

Comprehensive Annual Financial Report

**City of Biloxi
Biloxi, Mississippi**

Fiscal Year Ended September 30, 2008

Prepared by:

Department of Finance and Administration

City of Biloxi, Mississippi
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2008
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Section I
Introductory Section

City of Biloxi, Mississippi

Listing of City Officials as of September 30, 2008

Elected Officials

Mayor	A. J. Holloway
Councilman Ward 1	George Lawrence
Councilman Ward 2	William Stallworth
Councilman Ward 3	Charles T. Harrison, Jr.
Councilman Ward 4	Mike Fitzpatrick
Councilman Ward 5	Tom Wall
Councilman Ward 6	Edward Gemmill
Councilman Ward 7	David Fayard

Appointed Officials

City Clerk	Brenda Johnston
Director of Administration	David Staehling
Director of Police Department	Bruce Dunagan
Director of Fire Department	David Roberts
Director of Public Works	Richard Sullivan
Director of Community Development	Jerry Creel
Director of Parks And Recreation	Nathan Sullivan

Letter of Transmittal

Mayor

A.J. Holloway

Council Member

George Lawrence, Ward 1
William "Bill" Stallworth, Ward 2
Charles T. Harrison Jr., Ward 3
Mike Fitzpatrick, Ward 4
Tom Wall, Ward 5
Edward "Ed" Gemmill, Ward 6
David Fayard, Ward 7



P.O. Box 429
Biloxi, Mississippi 39533
(228) 435-6300

March 19, 2009

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, 2008. 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, 2008 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, Fletcher, 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.

Managements Discussion and Analysis

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

Profile of the City of Biloxi (The Reporting Entity)

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

This report includes all funds of the City of Biloxi and any entity that management has determined to be a component unit of the City of Biloxi municipal government. Component units are entities for which the primary government (the City) is financially accountable and other entities

whose relationship with the City is such that its exclusion would create misleading or incomplete financial information. The Point Cadet Development Corporation, a non-profit organization, is blended in the financial statements of the City of Biloxi as a proprietary fund. During the fiscal year 03/04, the City of Biloxi assumed responsibility for the assets, liabilities and operation of the Biloxi Port Commission. This activity is presented as a business-type activity in the City's Government-wide financial statements and as a proprietary fund in the City's fund financial statements.

Economic Condition and Outlook

We understand that readers of this Comprehensive Annual Financial Report will be interested in using this report to assess the recovery of the City from Hurricane Katrina which struck the Mississippi Gulf Coast on August 29, 2005. The City's three largest revenues, gaming tax, sales tax and ad valorem tax have made significant recovery. Because ad valorem taxes are collected in arrears, Hurricane Katrina impacted ad valorem tax revenues in fiscal 2007. Ad valorem tax revenue did not recover completely in 2008 but did increase by 25 percent over 2007. 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.

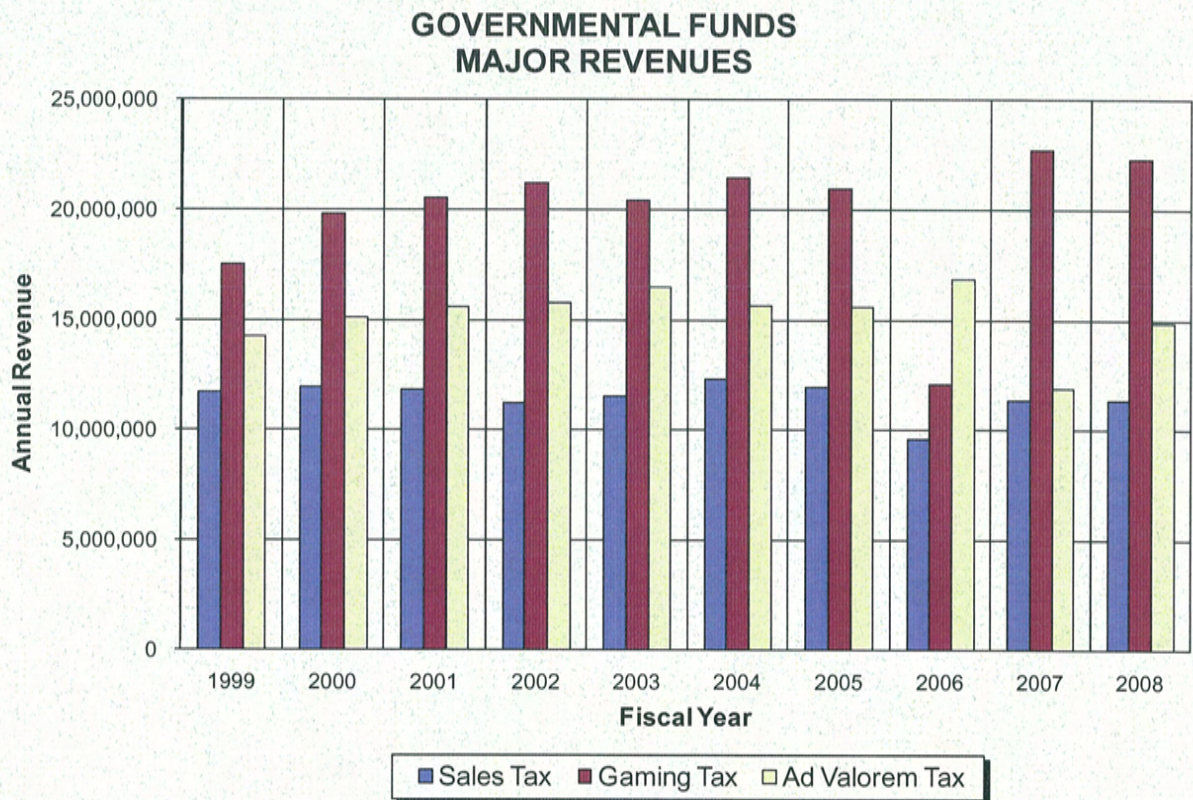


Figure 1

The amount of construction and reconstruction in fiscal 07/08 remained high although it declined from a peak in 06/07. The City issued 4,971 building permits with a total valuation of \$230,255,729. (Fig. 2).

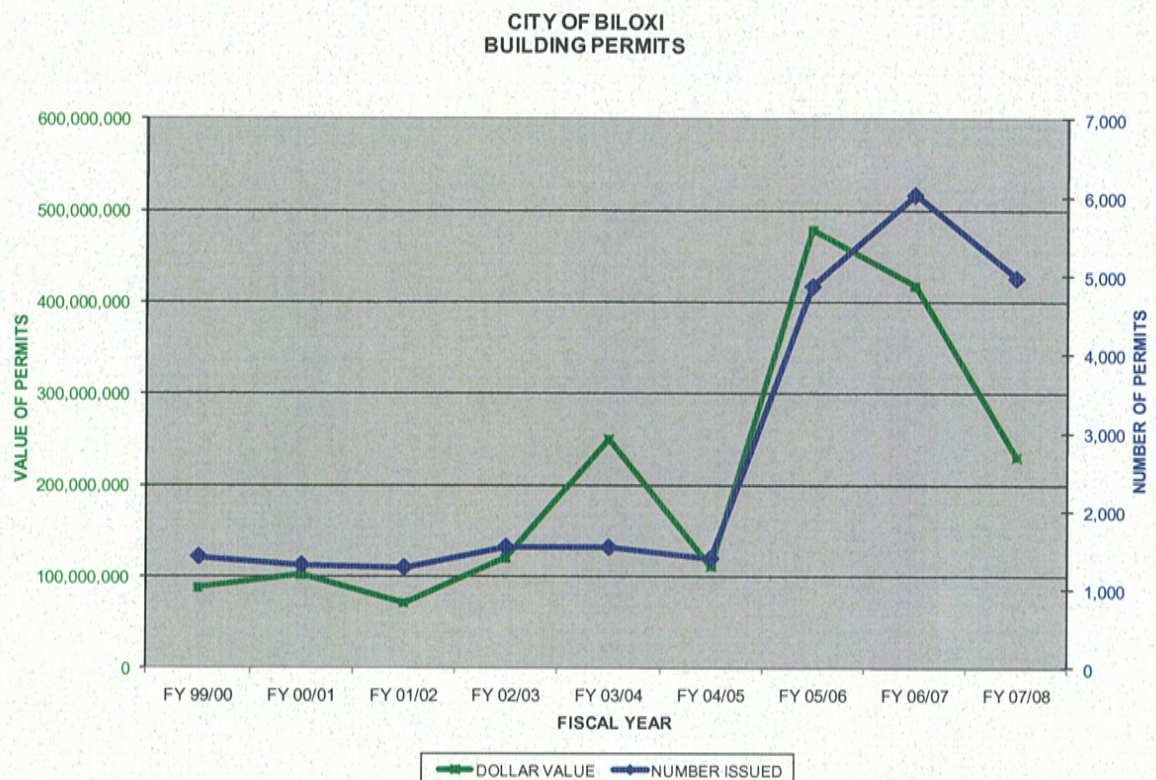


Figure 2

Governmental Fund Revenues

Governmental funds are used to account for most City functions and operations including the various City departments, the City's two old, 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. The City's three largest sources of revenues for general governmental functions are gaming tax, ad valorem tax and sales tax.

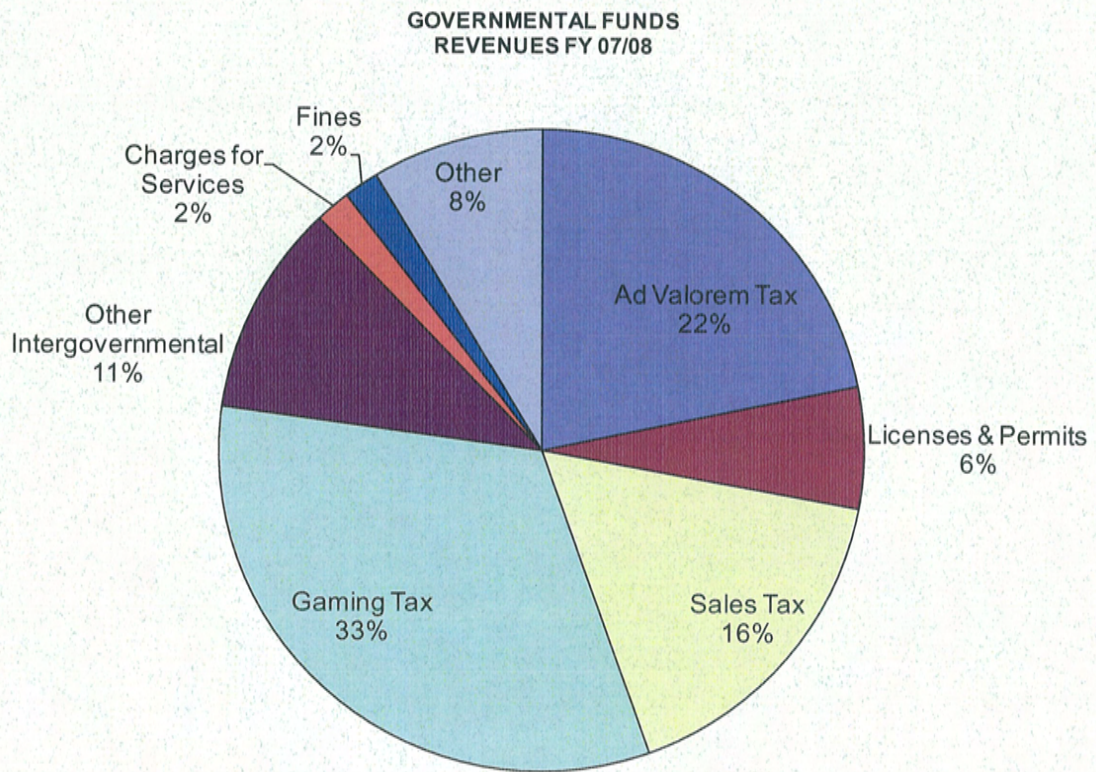


Figure 3

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.

