
**General Obligation Debt**  
**As of September 30, 2016**

	General Obligation Bonded Debt Outstanding	Applicable Percentage	Amount Applicable to City of Biloxi
Jurisdiction			
Direct:			
City of Biloxi	\$ 93,244,589	100.00%	\$ 93,244,589
Overlapping:			
Biloxi School District	64,440,269	100.00%	64,440,269
Harrison County	159,165,000	43.98%	70,000,767
City of Biloxi Limited Tax Port Bonds (1)	770,000	27.81%	214,137
Total overlapping	<u>224,375,269</u>		<u>134,655,173</u>
Totals	<u>\$ 317,619,858</u>		<u>\$ 227,899,762</u>

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



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

	<b>Fiscal Year</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Debt Limit	\$ 91,121,953	\$ 89,965,370	\$ 90,375,780	\$ 86,506,249
Total net debt applicable to limit	42,580,000	45,595,000	47,790,000	15,080,000
Legal debt margin	<u>\$ 48,541,953</u>	<u>\$ 44,370,370</u>	<u>\$ 42,585,780</u>	<u>\$ 71,426,249</u>
Total net debt applicable to the limit as a percentage of the debt limit	46.73%	50.68%	52.88%	17.43%

Fiscal Year					
2012	2011	2010	2009	2008	2007
\$ 89,205,082	\$ 89,504,365	\$ 90,607,531	\$ 90,891,285	\$ 74,358,908	\$ 58,428,528
31,990,000	23,810,000	25,465,000	28,110,000	30,800,000	33,460,000
<u>\$ 57,215,082</u>	<u>\$ 65,694,365</u>	<u>\$ 65,142,531</u>	<u>\$ 62,781,285</u>	<u>\$ 43,558,908</u>	<u>\$ 24,968,528</u>
26.69%	26.60%	28.10%	30.93%	41.42%	57.27%

**Legal Debt Margin Calculated**

for Fiscal Year 2016

Assessed Value	\$ 607,479,685
Debt Limit (15% of assessed value)	91,121,953
Debt applicable to limit:	
General obligation bonds	<u>42,580,000</u>
Total debt applicable to limit	<u>42,580,000</u>
Legal debt margin	<u>\$ 48,541,953</u>

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

<b>Fiscal Year Ended 9/30</b>	<b>Gross Revenues</b>	<b>Operating Expenses</b>	<b>Net Revenues Available for Debt Service</b>	<b>Debt Service Requirements (1)</b>			
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2016	\$ 13,996,845	\$ 17,231,335	\$ (3,234,490)	\$ 285,637	\$ 78,082	\$ 363,719	-889.3%
2015	14,723,045	16,181,511	(1,458,466)	278,712	85,008	363,720	-401.0%
2014	14,120,797	15,347,555	(1,226,758)	271,981	91,740	363,721	-337.3%
2013	13,755,104	14,148,263	(393,159)	168,563	88,577	257,140	-152.9%
2012	13,948,732	14,576,313	(627,581)	161,287	29,357	190,644	-329.2%
2011	14,714,316	14,774,817	(60,501)	181,109	35,685	216,794	-27.9%
2010	10,205,341	13,959,998	(3,754,657)	174,896	41,898	216,794	-1731.9%
2009	7,399,448	12,941,452	(5,542,004)	168,903	47,891	216,794	-2556.3%
2008	7,964,405	11,346,358	(3,381,953)	163,121	53,673	216,794	-1560.0%
2007	8,264,274	9,730,830	(1,466,556)	-	-	-	N/A

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

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

<b>Year</b>	<b>Estimated Population (1)</b>	<b>Per Capita Personal Income (2)</b>	<b>Personal Income (3)</b>	<b>School Enrollment (4)</b>	<b>Unemployment Rate (5)</b>
<b>2016</b>	45,637	Not available	Not available	6,074	5.6
<b>2015</b>	45,637	34,206	1,561,059,222	5,907	6.1
<b>2014</b>	44,984	34,664	1,559,325,376	5,892	7.1
<b>2013</b>	44,735	35,688	1,596,502,680	5,347	8.2
<b>2012</b>	44,578	35,950	1,602,579,100	4,842	8.6
<b>2011</b>	44,239	35,380	1,565,175,820	4,913	9.7
<b>2010</b>	44,054	35,258	1,553,255,932	4,806	9.2
<b>2009</b>	45,766	35,058	1,604,464,428	4,686	7.6
<b>2008</b>	45,828	35,515	1,627,581,420	4,780	5.6
<b>2007</b>	46,246	36,904	1,706,662,384	4,816	5.5

- (1) *Annual Estimates of the Resident Population for Incorporated Places in Mississippi April 1, 2010 to July 1, 2015* . Retrieved April 11, 2017 from [www.census.gov](http://www.census.gov).
- (2) US Department of Commerce, Bureau of Economic Analysis *Per Capita Personal Income 2/ CAI-3 for Harrison County, Mississippi, November, 2015* . April 11, 2017 from <http://www.bea.gov>.
- (3) Calculated by multiplying Estimated Population by Per Capita Personal Income
- (4) Biloxi School District.
- (5) Annual average monthly percentages for fiscal year, City of Biloxi, Mississippi Department of Employment Security.