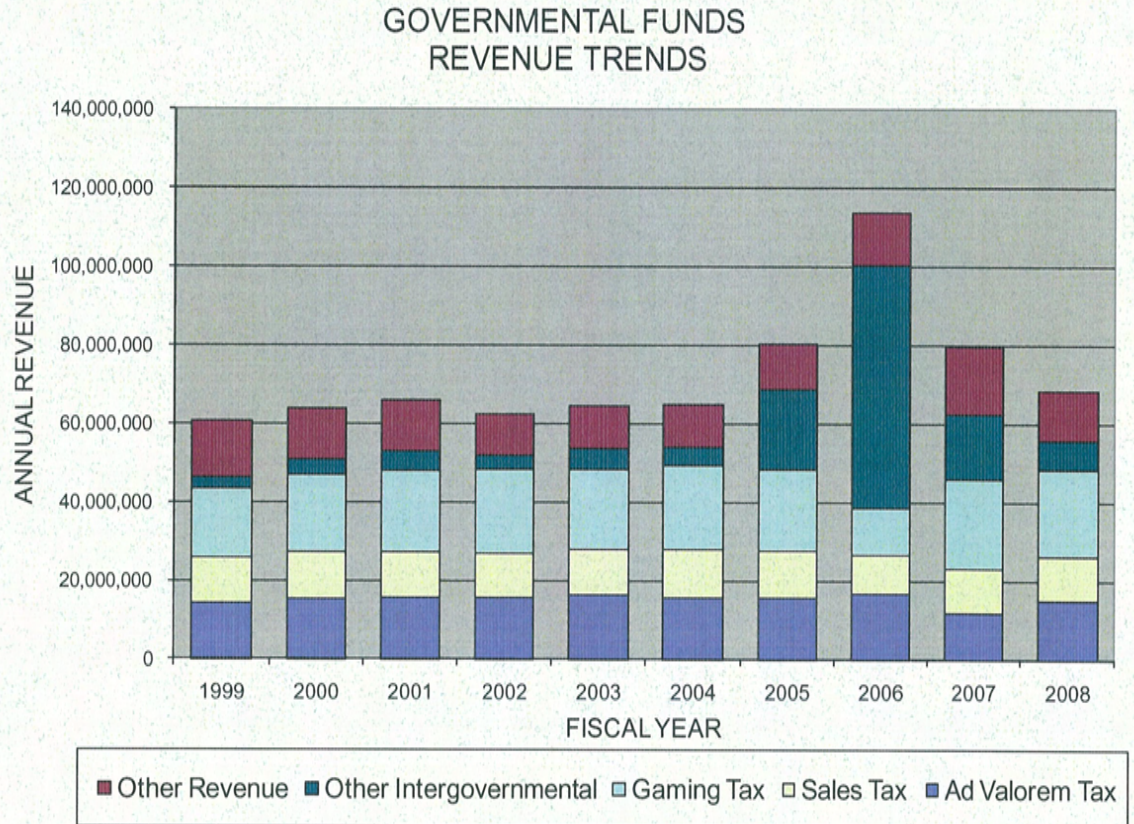


Figure 4

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.

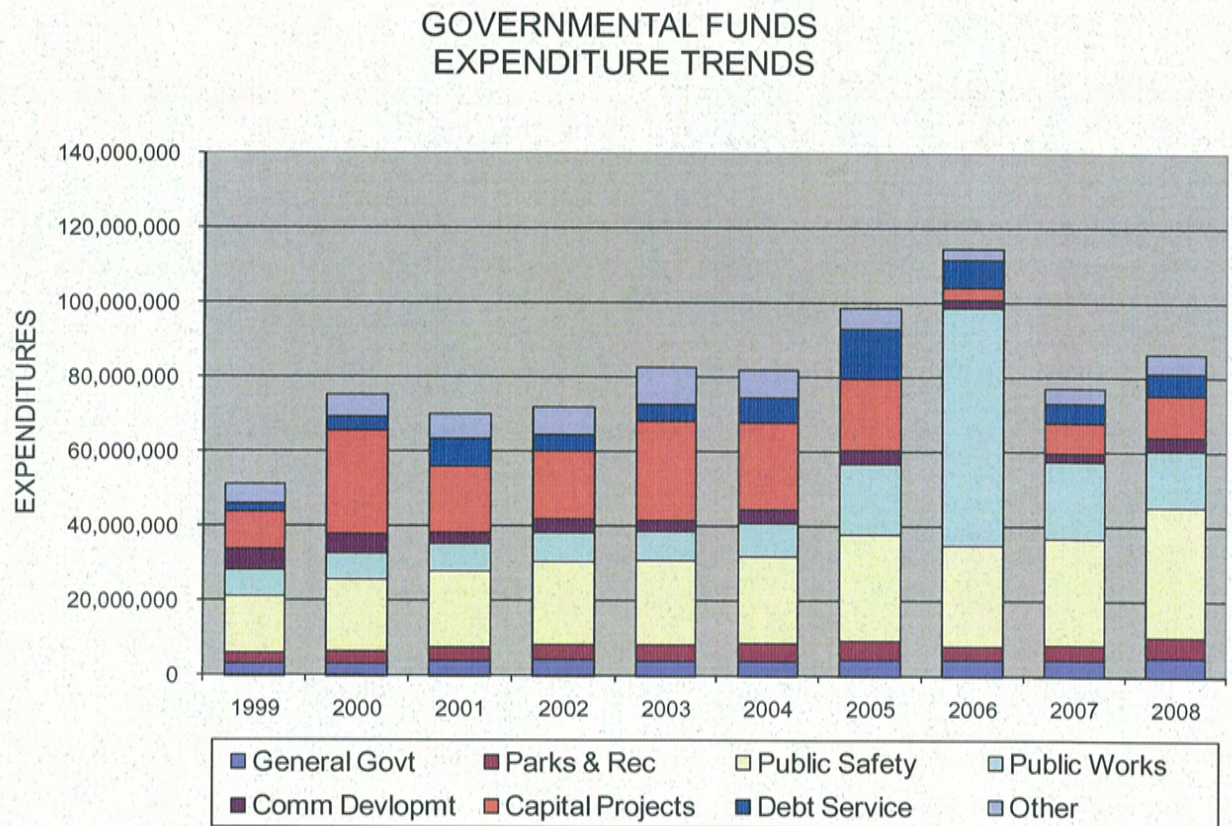


Figure 5

Water and Sewer Fund

The City of Biloxi provides water production/distribution and sewer collection/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. The city last adjusted water and sewer rates in 2003 with a phased-in increase of nine percent for water and six percent for sewer. 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 fixed (does not vary due to the number of customers served) the current rates applied to the consumption of the reduced number of customers do not generate revenue sufficient to cover the cost of services. This condition is causing a decline in the financial condition of the City's Water and Sewer Enterprise Fund which is demonstrated by the following chart which presents the unrestricted net assets of the fund at the end of each fiscal year.

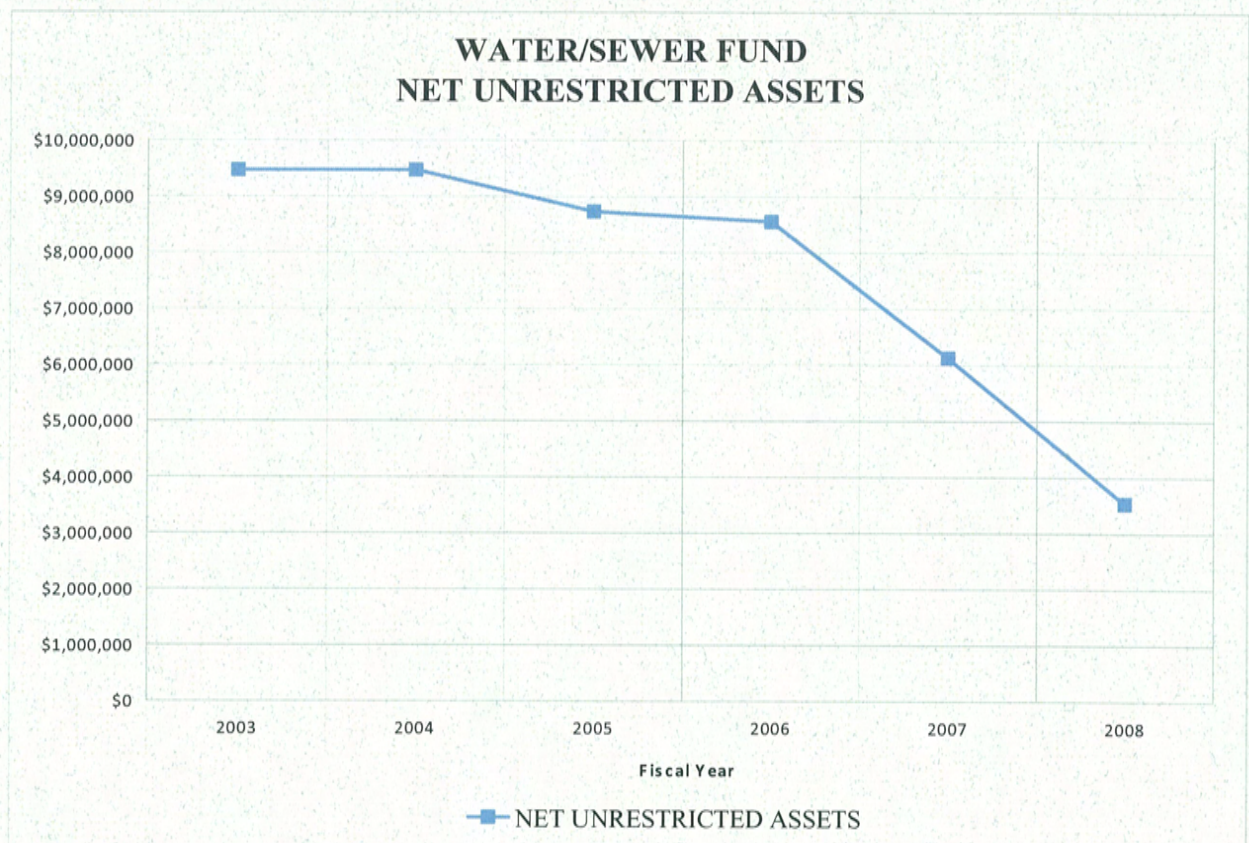


Figure 6

Debt Management

A municipality may finance its activities by incurring various forms of debt, from lease-purchase arrangements to long-term bonds. General obligation debt is bonds or notes secured by the governmental entity's pledge to levy tax adequate to repay the debt. Limited obligation bonds are secured by the pledge of a defined portion of the taxing power of the municipality. Revenue bonds are secured by a pledge of specific revenue sources other than ad valorem taxes such as the revenue

are secured by a pledge of specific revenue sources other than ad valorem taxes such as the revenue from a utility system. See the Management's Discussion and Analysis for additional discussion regarding the City's debt.

Cash Management

Mississippi laws address the investment of surplus money by municipalities and the investment of the proceeds of bonds separately. The investment of surplus money is limited to bonds or other direct obligations of the United States of America or the State of Mississippi or any county or municipality of this state or any school district or obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or time certificates of deposit in qualified depositories. The City of Biloxi's policy is to invest surplus funds in United States Treasury Bills and bank certificates of deposit with a maturity of six months or less. Treasury Bills are purchased by a municipal depository under a Security Safekeeping Agreement. The City's checking account balances are invested automatically, overnight, under sweep agreements with the City's depositories.

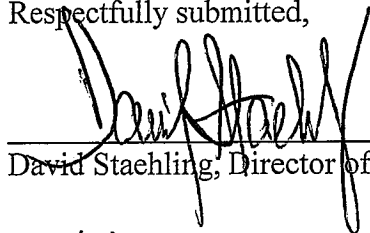
Risk Management

Risk management is an entity's approach to identifying, evaluating and controlling unforeseen expenses. It includes a plan to avoid, prevent and minimize the costs of (1) property loss from accidents, fire, crime, fraud, and natural disaster; (2) liability for the losses of other entities and (3) injury to employees. The City retains the services of independent consultants in loss prevention and control. With the assistance and advice of the City's insurance consultants, the City maintains a mitigation plan involving layers of insurance and self-insured risk retention.

Major Initiatives

The Federal Emergency Management Agency has obligated \$485,545,969 of grant funding for Hurricane Katrina recovery in the City of Biloxi. The City has allocated \$23,086,491 of insurance proceeds toward this work which will cost an estimated \$509,894,595. Approximately \$365,716,778 of this cost is related to water, sewer and drainage infrastructure repairs. The City has hired HNTB Corporation to manage the infrastructure repair program. City management is cognizant of the fact that this amount of capital outlay, financed with Federal funding, will require significant attention over the next few years.

Respectfully submitted,



David Staehling, Director of Administration



W. L. Lanham, Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Biloxi
Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

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



A handwritten signature in black ink, appearing to read "M. L. R. +".

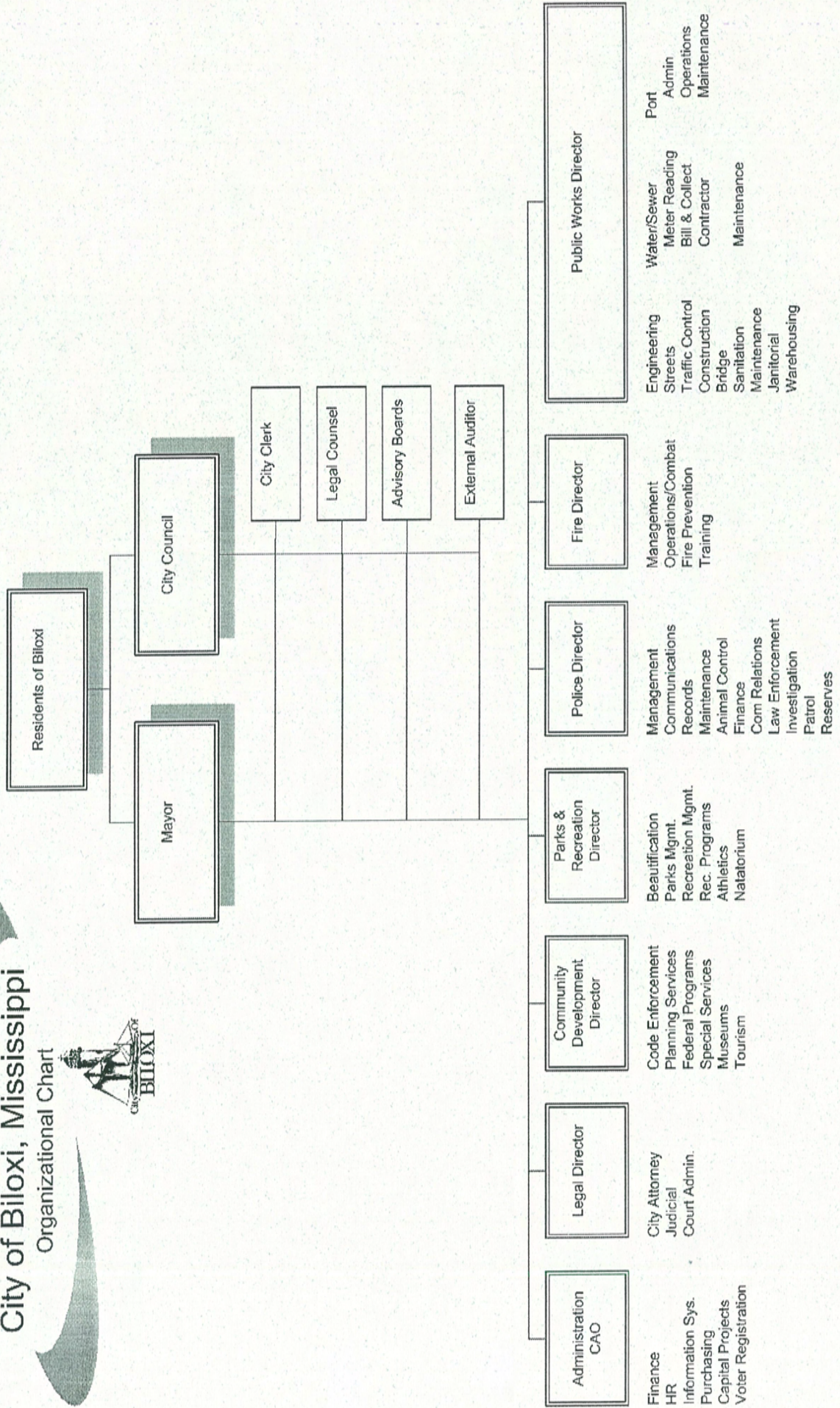
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Egan".

Executive Director

City of Biloxi, Mississippi

Organizational Chart



Section II

Financial Section

Independent Auditors' Report

To the City Council
City of Biloxi
Biloxi, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi (City), as of and for the year ended September 30, 2008 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Biloxi, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of September 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2009, on our consideration of the City of Biloxi, Mississippi's internal control over financial reporting and 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 reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 16 through 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Biloxi, Mississippi's, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Biloxi, Mississippi. The combining and individual nonmajor fund financial statements, the supplemental information, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Culumber, Fletcher, Harvey & associates, P.A.

Certified Public Accountants

Biloxi, Mississippi
March 19, 2009

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

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

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

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

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

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

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

Table 1
City of Biloxi
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 91,121,476	\$ 110,538,500	\$ 15,827,611	\$ 16,258,174	\$ 106,949,087	\$ 126,796,674
Capital assets	207,718,992	197,675,061	50,737,160	45,270,410	258,456,152	242,945,471
Total assets	<u>298,840,468</u>	<u>308,213,561</u>	<u>66,564,771</u>	<u>61,528,584</u>	<u>365,405,239</u>	<u>369,742,145</u>
Current & other liabilities	\$ 16,868,825	\$ 18,250,453	\$ 4,556,599	\$ 2,273,123	\$ 21,425,424	\$ 20,523,576
Long-term liabilities	71,030,540	71,821,776	5,979,353	6,241,046	77,009,893	78,062,822
Total liabilities	<u>87,899,365</u>	<u>90,072,229</u>	<u>10,535,952</u>	<u>8,514,169</u>	<u>98,435,317</u>	<u>98,586,398</u>
Net assets						
Investment in capital assets						
net of related debt	148,298,408	137,454,714	47,402,255	41,667,384	195,700,663	179,122,098
Restricted	30,633,195	10,146,382	1,121,037	1,726,398	31,754,232	11,872,780
Unrestricted	32,009,500	70,540,236	7,505,527	9,620,633	39,515,027	80,160,869
Total net assets	<u>\$ 210,941,103</u>	<u>\$ 218,141,332</u>	<u>\$ 56,028,819</u>	<u>\$ 53,014,415</u>	<u>\$ 266,969,922</u>	<u>\$ 271,155,747</u>

Table 2
City of Biloxi
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Charges for services	\$ 7,444,960	\$ 7,896,225	\$ 9,044,051	\$ 9,553,233	\$ 16,489,011	\$ 17,449,458
Operating grants	2,453,282	13,728,661	-	-	2,453,282	13,728,661
Capital grants and contributions	2,476,562	2,454,944	7,222,126	1,801,139	9,698,688	4,256,083
General revenues						
Property taxes	14,850,437	11,884,058	229,178	872,186	15,079,615	12,756,244
Sales taxes	11,162,329	11,355,382	-	-	11,162,329	11,355,382
Gaming taxes	22,030,475	22,518,892	-	-	22,030,475	22,518,892
Franchise taxes	2,968,811	2,742,974	-	-	2,968,811	2,742,974
Other revenue	3,664,778	20,140,455	344,644	699,508	4,009,422	20,839,963
Total revenues	67,051,634	92,721,591	16,839,999	12,926,066	83,891,633	105,647,657
Expenses						
General government	5,545,240	4,902,940	-	-	5,545,240	4,902,940
Parks and recreation	5,720,051	4,797,664	-	-	5,720,051	4,797,664
Public safety	36,120,835	29,601,484	-	-	36,120,835	29,601,484
Public works	18,051,184	22,402,881	-	-	18,051,184	22,402,881
Community development	4,332,445	4,728,570	-	-	4,332,445	4,728,570
Unallocated depreciation	2,292,270	2,254,458	-	-	2,292,270	2,254,458
Interest on long-term debt	2,866,857	1,996,618	-	-	2,866,857	1,996,618
Water and sewer service	-	-	11,475,922	9,829,590	11,475,922	9,829,590
Port Fund activities	-	-	1,653,803	1,254,929	1,653,803	1,254,929
PCDC activities	-	-	18,851	131	18,851	131
Total expenses	74,928,882	70,684,615	13,148,576	11,084,650	88,077,458	81,769,265
Increase (decrease) in net assets before transfers	(7,877,248)	22,036,976	3,691,423	1,841,416	(4,185,825)	23,878,392
Transfers	677,019	2,998,790	(677,019)	(2,998,790)	-	-
Net increase (decrease) in net assets	(7,200,229)	25,035,766	3,014,404	(1,157,374)	(4,185,825)	23,878,392
Net assets, beg of year - as restated	218,141,332	193,105,566	53,014,415	54,171,789	271,155,747	247,277,355
Net assets, end of year	\$ 210,941,103	\$ 218,141,332	\$ 56,028,819	\$ 53,014,415	\$ 266,969,922	\$ 271,155,747

Overall Financial Position and Results of Operations

The net assets of governmental activities decreased by \$7,200,229. The decrease resulted largely from the General Fund operating deficit budgeted by the City's governing authority.

Business-type activities (Water/Sewer and Port) increased the City's net assets by \$3,014,404. The key element in this increase is the capital grants and contributions received in the amount of \$7,222,126. The Water/Sewer and Port Funds incurred operating losses of \$3,607,748 and \$179,980, respectively. Water and Sewer revenues are not adequate, under the existing rate structure and consumption quantities, to cover operating costs and depreciation. The system is not generating resources to fund capital improvements and pay principal and interest on debt.

Analysis of Significant Balances and Operation of Individual Funds

Fund Balances

General Fund - The General Fund is the City's primary operating fund. The City began fiscal year 07/08 with a General Fund balance of \$58,043,499 and ended the year with a fund balance of \$39,082,068. The decrease is attributable primarily to transfers to the General Capital Projects Fund and Debt Service Fund to pay the Special Community Disaster Loan. During FY 07/08, the City transferred \$4,857,712 of General Fund cash to the City's Capital Projects Fund to pay project expenses. Additionally, \$2,638,553 of General Fund cash was transferred to the Debt Service Fund for the Special Community Disaster Loan.

Debt Service Fund - During FY 07/08 the fund balance of the City's Debt Service Fund increased by \$2,808,168, ending the year with \$6.5 million in fund balance. However, approximately \$3.3

million of the ending fund balance came from transfers from the General Fund and Water and Sewer Fund for the Special Community Disaster Loan. City management has accumulated the fund balance to provide working capital to pay principal and interest on bonded debt that matures in the early months of the fiscal year, October through January, before the bulk of ad valorem tax revenue is received by the City in January and February. Ad valorem tax revenue is the primary resource of the Debt Service Fund, therefore the amount of working capital in the fund is directly attributable to the relationship between the amount of debt service maturing during the year and the ad valorem tax millage levied for debt service.