**Schedule 15**  
**City of Biloxi, Mississippi**  
**Principal Employers**  
**Current Year and Nine Years Ago**

	2016			2007		
	Employees	Rank	Percentage of Total Biloxi/Gulfport Metro Area Employment (2)	Employees (1)	Rank	Percentage of Total Biloxi/Gulfport Metro Area Employment
Employer						
Keesler Air Force Base	11,276	1	13.92%	11,200	1	11.13%
Beau Rivage Casino & Resort	2,928	2	3.61%	2,891	2	2.87%
Biloxi Veterans Admin Hospital	1,605	3	1.98%	-		-
Imperial Palace Casino Resort Spa	1,457	4	1.80%	2,359	3	2.34%
Golden Nugget Casino	1,067	5	1.32%	710	8	0.71%
Hard Rock Hotel & Casino Biloxi	1,018	6	1.26%	1,302	4	1.29%
Harrah's Casino Biloxi	762	7	0.94%	1,010	5	1.00%
Biloxi Regional Medical Center	750	8	0.93%	846	6	0.84%
Palace Casino Resort	708	9	0.87%	-		-
Biloxi Public School District	670	10	0.83%	750	7	0.75%
City of Biloxi	-		-	689	9	-
Boomtown Biloxi Casino	-		-	681	10	0.68%
Total	<u>22,241</u>			<u>22,438</u>		

(1) Source: Harrison County Development Commission.

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

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

Function/Program	Full-Time Equivalent Employees as of September 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
Management services	1	1	1	1	1	1	1	1	1	1
Finance	7	6	6	6	6	6	5	5	7	7
Planning	7	6	6	6	7	6	7	7	7	7
Building	13	13	13	14	13	14	16	17	15	13
Other	44	45	44	42	42	39	38	39	41	36
Police										
Officers	128	121	119	120	120	121	129	134	135	121
Civilians	50	51	51	51	51	52	44	47	46	41
Fire										
Firefighters and officers	167	161	155	161	161	163	168	177	175	174
Civilians	6	5	5	5	5	5	4	4	4	4
Other public works										
Engineering	21	12	12	12	12	12	12	12	12	12
Other	68	79	82	79	79	82	91	97	100	81
Parks and recreation	49	57	56	55	57	56	61	63	62	57
Water	27	29	26	21	21	22	25	28	31	31
Port	23	22	21	22	22	22	22	24	25	26
Total	611	608	597	595	597	601	623	655	661	611

Source: City of Biloxi Human Resources Section.

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

<b>Function/Program</b>	<b>Fiscal Year</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Police</b>				
Physical arrests	7,002	7,411	7,537	6,931
Traffic & parking violations	10,932	13,448	11,659	10,851
<b>Fire</b>				
Emergency responses	6,928	6,479	6,327	7,356
Inspections	4,167	4,630	4,500	3,921
<b>Water</b>				
Average daily consumption (thousands of gallons)	6,141	5,813	5,212	5,689
<b>Wastewater</b>				
Average daily sewage treatment (thousands of gallons)	9,927	9,397	8,626	9,614

Sources: Various departments of City of Biloxi.

Fiscal Year					
2012	2011	2010	2009	2008	2007
7,587	7,763	7,971	9,108	9,953	8,421
14,853	15,544	16,350	19,722	13,381	3,295
7,332	7,194	6,883	6,500	6,338	5,873
3,998	4,047	3,759	3,856	4,491	4,076
5,627	5,507	4,850	5,380	5,559	5,414
9,510	8,003	9,680	9,779	8,927	7,909



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

<b>Function/Program</b>	<b>Fiscal Year</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Police				
Stations	1	1	1	1
Patrol units	124	126	126	125
Fire Stations	9	9	9	9
Other public works				
Streets (miles)	317	298	290	287
Traffic signals	67	65	64	64
Parks and recreation				
Acreage	258	258	258	258
Playgrounds	20	20	20	20
Ballfields	30	30	30	30
Community centers	5	5	5	5
Water				
Water mains	255	254	253	253
Fire hydrants	2,018	2,018	2,016	2,015
Storage capacity (thousands of gallons)	14,793	14,793	14,793	14,793
Wastewater				
Sanitary sewers	243	243	243	243
Treatment capacity (thousands of gallons)	23,700	23,700	23,700	23,700

Sources: Various departments of City of Biloxi.