Water and Sewer Fund – Revenues and other Water and Sewer Fund resources were not adequate to pay the cost of operations and debt service and fund capital improvements. The Water and Sewer Fund incurred an operating loss of \$3.6 million when depreciation expense is considered. The City's water and sewer rates are relatively low compared to other service providers in Mississippi; however, the loss of a significant number of utility customers due to destruction of residences and businesses by Hurricane Katrina further exacerbated this problem. Water and sewer operating revenue remain below pre-Katrina level.

The Harrison County Utility Authority provides sewerage treatment services for the City of Biloxi. On November 21, 2006 the Utility Authority restructured its debt, deferring most of the Authority's debt service from the date of issuance of the refunding bonds until July 1, 2008. Because debt service is a significant portion of the costs that are passed on to the City of Biloxi as service charges, the restructuring deferral reduced the City's Water and Sewer Fund operating expenses for the fiscal year 06-07. During fiscal year 07-08 waste water treatment costs increased \$2,491,860 from the prior year. The governing authority of the City will have to consider the adequacy of water and sewer rates.

The Water and Sewer Fund paid \$188,961 of the \$542,354 expended for improvements in the water and sewer system during FY 07/08. \$353,393 of water and sewer capital projects spending was funded from the City's General Fund and from bond proceeds

Budget Variances in the General Fund

During FY 07/08 the City Council passed 40 resolutions amending the City's budget for all funds. These amendments increased total appropriations by \$20,373,954. The budget amendments were for grant awards and related expenditures.

Capital Assets Activity

During FY 07/08 the City acquired capital assets costing \$24,974,649. The City purchased \$5,867,088 of equipment and expended \$16,997,759 of capitalizable costs on construction projects. Of the \$5,867,088 of equipment that was acquired, approximately \$4 million was for Public Safety and \$1 million for Public Works. Some of the major equipment purchases for Public Safety were 150 portable radios costing \$717,037 and 39 vehicles costing \$883,394. Public works purchased a street sweeper for \$173,477 and a bucket truck for \$108,727. See Detail Note III. F, for additional information concerning capital asset activity for the fiscal year ended September 30, 2008.

Long-term Debt

At the beginning of the fiscal year the City of Biloxi had outstanding debt consisting of general obligation bonds, notes, limited obligation bonds and notes, and four pollution control loans. These outstanding debts totaled \$77,610,486 at the beginning of the fiscal year 07/08. During the fiscal year 07/08, the City paid \$3,764,666 of principal and paid \$2,752,055 of interest on all 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.

During fiscal year 07/08 the City of Biloxi drew down \$2,258,000 on the Mississippi Development Bank promissory note. Additionally, the City of Biloxi entered into a capital lease with Hancock Bank to finance a lighting project. The amount financed was \$438,782 at the fixed, simple interest rate of 4.15% for seven years.

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

Credit Rating

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

In a statement dated November 10, 2005, Standard & Poor's Ratings Services announced that they had lowered their ratings on Biloxi's GO debt to BBB from "A" and Biloxi's series 1999 limited tax port commission bonds to "BBB" from "BBB+" and removed them from CreditWatch with negative implications and a developing outlook. The announcement stated "The downgrade reflects the severe economic dislocation in the residential and commercial sector, specifically the casino industry, and the uncertainty over the restoration of a viable, sustainable economic and revenue performance." The BBB rating is defined as "An obligation rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation". The "Developing" qualifier indicates that a rating may be raised or lowered over the intermediate term (typically six months to two years).

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

Contact Information

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

Basic Financial Statements

City of Biloxi, Mississippi

Statement of Net Assets

September 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 62,683,241	\$ 7,765,000	\$ 70,448,241
Restricted cash and cash equivalents	-	1,486,221	1,486,221
Investments	3,822,731	1,121,037	4,943,768
Restricted investments	140	-	140
Receivables:			
Taxes	6,191,715		6,191,715
Customer accounts, net	77,379	1,120,693	1,198,072
Grants	7,139,998	4,271,587	11,411,585
Other	593,699	27,894	621,593
Prepays	1,690,788	-	1,690,788
Net pension obligation	8,774,314	-	8,774,314
Inventories	-	35,179	35,179
Mortgage loans receivable	82,554	-	82,554
Land inventory	64,917	-	64,917
Capital assets			
Land and construction in progress	74,874,940	9,998,190	84,873,130
Other (net of accumulated depreciation)	132,844,052	40,738,970	173,583,022
Total assets	<u>298,840,468</u>	<u>66,564,771</u>	<u>365,405,239</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	5,496,823	498,010	5,994,833
Accounts payable from restricted assets	-	25,622	25,622
Customer deposits payable from restricted assets	-	991,299	991,299
Accrued interest	601,455	149,542	750,997
Internal balances	(2,559,367)	2,559,367	-
Unearned revenue	1,035,281	8,443	1,043,724
Noncurrent liabilities			
Due within one year			
Bonds and notes	3,677,037	278,903	3,955,940
Compensated absences	1,428,997	45,413	1,474,410
Claims payable from restricted assets	7,188,599	-	7,188,599
Due beyond one year			
Bonds and notes	66,743,547	5,843,115	72,586,662
Compensated absences	4,286,993	136,238	4,423,231
Total liabilities	<u>87,899,365</u>	<u>10,535,952</u>	<u>98,435,317</u>
Net assets			
Invested in capital assets, net of related debt	148,298,408	47,402,255	195,700,663
Restricted for:			
Public safety	2,345,677	-	2,345,677
Debt service	6,524,693	396,619	6,921,312
Capital improvements	21,732,892	724,418	22,457,310
Endowment, expendable	29,933	-	29,933
Unrestricted	32,009,500	7,505,527	39,515,027
Total net assets	<u>\$ 210,941,103</u>	<u>\$ 56,028,819</u>	<u>\$ 266,969,922</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, 2008

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Operating		Primary Government		
		Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 5,545,240	\$ 1,935	\$ 34,210	\$ (5,509,095)	\$ -	\$ (5,509,095)
Parks and Recreation	5,720,051	398,565	21,645	(5,299,841)	-	(5,299,841)
Public Safety	36,120,835	1,236,468	450,467	(34,395,845)	-	(34,395,845)
Public Works	18,051,184	603,235	548,517	(15,314,160)	-	(15,314,160)
Community Development	4,332,445	5,204,757	1,420,088	3,123,990	-	3,123,990
Unallocated Depreciation, Infrastructure	2,292,270	-	-	(2,292,270)	-	(2,292,270)
Interest and Other, Long-Term Debt	2,866,857	-	-	(2,866,857)	-	(2,866,857)
Total Governmental Activities	74,928,882	7,444,960	2,453,282	(62,554,078)	-	(62,554,078)
Business-Type Activities						
Water and Sewer	11,475,922	7,738,610	729,026	-	(3,008,286)	(3,008,286)
Biloxi Port Fund	1,653,803	1,246,597	6,493,100	-	6,085,894	6,085,894
Point Cadet Development Corporation	18,851	58,844	-	-	39,993	39,993
Total Business-Type Activities	13,148,576	9,044,051	7,222,126	(62,554,078)	3,117,601	3,117,601
Total Primary Government	88,077,458	16,489,011	2,453,282	(62,554,078)	3,117,601	(59,436,477)
General revenues						
Property taxes				14,850,437	229,178	15,079,615
Sales taxes				11,162,329	-	11,162,329
Gaming taxes				22,030,475	-	22,030,475
Franchise and utility taxes				2,968,811	-	2,968,811
Other taxes				1,065,200	-	1,065,200
Grants and contributions not restricted to specific programs				399,672	-	399,672
Unrestricted Investment Earnings				2,009,599	344,644	2,354,243
Miscellaneous				190,307	-	190,307
Transfers				677,019	(677,019)	-
Total general revenues and transfers				55,353,849	(103,197)	55,250,652
Change in net assets				(7,200,229)	3,014,404	(4,185,825)
Net Assets - beginning of period				218,141,332	53,014,415	271,155,747
Net assets - end of period				\$ 210,941,103	\$ 56,028,819	\$ 266,969,922

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

City of Biloxi, Mississippi
Balance Sheet
Governmental Funds
September 30, 2008

	General Fund	General Capital Projects Fund	Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 26,163,975	\$ 20,505,445	\$ 5,335,078	\$ 607,865	\$ 52,612,363
Investments	-	-	792,046	3,030,685	3,822,731
Receivables:					
Taxes	6,130,191	-	41,315	20,209	6,191,715
Customer accounts, net	77,379	-	-	-	77,379
Grants	5,071,838	1,376,039	-	692,121	7,139,998
Other	189,307	-	399,672	4,720	593,699
Due from other city funds	2,564,971	2,215,984	-	-	4,780,955
Prepaids	1,690,788	-	-	-	1,690,788
Mortgage loans receivable	-	-	-	82,554	82,554
Land inventory	-	-	-	64,917	64,917
Total assets	<u>\$ 41,888,449</u>	<u>\$ 24,097,468</u>	<u>\$ 6,568,111</u>	<u>\$ 4,503,071</u>	<u>\$ 77,057,099</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable and accrued liabilities	\$ 2,606,381	\$ 2,115,705	\$ 43,418	731,319	\$ 5,496,823
Due to other city funds	-	2,444,211	-	64	2,444,275
Deferred revenue	200,000	835,281	-	-	1,035,281
Total liabilities	<u>2,806,381</u>	<u>5,395,197</u>	<u>43,418</u>	<u>731,383</u>	<u>8,976,379</u>
Fund Balances					
Reserved for					
Public safety	2,345,677	-	-	-	2,345,677
Loans receivable	-	-	-	82,554	82,554
Land inventory	-	-	-	64,917	64,917
Debt service	-	-	6,524,693	-	6,524,693
Endowment, expendable	-	-	-	29,933	29,933
Capital projects funds	-	18,702,271	-	3,030,621	21,732,892
Unreserved reported in					
General fund					
Designated for capital projects	9,319,322	-	-	-	9,319,322
Undesignated	27,417,069	-	-	-	27,417,069
Special revenue funds	-	-	-	563,663	563,663
Total fund balances	<u>39,082,068</u>	<u>18,702,271</u>	<u>6,524,693</u>	<u>3,771,688</u>	<u>68,080,720</u>
Total liabilities and fund balances	<u>\$ 41,888,449</u>	<u>\$ 24,097,468</u>	<u>\$ 6,568,111</u>	<u>\$ 4,503,071</u>	<u>\$ 77,057,099</u>

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

City of Biloxi, Mississippi
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
as of September 30, 2008

Total fund balances of governmental funds in the balance sheet, page 23		\$ 68,080,720
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		207,718,992
Internal service funds are used by management to account for the costs of the City's risk management, including insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		3,105,106
Net pension obligation		8,774,314
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.		(601,455)
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	(15,650,854)	
Bonds Payable	(53,820,000)	
Capital leases payable	(949,730)	
Compensated absences	(5,715,990)	(76,136,574)
Net assets of governmental activities, page 21		<u>\$ 210,941,103</u>

City of Biloxi, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2008

	General Fund	General Capital Projects Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Ad valorem taxes	\$ 7,937,633	\$ -	\$ 4,773,384	\$ 2,139,420	\$ 14,850,437
Licenses and permits	4,192,441	-	-	-	4,192,441
Intergovernmental	33,376,424	2,212,388	433,280	1,261,838	37,283,930
Charges for services	1,198,608	-	-	-	1,198,608
Fines	1,202,481	-	-	-	1,202,481
Other	5,396,941	-	143,808	341,910	5,882,659
Total revenues	<u>53,304,528</u>	<u>2,212,388</u>	<u>5,350,472</u>	<u>3,743,168</u>	<u>64,610,556</u>
Expenditures					
Current:					
General government	5,040,743	-	-	71,197	5,111,940
Parks and recreation	5,270,366	-	-	74,440	5,344,806
Public safety	33,032,427	-	-	1,759,265	34,791,692
Public works	13,895,540	-	-	1,561,846	15,457,386
Community development	3,378,270	-	-	47,716	3,425,986
Non-departmental	5,003,572	-	-	-	5,003,572
Debt service					
Principal retirement	-	-	3,278,169	-	3,278,169
Interest and other	-	-	2,570,957	-	2,570,957
Capital outlay, projects	-	11,351,010	-	-	11,351,010
Total expenditures	<u>65,620,918</u>	<u>11,351,010</u>	<u>5,849,126</u>	<u>3,514,464</u>	<u>86,335,518</u>
Excess (deficiency) of revenues over expenditures	<u>(12,316,390)</u>	<u>(9,138,622)</u>	<u>(498,654)</u>	<u>228,704</u>	<u>(21,724,962)</u>
Other financing sources (uses)					
Issuance of note	-	2,258,000	-	-	2,258,000
Capital lease	438,782	-	-	-	438,782
Transfers in	412,442	5,449,092	3,306,822	-	9,168,356
Transfers out	(7,496,265)	-	-	(995,072)	(8,491,337)
Total other financing sources (uses)	<u>(6,645,041)</u>	<u>7,707,092</u>	<u>3,306,822</u>	<u>(995,072)</u>	<u>3,373,801</u>
Net change in fund balance	<u>(18,961,431)</u>	<u>(1,431,530)</u>	<u>2,808,168</u>	<u>(766,368)</u>	<u>(18,351,161)</u>
Fund balances, beginning of year	58,043,499	20,133,801	3,716,525	4,538,056	86,431,881
Fund balances, end of year	<u>\$ 39,082,068</u>	<u>\$ 18,702,271</u>	<u>\$ 6,524,693</u>	<u>\$ 3,771,688</u>	<u>\$ 68,080,720</u>

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

City of Biloxi, Mississippi
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Fiscal Year Ended September 30, 2008

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

Net change in fund balances of governmental funds, page 25	\$ (18,351,161)
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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	16,851,048	
Less: current year depreciation	<u>(6,031,823)</u>	10,819,225

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

Bond, capital lease, and loan proceeds	(2,696,782)	
Principal payments	3,278,169	
Lease payments	<u>218,376</u>	799,763

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	226,119	
Seized assets	38,055	
Basis of assets sold	<u>(1,039,466)</u>	(775,292)

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

Change in net pension obligation	948,919	
Change in long-term compensated absences	<u>(438,090)</u>	510,829

Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. (295,900)

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 .

92,309

Change in net assets of governmental activities, page 22	<u><u>\$ (7,200,227)</u></u>
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City of Biloxi, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended September 30, 2008

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
Revenues				
Ad valorem taxes	\$ 8,009,680	\$ 8,009,680	\$ 7,943,872	\$ (65,808)
Licenses and permits	4,483,700	4,483,700	4,142,443	(341,257)
Intergovernmental	34,844,895	35,185,858	35,021,326	(164,532)
Federal & state grants	14,502,375	15,702,236	8,401,626	(7,300,610)
Charges for services	970,400	970,400	1,156,620	186,220
Fines	1,146,000	1,146,000	1,202,481	56,481
Other	6,898,572	6,898,572	5,543,405	(1,355,167)
Total revenues	<u>70,855,622</u>	<u>72,396,446</u>	<u>63,411,773</u>	<u>(8,984,673)</u>
Expenditures				
Administration				
Personnel services	1,789,650	1,781,650	1,720,029	61,621
Supplies	48,902	50,559	35,972	14,587
Other services & charges	1,015,569	1,199,007	1,148,577	50,430
Contractual services	296,145	318,772	308,475	10,297
Capital outlay	192,680	139,680	139,532	148
Total	<u>3,342,946</u>	<u>3,489,668</u>	<u>3,352,585</u>	<u>137,083</u>
Executive				
Personnel services	317,142	317,142	316,290	852
Supplies	10,305	11,305	5,882	5,423
Other services & charges	67,116	66,116	43,219	22,897
Contractual services	15,550	15,550	8,994	6,556
Capital outlay	20,000	20,000	8,375	11,625
Total	<u>430,113</u>	<u>430,113</u>	<u>382,760</u>	<u>47,353</u>
Legislative				
Personnel services	490,859	490,859	509,263	(18,404)
Supplies	48,300	51,800	31,316	20,484
Other services & charges	183,880	197,348	135,748	61,600
Contractual services	18,100	18,700	15,069	3,631
Capital outlay	10,000	10,000	6,782	3,218
Total	<u>751,139</u>	<u>768,707</u>	<u>698,178</u>	<u>70,529</u>
Judicial				
Personnel services	155,534	155,534	144,397	11,137
Contractual services	1,200	1,200	875	325
Total	<u>156,734</u>	<u>156,734</u>	<u>145,272</u>	<u>11,462</u>
Legal				
Personnel services	560,663	560,663	515,509	45,154
Supplies	11,100	13,600	6,620	6,980
Other services & charges	12,700	10,200	8,843	1,357
Contractual services	30,150	30,150	13,391	16,759
Capital outlay	7,500	15,000	10,756	4,244
Total	<u>622,113</u>	<u>629,613</u>	<u>555,119</u>	<u>74,494</u>

Continued on next page

City of Biloxi, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended September 30, 2008
(Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Community development				
Personnel services	2,184,477	2,184,477	2,035,186	149,291
Supplies	151,085	162,185	86,233	75,952
Other services & charges	1,003,819	1,923,039	799,020	1,124,019
Contractual services	1,112,702	1,159,102	345,536	813,566
Capital outlay	110,500	139,300	135,909	3,391
Total	<u>4,562,583</u>	<u>5,568,103</u>	<u>3,401,884</u>	<u>2,166,219</u>
Parks & recreation				
Personnel services	4,223,923	4,093,924	3,614,648	479,276
Supplies	814,895	795,239	498,137	297,102
Other services & charges	542,100	671,100	599,011	72,089
Contractual services	670,715	770,237	333,909	436,328
Capital outlay	816,169	904,944	283,856	621,088
Total	<u>7,067,802</u>	<u>7,235,444</u>	<u>5,329,561</u>	<u>1,905,883</u>
Public safety				
Personnel services	26,938,257	26,963,047	25,211,171	1,751,876
Supplies	1,975,706	2,005,940	1,729,484	276,456
Other services & charges	750,284	766,225	720,309	45,916
Contractual services	2,163,548	2,049,868	1,409,181	640,687
Capital outlay	6,508,199	6,321,656	4,642,205	1,679,451
Total	<u>38,335,994</u>	<u>38,106,736</u>	<u>33,712,350</u>	<u>4,394,386</u>
Public works				
Personnel services	6,056,810	6,056,810	5,321,034	735,776
Supplies	1,150,450	1,134,739	1,006,481	128,258
Other services & charges	866,975	1,285,934	1,340,623	(54,689)
Contractual services	6,624,980	6,791,564	5,404,771	1,386,793
Capital outlay	1,590,342	1,590,342	923,652	666,690
Total	<u>16,289,557</u>	<u>16,859,389</u>	<u>13,996,561</u>	<u>2,862,828</u>
Nondepartmental				
Other services & charges	1,695,495	1,695,495	2,606,956	(911,461)
Contractual services	2,437,796	2,726,542	2,640,015	86,527
Total	<u>4,133,291</u>	<u>4,422,037</u>	<u>5,246,971</u>	<u>(824,934)</u>
Total expenditures	<u>75,692,272</u>	<u>77,666,544</u>	<u>66,821,241</u>	<u>10,845,303</u>
Excess (deficiency) of revenues over expenditures	<u>(4,836,650)</u>	<u>(5,270,098)</u>	<u>(3,409,468)</u>	<u>1,860,630</u>
Other financing sources (uses)				
Transfers in	-	403,692	403,692	-
Transfers out	<u>(25,616,541)</u>	<u>(27,331,541)</u>	<u>(8,042,249)</u>	<u>19,289,292</u>
Total other financing sources (uses)	<u>(25,616,541)</u>	<u>(26,927,849)</u>	<u>(7,638,557)</u>	<u>19,289,292</u>
Net change in fund balances	(30,453,191)	(32,197,947)	(11,048,025)	21,149,922
Fund balances, beginning of year	<u>38,054,311</u>	<u>38,054,311</u>	<u>38,054,311</u>	
Fund balances, end of year	<u>\$ 7,601,120</u>	<u>\$ 5,856,364</u>	<u>\$ 27,006,286</u>	<u>\$ 21,149,922</u>

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

City of Biloxi, Mississippi
Statement of Net Assets
Proprietary Funds
September 30, 2008

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash	\$ 5,318,541	\$ 2,225,742	\$ 220,717	\$ 7,765,000	\$ 10,070,878
Restricted cash	1,439,627	46,594	-	1,486,221	-
Investments	-	1,121,037	-	1,121,037	-
Restricted investments	-	-	-	-	140
Receivables:					
Customer accounts, net	739,661	88,796	-	828,457	-
Customer accounts earned but not billed	292,236	-	-	292,236	-
Grants	764,425	3,507,162	-	4,271,587	-
Other	21,800	6,094	-	27,894	-
Due from other city funds	-	-	-	-	343,447
Supplies inventory	35,179	-	-	35,179	-
Total current assets	<u>8,611,469</u>	<u>6,995,425</u>	<u>220,717</u>	<u>15,827,611</u>	<u>10,414,465</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	42,386,198	8,234,880	116,082	50,737,160	-
Total noncurrent assets	<u>42,386,198</u>	<u>8,234,880</u>	<u>116,082</u>	<u>50,737,160</u>	<u>-</u>
Total assets	<u>50,997,667</u>	<u>15,230,305</u>	<u>336,799</u>	<u>66,564,771</u>	<u>10,414,465</u>
Liabilities					
Current liabilities:					
Accounts payable	553,913	125,748	-	679,661	-
Accrued interest payable	149,542	-	-	149,542	-
Accounts payable from restricted assets	25,622	-	-	25,622	-
Customer deposits payable from restricted assets	944,705	46,594	-	991,299	-
Current portion of bond and notes	168,903	110,000	-	278,903	-
Unearned revenue	-	8,443	-	8,443	-
Due to other city funds	628,151	1,931,216	-	2,559,367	120,760
Claims contingency payable from restricted assets	-	-	-	-	7,188,599
Total current liabilities	<u>2,470,836</u>	<u>2,222,001</u>	<u>-</u>	<u>4,692,837</u>	<u>7,309,359</u>
Non-current liabilities:					
Notes payable, non-current	4,083,115	1,760,000	-	5,843,115	-
Total non-current liabilities	<u>4,083,115</u>	<u>1,760,000</u>	<u>-</u>	<u>5,843,115</u>	<u>-</u>
Total liabilities	<u>6,553,951</u>	<u>3,982,001</u>	<u>-</u>	<u>10,535,952</u>	<u>7,309,359</u>
Net assets					
Invested in capital assets, net of related debt	40,921,293	6,364,880	116,082	47,402,255	-
Restricted for capital projects	-	724,418	-	724,418	-
Restricted for debt service	-	396,619	-	396,619	-
Unrestricted	3,522,423	3,762,387	220,717	7,505,527	3,105,106
Total net assets	<u>\$ 44,443,716</u>	<u>\$ 11,248,304</u>	<u>\$ 336,799</u>	<u>\$ 56,028,819</u>	<u>\$ 3,105,106</u>

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

City of Biloxi, Mississippi
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2008