Fiscal Year					
2012	2011	2010	2009	2008	2007
1	1	1	1	1	1
124	123	128	135	144	144
9	9	9	9	9	9
220	220	220	220	217	217
40	40	40	40	40	40
258	258	258	258	258	258
20	20	20	20	20	20
30	30	30	30	30	30
5	5	5	2	2	2
251	251	251	234	234	234
1,890	1,890	1,890	1,820	1,786	1,729
14,793	14,793	14,793	14,793	14,793	14,793
235	235	235	235	235	235
21,582	21,582	21,582	21,582	21,582	21,582

## **Section IV**

### **Compliance Section**

**Schedule of Expenditures of Federal Awards**

**City of Biloxi, Mississippi**  
**Schedule of Expenditures of Federal Awards**  
For the Fiscal Year Ended September 30, 2016

Grantor Federal Agency / Pass-Through Agency / Program Title	CFDA Number	Pass-Through Grantor No.	Federal Expenditures
<b>Department of Housing and Urban Development</b>			
Community Planning & Development			
Community Development Block Grants/Entitlement Grants	14.218	B-14-MC28-001, B-15-MC28-001, B-16-MC28-001	500,540
Total			500,540
<b>Department of the Interior</b>			
Pass through Mississippi Department of Environmental Quality			
Coastal Impact Assistance	15.668	15-00068	227,845
Total			227,845
<b>Department of Justice</b>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		29,916
Equitable Sharing Program	16.922		107,231
Total			137,147
<b>Department of Transportation</b>			
Pass through Mississippi Department of Transportation			
Highway Planning and Construction	20.205		3,542,680
Total			3,542,680
<b>Department of Homeland Security</b>			
Pass through MEMA			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1604	33,914,002
Pass through Mississippi Department of Public Safety			
Homeland Security Grant Program	97.067		433,971
Total			34,347,973
<b>Environmental Protection Agency</b>			
Pass through MDEQ Water Pollution Control Revolving Loan Fund			
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-C280756-06, SRF-C280756-07	444,636
Brownfield Assessment and Cleanup Cooperative Agreements -ARRA	66.818	00D23914	56,018
Total			500,654
Total expenditures of federal awards			\$ 39,256,839

**City of Biloxi, Mississippi**  
**Notes to Schedule of Expenditures of Federal Awards**  
Year Ended September 30, 2016

**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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The City 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 the Uniform Guidance.

**2. Contingency**

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

**3. Loan and Loan Guarantees**

In accordance with the Uniform Guidance, 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***

To the City Council  
City of Biloxi, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Biloxi, Mississippi's basic financial statements, and have issued our report thereon dated April 28, 2017.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2014-1 and 2016-1.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Biloxi, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-1 and 2016-1.

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

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

### **Purpose of this Report**

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

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

Gulfport, Mississippi  
April 28, 2017

**Independent Auditors' Report on Compliance for Each  
Major Program and on Internal Control over  
Compliance Required by The Uniform Guidance**

To the City Council  
City of Biloxi, Mississippi

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

We have audited the City of Biloxi, Mississippi's compliance with the types of compliance requirements described in the *OMB 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, 2016. 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.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of the City of Biloxi, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Biloxi, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the City of Biloxi, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

## Report on Internal Control over Compliance

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

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

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

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

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

Gulfport, Mississippi  
April 28, 2017

**The City of Biloxi, Mississippi**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended September 30, 2016

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

1. An unmodified opinion was issued on the general purpose financial statements.
2. Two significant deficiencies were disclosed during the audit of the financial statements. No material weaknesses are reported.
3. The audit did not disclose any noncompliance which is material to the general purpose financial statements.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The major programs were:

Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036
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8. The dollar threshold used to distinguish between Type A and Type B Programs was \$1,164,366.
9. The auditee did not qualify as a low-risk auditee.

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

**2014-1 Fixed Assets Management**

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

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

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

*Recommendation:* We recommend that management and the fixed asset accountant adhere to the guidelines set forth in the Mississippi Municipal Fixed Assets

**The City of Biloxi, Mississippi**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended September 30, 2016

Management Manual and timely update the fixed assets subsidiary ledgers for acquisitions and disposals of fixed assets. Additionally, the competency of staff in the fixed assets department should be assessed.

2016-1    Water and Sewer Billing Software

*Criteria:* In accordance with the Mississippi Municipality Audit and Accounting Guide, the accounting system should present information to the officers and employees of the municipality for the proper operation and management of the municipality.

*Condition:* During our audit testing, we noted the City had a water and sewer rate increase. Although the City raised the rates, the water and sewer revenues declined from prior year due to software billing issues.

*Effect:* Improper revenue recognition can materially distort the subsidiary ledgers that are used to generate financial reports, thereby materially misstating the City's financial statements.

*Recommendation:* We recommend that management adhere to the guidelines set forth in the Mississippi Municipality Audit and Accounting Guide. Additionally, the software should be corrected to eliminate billing issues.

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

None.

**The City of Biloxi, Mississippi**  
**Schedule of Prior Audit Findings**  
For the Year Ended September 30, 2016

There were no prior audit findings relative to federal awards.

**Mayor**  
Andrew "FoFo" Gilich

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



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

April 28, 2017

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

The City of Biloxi respectfully submits the following corrective action plan for the year ended September 30, 2016.

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

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

### **2014-1 Corrective Action Plan**

The City followed the recommendation of the auditors and the finding was addressed and has been completed.

Anticipated Completion Date:

July 31, 2017

### **2016-1 Corrective Action Plan**

The City will work with the financial software provider to correct issues with the billing program. Should this plan not be successful, the City will consider acquisition of different utility software to correct the problem.

Anticipated Completion Date:

July 31, 2017

Name of Contact Person Responsible for Corrective Action:

Kenneth McKeown, (228) 435-6230