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Operating Revenues					
Charges for services:					
Water sales, sewer revenues					
penalties & installations, net	\$ 7,283,429	\$ -	\$ -	\$ 7,283,429	\$ -
Keesler Air Force Base, sewer	441,788	-	-	441,788	-
Harbor Fees and Rents	-	1,244,543	58,844	1,303,387	-
Insurance billings	-	-	-	-	10,128,834
Total charges for service	7,725,217	1,244,543	58,844	9,028,604	10,128,834
Cobra contributions	-	-	-	-	77,080
Other income	13,393	2,054	-	15,447	-
Total operating revenues	7,738,610	1,246,597	58,844	9,044,051	10,205,914
Operating expenses					
Personal services	1,717,875	1,125,469	-	2,843,344	-
Contracted services	5,427,002	83,664	-	5,510,666	10,305,861
Other services and charges	2,008,615	141,031	18,851	2,168,497	-
Depreciation	2,192,866	76,413	-	2,269,279	-
Total operating expenses	11,346,358	1,426,577	18,851	12,791,786	10,305,861
Operating income (loss)	(3,607,748)	(179,980)	39,993	(3,747,735)	(99,947)
Non-operating revenues (expenses)					
Interest income	225,795	111,533	7,316	344,644	192,256
Interest expense	(128,089)	(114,051)	-	(242,140)	-
Intergovernmental tax revenues	-	229,178	-	229,178	-
Loss on capital assets	(1,475)	(113,175)	-	(114,650)	-
Grant revenues	663,751	6,493,100	-	7,156,851	-
Total non-operating revenues (expenses)	759,982	6,606,585	7,316	7,373,883	192,256
Income before contributions and transfers	(2,847,766)	6,426,605	47,309	3,626,148	92,309
Capital contributions	65,275	-	-	65,275	-
Transfers out	(668,269)	(8,750)	-	(677,019)	-
Change in net assets	(3,450,760)	6,417,855	47,309	3,014,404	92,309
Net assets, beginning of year	47,894,476	4,830,449	289,490	53,014,415	3,012,797
Net assets, end of year	\$ 44,443,716	\$ 11,248,304	\$ 336,799	\$ 56,028,819	\$ 3,105,106

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, 2008

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities					
Receipts from customers	\$ 8,102,707	\$ 1,235,589	\$ 58,844	\$ 9,397,140	\$ 10,205,914
Payments to suppliers	(7,042,260)	(207,282)	(18,851)	(7,268,393)	(10,336,651)
Payments for services of employees	(1,717,875)	(1,125,469)	-	(2,843,344)	-
Net cash provided by (used in) operating activities	(657,428)	(97,162)	39,993	(714,597)	(130,737)
Cash flows from non-capital financing activities					
Loans (to) from other funds	-	-	-	-	1,684,254
Net cash provided by (used in) non-capital financing activities	-	-	-	-	1,684,254
Cash flows from capital and related financing activities					
Intergovernmental tax revenues	-	244,452	-	244,452	-
Grant revenues	86,590	3,487,550	-	3,574,140	-
Transfers (to) from other funds	(668,269)	-	-	(668,269)	-
Loans (to) from other funds	397,216	1,870,432	-	2,267,648	-
Acquisition of capital assets	(1,111,623)	(6,682,529)	-	(7,794,152)	-
Retirement of debt	(163,121)	(105,000)	-	(268,121)	-
Interest paid on debt	(53,674)	(114,051)	-	(167,725)	-
Net cash provided by (used in) capital and related financing activities	(1,512,881)	(1,299,146)	-	(2,812,027)	-
Cash flows from investing activities					
Interest and dividends on investments	225,795	111,533	7,316	344,644	192,256
Proceeds from investments	-	883,296	-	883,296	1,161,307
Purchase of investments	-	(277,936)	-	(277,936)	-
Net cash provided by (used in) investing activities	225,795	716,893	7,316	950,004	1,353,563
Net increase (decrease) in cash and cash equivalents	(1,944,514)	(679,415)	47,309	(2,576,620)	2,907,080
Cash and cash equivalents, beginning of period	8,702,682	2,951,751	173,408	11,827,841	7,163,798
Cash and cash equivalents, end of period	<u>\$ 6,758,168</u>	<u>\$ 2,272,336</u>	<u>\$ 220,717</u>	<u>\$ 9,251,221</u>	<u>\$ 10,070,878</u>
Classified as:					
Current assets	\$ 5,318,541	\$ 2,225,742	\$ 220,717	\$ 7,765,000	\$ 10,070,878
Restricted assets	1,439,627	46,594	-	1,486,221	-
Totals	<u>\$ 6,758,168</u>	<u>\$ 2,272,336</u>	<u>\$ 220,717</u>	<u>\$ 9,251,221</u>	<u>\$ 10,070,878</u>
Non cash					
Contributions of capital assets	\$ 65,275	\$ -	\$ -	\$ 65,275	\$ -
Assets transferred to governmental funds	-	8,750	-	8,750	-

Continued on next page

City of Biloxi, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2008
(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)	\$ (3,607,748)	\$ (179,980)	\$ 39,993	\$ (3,747,735)	\$ (99,947)
Adjustments not affecting cash					
Depreciation	2,192,866	76,413	-	2,269,279	-
Changes in assets and liabilities:					
Accounts receivable	331,280	(1,437)	-	329,843	-
Supplies inventory	170,101	-	-	170,101	-
Prepays	290,674	25,400	-	316,074	-
Accounts payable and accrued expenses	(67,418)	(7,987)	-	(75,405)	(30,791)
Unearned revenue	-	(1,277)	-	(1,277)	-
Customer deposits	32,817	(8,294)	-	24,523	-
Net cash provided by (used in) operating activities	<u>\$ (657,428)</u>	<u>\$ (97,162)</u>	<u>\$ 39,993</u>	<u>\$ (714,597)</u>	<u>\$ (130,738)</u>

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

City of Biloxi, Mississippi
Notes to Financial Statements
September 30, 2008

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City of Biloxi, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2008

I. Summary of Significant Accounting Policies

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

(A) Reporting Entity

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

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

(B) Component Unit Disclosure

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

(1) Blended Component Unit: Point Cadet Development Corporation

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

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

(2) Biloxi Port Commission / Biloxi Port Fund

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

(C) Related Organizations

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

(D) Joint Ventures and Jointly Governed Organizations

Additionally, during its evaluation of potential component units, management identified one joint venture (Harrison County Utility Authority), and two jointly governed organizations (the Harrison County Library System and the Gulfport-Biloxi 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- GASB Statement 34

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial reporting model the focus is on either the City as a whole, or major individual funds (within the fund financial

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

statements). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

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

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

Separate financial statements are provided for governmental funds, 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.

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

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. 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

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

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:

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

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

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

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

Special Revenue Funds

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

Capital Projects Funds

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

Proprietary Funds

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

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

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

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

Internal Service Funds

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

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

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 Assets.

(H) Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value.

Accounts Receivable

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

Inventories

Governmental and Proprietary Fund inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are consumed.

Capital Assets

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

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

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

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

Compensated Absences

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

Post Employment Health Care Benefits

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

Interfund Transactions

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

Advances to Other Funds

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

Estimated Insurance Claims Payable

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

Bond Discounts, Bond Premiums, and Issuance Costs

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

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

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

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

Deferred Revenue

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

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

II. Stewardship, Compliance and Accountability:

A. Budgetary Data

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

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

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

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

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

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:

	<u>General Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	\$(11,048,025)
Adjustments	
To convert receivables	(8,950,718)
To convert prepaids	270,633
To convert liabilities	929,691
To convert deferred revenue	(163,012)
Totals, GAAP basis	\$(<u>18,961,431</u>)

B. Excess Expenditures Over Appropriations in Individual Funds

For the year ended September 30, 2008, expenditures exceeded appropriations in the legislative department (the legal level of budgetary control) of the general fund by \$18,404, in the public works department of the general fund by \$54,689, in the nondepartmental of the general fund by \$911,461, in the debt service fund by \$1,706,258, in the water and sewer fund by \$272,711, and in the internal service fund by \$1,366,162. These overexpenditures were funded by greater than anticipated revenues of the general, debt service fund, water and sewer fund, and internal service fund, respectively.

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

C. Deficit Fund Equity

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

III. Detail Notes - All Funds

A. Property and Gaming Tax Revenues

Property Tax

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

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

The tax levies for the calendar years 2009, 2008 and 2007 (taxes collected in the fiscal years ending 9/30/09, 9/30/08, and 9/30/07) are as follows:

	<u>9/30/09</u> Millage	<u>9/30/08</u> Millage	<u>9/30/07</u> Millage
City Funds			
General Fund	14.15	14.15	14.15
Special revenue funds:			
Disability and Relief (Pension) Funds	4.50	4.50	4.50
Debt Service Funds	9.20	9.20	9.20
Solid waste collection and disposal	<u>2.25</u>	<u>2.25</u>	<u>2.25</u>
Total City administered funds	<u>30.10</u>	<u>30.10</u>	<u>30.10</u>
School Funds			
District maintenance	30.64	30.44	30.44
School debt	<u>7.39</u>	<u>7.59</u>	<u>7.59</u>
Total School administered funds	<u>38.03</u>	<u>38.03</u>	<u>38.03</u>
Total levy	<u><u>68.13</u></u>	<u><u>68.13</u></u>	<u><u>68.13</u></u>

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

Gaming Revenue

In 1992, the citizens of Harrison County voted to allow dockside casino gaming as defined by the Mississippi Gaming Control Act of 1990. In August of 1992, the first casino opened at Biloxi's Point Cadet development. As of September 30, 2008, there were seven casinos operating within the City of Biloxi. Gaming activities are taxed in a variety of ways. The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City of Biloxi receive .4 to .8 percent. This tax is divided 73.4% to the County, and 26.6% to the City of Biloxi. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City of Biloxi, through local ordinance in accordance with state law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the General Fund, (20% of which is designated for public safety); 20% to the Biloxi Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County Schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. The following is an analysis of the gaming revenues reported in the General Fund:

Local option 3.2% tax	\$ 18,471,307
Local share of state tax	2,046,004
Gaming licenses and permits	<u>1,513,164</u>
Total gaming revenues	\$ <u>22,030,475</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, 2008 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	\$ 70,721,129	\$ 75,245,515
Certificates of deposit	<u>1,213,333</u>	<u>1,213,333</u>
Total deposits	<u>\$ 71,934,462</u>	<u>\$ 76,458,848</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, 2008, 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>4,943,908</u>	\$ <u>4,943,908</u>

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

Interest Rate Risk. 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.

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.

C. Receivables

The Statement of Net Assets of the City of Biloxi includes the following receivables at September 30, 2008:

Taxes receivable:	
Utility franchise taxes	\$ 792,774
Sales taxes	1,697,568
Ad valorem taxes	137,292
Gaming taxes and fees	<u>3,564,081</u>
Total taxes receivable	<u>\$ 6,191,715</u>
Customer accounts receivable:	
Garbage fees	\$ 85,113
Water and sewer utility charges (billed)	813,612
Port berth rentals	120,289
Less allowance for doubtful accounts	(113,178)
Customer accounts receivable earned but not billed	<u>292,236</u>
Total customer accounts receivable, net	<u>\$ 1,198,072</u>
Grants receivable:	
Federal and state grants	<u>\$ 11,411,585</u>
Other receivables:	
Special assessments	\$ 129,642
Less allowance for doubtful accounts	(80,764)
Liquor privilege tax	29,550
County road tax	5,935
Other	<u>537,230</u>
Total other receivables	<u>\$ 621,593</u>

D. Prepaids

Prepaids at September 30, 2008 consist of the following:

Prepaid insurance premiums	\$ <u>1,690,788</u>
Total prepaids	<u>\$ 1,690,788</u>

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

E. Interfund Receivables and Payables

<u>Individual Interfund Balances at September 30, 2008</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund		
General Capital Projects to fund project cost	\$ 2,444,211	\$ -
Claims contingency fund for claims and expenses	<u>120,760</u>	<u>-</u>
Total General Fund	<u>2,564,971</u>	<u>-</u>
General Capital Projects Fund:		
General Fund	-	2,444,211
GOPI 2002 Bond Fund	64	-
Water and Sewer Fund	353,393	-
Biloxi Port Fund	<u>1,862,527</u>	<u>-</u>
Total General Capital Projects Fund	<u>2,215,984</u>	<u>2,444,211</u>
Other Nonmajor Governmental Funds		
GOPI 2002 Bond Fund to General Capital Projects	<u>-</u>	<u>64</u>
Total other nonmajor governmental funds	<u>-</u>	<u>64</u>
Enterprise Fund:		
Water and Sewer Fund for claims and expenses	-	274,758
Water and Sewer Fund to General Capital Projects Fund	-	353,393
Biloxi Port Fund for claims and expenses	-	68,689
Biloxi Port Fund to General Capital Projects Fund	<u>-</u>	<u>1,862,527</u>
Total Enterprise Fund	<u>-</u>	<u>2,559,367</u>
Internal Service Self-Insurance:		
Claims Contingency Fund from General		
Fund for claims and expenses	-	120,760
Claims Contingency Fund from Water		
and Sewer Fund for claims and expenses	274,758	-
Claims Contingency Fund from Biloxi		
Port Fund for claims and expenses	<u>68,689</u>	<u>-</u>
Total Internal Service Self-Insurance	<u>343,447</u>	<u>120,760</u>
	<u>\$ 5,124,402</u>	<u>\$ 5,124,402</u>

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

The composition of interfund transfers for the year ended September 30, 2008:

Transfers From	Transfers Into			
	General Fund	General Capital Projects Fund	Debt Service Fund	Total
General Fund	\$ -	\$ 4,857,712	\$ 2,638,553	\$ 7,496,265
Nonmajor governmental funds				
CDBG	403,692	-	-	403,692
GOPI 2003 Bond Fund	-	334,545	-	334,545
GOPI 2002 Bond Fund	-	5,080	-	5,080
2002 TIF Capital Projects Bond Fund	-	251,755	-	251,755
Total nonmajor governmental funds	<u>403,692</u>	<u>591,380</u>	<u>-</u>	<u>995,072</u>
				-
Enterprise Funds				
Water and Sewer Fund	-	-	668,269	668,269
Biloxi Port Fund	<u>8,750</u>	<u>-</u>	<u>-</u>	<u>8,750</u>
Total Enterprise Funds	<u>8,750</u>	<u>-</u>	<u>668,269</u>	<u>677,019</u>
Totals	<u>\$ 412,442</u>	<u>5,449,092</u>	<u>\$ 3,306,822</u>	<u>\$ 9,168,356</u>

The City transfers funds from the General Fund, various bond funds, and various enterprise funds to pay for project costs incurred. The Biloxi Port Fund transferred capital assets with a net book value of \$8,750 to the General Fund.

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

F. Capital Asset Activity

Capital asset activity for the year ended September 30, 2008 was as follows:

	Balance October 1, 2007	Increases	Decreases	Balance September 30, 2008
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 29,834,324	\$ 1,985,298	\$ 35,830	\$ 31,783,792
Construction in progress	37,361,446	9,794,343	4,064,641	43,091,148
Total capital assets not being depreciated	<u>67,195,770</u>	<u>11,779,641</u>	<u>4,100,471</u>	<u>74,874,940</u>
Capital assets being depreciated				
Buildings	29,091,905	72,000	1,155,841	28,008,064
Improvements other than buildings	3,791,230	9,940	116,270	3,684,900
Machinery and equipment	30,267,940	5,744,043	2,864,989	33,146,994
Infrastructure - streets and drainage	131,250,079	3,574,237	-	134,824,316
Total capital assets being depreciated	<u>194,401,154</u>	<u>9,400,220</u>	<u>4,137,100</u>	<u>199,664,274</u>
Less accumulated depreciation for:				
Buildings	7,866,415	667,969	657,591	7,876,793
Improvements other than buildings	2,279,296	107,711	101,869	2,285,138
Machinery and equipment	17,842,621	2,963,873	2,374,004	18,432,490
Infrastructure - streets and drainage	35,933,531	2,292,270	-	38,225,801
Total accumulated depreciation	<u>63,921,863</u>	<u>6,031,823</u>	<u>3,133,464</u>	<u>66,820,222</u>
Net capital assets being depreciated	<u>130,479,291</u>	<u>3,368,397</u>	<u>1,003,636</u>	<u>132,844,052</u>
Net governmental activities assets	<u>\$ 197,675,061</u>	<u>\$ 15,148,038</u>	<u>\$ 5,104,107</u>	<u>\$ 207,718,992</u>
Business type activities				
Capital assets, not being depreciated:				
Land	\$ 829,243	\$ -	\$ -	\$ 829,243
Construction in progress	6,095,717	7,203,416	4,130,186	9,168,947
Total Capital assets not being depreciated	<u>6,924,960</u>	<u>7,203,416</u>	<u>4,130,186</u>	<u>9,998,190</u>
Capital assets being depreciated				
Equipment	2,994,148	590,737	174,176	3,410,709
Water and sewer system	67,171,567	4,195,462	-	71,367,029
Port Buildings & Improvements	7,989,201	-	426,044	7,563,157
Total capital assets being depreciated	<u>78,154,916</u>	<u>4,786,199</u>	<u>600,220</u>	<u>82,340,895</u>
Less accumulated depreciation for:				
Equipment	1,295,039	475,630	156,451	1,614,218
Water and sewer system	31,202,686	1,739,605	-	32,942,291
Port Buildings and Improvements	7,311,741	54,044	320,369	7,045,416
Total accumulated depreciation	<u>39,809,466</u>	<u>2,269,279</u>	<u>476,820</u>	<u>41,601,925</u>
Net capital assets being depreciated	<u>38,345,450</u>	<u>2,516,920</u>	<u>123,400</u>	<u>40,738,970</u>
Net business type activities assets	<u>\$ 45,270,410</u>	<u>\$ 9,720,336</u>	<u>\$ 4,253,586</u>	<u>\$ 50,737,160</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	\$ 222,843
Community development	84,240
Cultural affairs	248,613
Parks and recreation	246,305
Public safety	2,441,341
Public works	496,211
Infrastructure	<u>2,292,270</u>
Total depreciation expense – governmental activities	<u>\$ 6,031,823</u>
Business-type activities	
Water and sewer	\$ 2,192,866
Port Fund	<u>76,413</u>
Total depreciation expense – business-type activities	<u>\$ 2,269,279</u>

Leased assets

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

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Cost	\$ 2,023,642	\$ 15,397,550	\$ 17,421,192
Accumulated depreciation	<u>-</u>	<u>(7,162,670)</u>	<u>(7,162,670)</u>
Carrying amount	<u>\$ 2,023,642</u>	<u>\$ 8,234,880</u>	<u>\$ 10,258,522</u>
Depreciation expense	<u>\$ -</u>	<u>\$ 76,413</u>	<u>\$ 76,413</u>

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

G. Leases

Capital Leases

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

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

Fiscal Year Ended September 30	Principal	Interest	Total
2009	\$ 236,502	\$ 36,096	\$ 272,598
2010	245,645	26,953	272,598
2011	253,279	17,107	270,386
2012	64,663	7,673	72,336
2013	67,398	4,938	72,336
2014-2015	<u>82,243</u>	<u>2,149</u>	<u>84,392</u>
	<u>\$ 949,730</u>	<u>\$ 94,916</u>	<u>\$ 1,044,646</u>

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

Assets acquired through capital leases are:

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

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

<u>Year Ended September 30</u>	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>
2009	\$ 272,598	\$ -
2010	272,598	-
2011	270,386	-
2012	72,336	-
2013	72,336	-
2014-2015	<u>84,392</u>	<u>-</u>
Total minimum lease payments	<u>\$ 1,044,646</u>	<u>\$ -</u>
Less: amount representing interest	<u>(94,916)</u>	<u>-</u>
Present value of minimum lease payments	<u>\$ 949,730</u>	<u>\$ -</u>

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

H. Long-Term Debt

The following is a summary of bond and other long-term debt transactions of the City for the year ended September 30, 2008:

	Beginning 10/01/07	Additions	Deletions	Ending 9/30/08	Amounts Due Within One Year
Governmental activities					
General Obligation Bonds and Notes	\$ 33,460,000	\$ -	\$ 2,660,000	\$ 30,800,000	\$ 2,690,000
Limited Obligation Bonds	37,031,023	2,258,000	618,169	38,670,854	750,535
Capital leases	729,324	438,782	218,376	949,730	236,502
Compensated absences	<u>5,277,900</u>	<u>2,051,657</u>	<u>1,613,567</u>	<u>5,715,990</u>	<u>1,428,997</u>
Total governmental activities	<u>\$ 76,498,247</u>	<u>\$ 4,748,439</u>	<u>\$ 5,110,112</u>	<u>\$ 76,136,574</u>	<u>\$ 5,106,034</u>
Business-type Activities					
Water and Sewer, pollution control loans	\$ 1,628,026	\$ -	\$ 163,121	\$ 1,464,905	\$ 168,903
Limited tax port bonds	1,975,000	-	105,000	1,870,000	110,000
Special community disaster loan	2,787,113	-	-	2,787,113	-
Compensated absences	<u>158,704</u>	<u>154,452</u>	<u>131,505</u>	<u>181,651</u>	<u>45,413</u>
Total business-type activities	<u>\$ 6,548,843</u>	<u>\$ 154,452</u>	<u>\$ 399,626</u>	<u>\$ 6,303,669</u>	<u>\$ 324,316</u>

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

Bonds, notes, and other long-term debt payable at September 30, 2008 are comprised of the following individual issues:

	<u>Original Issue</u>	<u>Range of Interest Rates</u>	<u>Amount Outstanding 9/30/08</u>
Governmental Activities			
General Obligation Bonds and Notes:			
General Obligation Bonds of 1988-D, due in an installment of \$75,000 on 12/1/2008	\$ 750,000	7.50%	\$ 75,000
General Obligation Bonds of 1989-A, due in an installment of \$75,000 on 2/15/2009	750,000	7.00%	75,000
General Obligation Bonds series 1998, due in annual installments of \$715,000 to \$895,000 through 12/1/2013	10,000,000	4.2%	4,820,000
General Obligation Bonds, series 2002, due in annual installments of \$240,000 to \$450,000 through 12/1/2022	6,000,000	3.70%-5.25%	5,000,000
General Obligation Bonds, series 2003, due in annual installments of \$570,000 to \$860,000 through 12/1/18	9,800,000	3.00%-3.75%	7,755,000
Refunding Bond of 2004, due in annual installments of \$1,015,000 to \$1,060,000 through 2/1/2010	5,530,000	3.00%-3.25%	2,075,000
Special Community Disaster Loan, due in one installment with a five year available extension, due 12/19/2010	11,000,000	2.69%	11,000,000
Total General Obligation Bonds			<u>\$ 30,800,000</u>
Limited Obligation Bonds and Notes:			
Mississippi Development Bank promissory note, due in monthly installments of \$60,693 plus interest through 2/28/2015. Interest is based upon The Bond Market Association (TBMA) index plus 105 basis points	\$10,000,000	TBMA plus 1.05%	\$ 4,279,051
Mississippi Development Association loan, due in annual installments of \$33,608, secured by City sales tax, payable by Harrison County Development Commission	500,000	3.00%	371,803
Tax Increment Limited Obligation Refunding Bonds, series 2006 A, due in annual installments of due in annual installments of \$200,000 to \$7,745,000 through 11/1/2027	31,685,000	4.00%-5.00%	31,685,000
Tax Increment Limited Obligation Refunding Bonds, series 2006 B due in annual installments of due in annual installments of \$1,100,000 to \$1,235,000 through 11/1/2011	2,335,000	5.22%-5.28%	2,335,000
Total Limited Obligation Bonds and Notes			<u>\$ 38,670,854</u>

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

	<u>Original Issue</u>	<u>Range of Interest Rates</u>	<u>Amount Outstanding 9/30/08</u>
Other General Long-Term Debt:			
The Peoples Bank capital lease, amortized in semi-annual installments of \$200,262 through 4/1/2011	\$ 897,699	3.75%	\$ 556,762
Hancock Bank capital lease, amortized in monthly installments of \$6,028 through 11/29/2014	483,782	4.15%	<u>392,968</u>
Total Other General Long-Term Debt			949,730
Compensated absences			<u>5,715,990</u>
Total governmental long-term debt			<u>\$ 76,136,574</u>
Business Type Activities			
Water and Sewer Fund			
State of Mississippi Pollution Control Loans, due in varying installments through 5/01/21	2,497,903	3.0%-4.5%	\$ 1,464,905
Biloxi Port Fund			
Limited Tax Port Bonds, series 1999 due in annual installments of \$110,000 to \$210,000 through 12/1/19	2,500,000	5.4%-6.00%	1,870,000
Special Community Disaster Loan, due in one installment with a five year available extension, due 1/2/11	2,787,113	2.67%	<u>2,787,113</u>
Total business-type activities bonds and notes			<u>6,122,018</u>
Compensated absences			<u>181,651</u>
Total business-type activities long-term debt			<u>\$ 6,303,669</u>

Debt Refunding

The City of Biloxi issued General Obligation Refunding Bonds, Series 2004, in the amount of \$5,530,000. The refunding bonds were issued to raise money for the purpose of refunding the callable maturities of the City's outstanding General Obligation Refunding Bonds, Series 1995, dated November 1, 1995, issued in the original principal amount of \$4,135,000, General Obligation Bonds, Series 2000, dated May 1, 2000, issued in the original principal amount of \$6,500,000, and General Obligation Airport Improvement Bonds, Series 2000, dated May 1, 2000, issued in the original amount of \$1,000,000, in order to reduce debt service requirements.

The aggregate difference in the debt service between the refunded debt and the refunding debt was \$198,677. The economic gain on the refunding transaction was \$151,203.

The City of Biloxi issued Tax Increment Limited Obligation Refunding Bonds, Series 2006A, in the amount of \$31,685,000 and Tax Increment Limited Obligation Refunding Bonds, Series 2006B, in the amount of \$2,335,000. The refunding bonds were issued to raise money for the purpose of refunding the callable maturities of the City's outstanding Tax Increment Limited Obligation Bonds, Series 1999, dated October 1, 1999, issued in the original principal amount of \$12,000,000, and Tax Increment Limited Obligation Bonds,

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

Series 2002, dated November 1, 2002, issued in the original amount of \$23,000,000, in order to reduce debt service requirements. The economic loss on the refunding transaction was \$164,035.

The annual requirements to pay principal and interest on the bonds, notes and loans outstanding at September 30, 2008 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
2009	\$ 2,690,000	\$ 717,630	\$ 750,535	\$ 1,734,898	\$ 278,903	\$ 153,060
2010	2,645,000	618,846	751,201	1,705,113	294,896	140,797
2011	12,655,000	1,798,585	1,911,181	1,675,738	3,093,222	445,374
2012	1,735,000	477,440	1,750,087	1,592,866	296,287	114,159
2013	1,805,000	410,703	1,815,815	1,513,524	234,519	101,969
2014-2018	6,335,000	1,227,021	9,299,945	6,389,209	1,322,769	321,055
2019-2023	2,935,000	277,830	10,027,090	4,226,720	601,422	32,897
2024-2028	-	-	12,365,000	1,765,598	-	-
Totals	<u>\$ 30,800,000</u>	<u>\$ 5,528,055</u>	<u>\$ 38,670,854</u>	<u>\$ 20,603,666</u>	<u>\$ 6,122,018</u>	<u>\$ 1,309,311</u>

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

Assessed valuations 2007 (inside the City):

Real property	\$ 315,103,936
Personal property	86,235,198
Public utility	28,489,554
Autos, estimated	65,897,368
Total assessed valuations	<u>\$ 495,726,056</u>

Fifteen percent (15%) of total assessed valuation	\$ 74,358,908
Less outstanding general issues at 9/30/08	<u>30,800,000</u>
Legal debt margin	<u>\$ 43,558,908</u>

The City Council annually adopts a resolution providing for the amount of property tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City. The millage rate for the year ended September 30, 2008, was 9.20 mills or \$9.20 per \$1,000 of assessed value.

Other general long-term debt of the Enterprise Funds is \$1,464,905 of pollution control/state revolving loans from the State of Mississippi. The State Tax Commission, in accordance with a signed agreement with the City of Biloxi is currently deducting \$18,066 each month from the sales tax remittances to the City to apply as note payments on these loans.

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

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, 2008, the aggregate, outstanding principal amount of the issues was \$1,870,000.

I. Retirement Plans

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

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

Under the provisions of Chapter No. 511 of the General Laws of the State of Mississippi, 1987, effective October 1, 1987, the administrative responsibility for these retirement systems was assigned to the Mississippi Municipal Retirement System, a program of the Public Employees' Retirement System of Mississippi. The City is authorized by law to require membership contributions from 1% to a maximum of 10% of the total compensation of each participating employee. City employee contributions are 9%. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the Municipal Retirement Systems' Disability and Relief Plans. That information may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 800-444-PERS. Based upon annual actuarial data provided by PERS, the City levies a tax millage sufficient to fund the current obligations for retirement payments and also provide the recommended amount to reduce the balance of the unfunded employer liability. For the year ended September 30, 2008 the combined millage was 4.5 mills. The City has no control over the administration of the plans. The City is required by statute to set a tax levy sufficient to fund the annual required contribution. The plan administrator, the Mississippi Public Employees Retirement System, provides actuarial data for the two plans combined. The City accounts for these closed plans as a single, agent multiple-employer defined benefit plan.

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

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

Active members	2
Retirees and beneficiaries	<u>137</u>
Total	<u><u>139</u></u>

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

The Annual Required Contribution (ARC)
(based on the valuation as of September 30, 2008)

Normal	\$ 13,263
Accrued liability	<u>999,149</u>
Total	<u><u>\$ 1,012,412</u></u>

Additional information as of September 30, 2008 follows.

Valuation date	9/30/08
Actuarial cost method	entry age
Amortization method	level dollar closed
Remaining amortization period	26 years
Asset valuation method	5 year smoothed market

Actuarial assumptions:

Investment rate of return*	8.00%
Projected salary increases**	4.50 – 6.00%

* Includes price inflation at 3.75%

** Includes wage inflation at 4.00%

Cost of living adjustments 3% per year, not to exceed 30%, for each year of retirement after 6/30/00, in addition to any previously granted COLAs

During the year ended September 30, 2008, contributions totaling \$2,084,065 (\$2,074,108 employer and \$9,957 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the system as of September 30, 2007. The employer contributions consisted of \$13,446 for normal cost and administrative expenses and \$2,060,662 for amortization of the unfunded actuarial accrued liability.

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

Schedule of employer contributions:

Fiscal Year Ended	Annual Required Contribution	Interest on the NPO	Adjustment to Remove Amortization of Past Under/Over Contribution	Annual Pension Cost	Employer Pension Contribution	Percentage	Change in the NPO	NPO at Year End
9/30/2006	1,334,850	(499,792)	(554,943)	1,390,001	2,237,972	167.7	(847,971)	(7,095,370)
9/30/2007	1,230,451	(567,630)	(636,947)	1,299,768	2,029,793	165.0	(730,025)	(7,825,395)
9/30/2008	1,107,435	(626,031)	(710,616)	1,192,020	2,140,939	193.3	(948,919)	(8,774,314)

The City's negative Net Pension Obligation (NPO) as of September 30, 2008 was \$8,774,314.

Actuarial Accrued Liability (AAL)	(in thousands)
Retirees and beneficiaries currently receiving benefits	\$ 21,446
Active members	871
Vested terminated members not yet receiving benefits	-
Total actuarial accrued liability	22,317
Less: Actuarial value of assets	<u>11,365</u>

Unfunded Actuarial Accrued Liability \$ 10,952

During the year ended September 30, 2008, the plan experienced a net change of \$(582) thousand in the AAL.

PERS' Defined Benefit Pension Plan

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

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

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

Funding Policy: PERS' members are required to contribute 7.25% of their annual covered salary and City of Biloxi is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Biloxi's contributions to PERS for the years ending September 30, 2008, 2007, and 2006 were \$3,506,242, \$2,651,201, and \$2,483,072, respectively. These amounts were 100% of the required contributions.

Deferred Compensation Plan

The City also offers to its employees voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, Group Flexible Fund Retirement Contracts, administered by Nationwide Retirement Solutions, Inc., permits employees to defer a portion of their salary until future years. All plan assets are held in trust by Nationwide for the exclusive benefit of the participants and their beneficiaries and not subject to the claims of the City's general creditors. Accordingly, the assets and liabilities for the compensation deferred by plan participants is not reflected in the City's financial statements. During the year ended September 30, 2008, contributions by participants employed by the City totaled \$454,991.

J. Community Development Block Grant Program

Status of Grants

The City of Biloxi is awarded an entitlement grant every year by the Department of Housing and Urban Development Community Block Grant Program. The following represents the status of the award of grant funds as of September 30, 2008:

	Award	Drawn Prior to FYE 9/30/08	Drawn During FYE 9/30/08	Balance
CDBG B-04-MC-28-0001	\$ 580,000	\$ 410,784	\$ 169,216	\$ -
CDBG B-05-MC-28-0001	565,683	400,500	-	165,183
CDBG B-06-MC-28-0001	495,375	-	-	495,375
CDBG B-07-MC-28-0001	496,637	-	-	496,637
CDBG B-08-MC-28-0001	565,530	-	-	565,530
Totals	<u>\$ 2,703,225</u>	<u>\$ 811,284</u>	<u>\$ 169,216</u>	<u>\$ 1,722,725</u>

Waterfront Development

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

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

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

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 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, 2008, consisted of the following:

Nixon Street home acquisition mortgages	\$ 3,920
Revolving Loan Program	<u>78,634</u>
Total deferred mortgage loans receivable	<u>\$ 82,554</u>

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

K. Self-Insured Risk, Claims and Other Contingencies

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

Property damage

Per occurrence deductible (SIR)	\$ 50,000
Specific excess coverage in force	30,000,000

Workers' compensation

Per occurrence deductible (SIR)	350,000
Specific excess coverage in force	Statutory

General and other liability coverage

Per occurrence deductible (SIR)	\$ 100,000
Specific excess coverage in force	500,000

Annual aggregate coverage to:

General liability	1,000,000
Law enforcement liability	1,000,000
Automobile liability	No Limit

Health

Per individual deductible (SIR)	125,000
Annual aggregate risk of loss through deductibles	7,243,761
Specific excess coverage in force	1,000,000

The following is a summary of the City's self-insurance reserves at September 30, 2008:

	Employee Medical Claims	Property, Liability & Workers' Compensation	Total
Total estimated liability and reserves – October 1, 2006	\$ 3,637,788	\$ 2,486,359	\$ 6,124,147
Claims incurred and changes in estimates	4,606,670	4,741,783	9,348,453
Claims paid	(5,039,999)	(3,213,212)	(8,253,211)
Total estimated liability and reserves – September 30, 2007	\$ 3,204,459	\$ 4,014,930	\$ 7,219,389
Claims incurred and changes in estimates	5,855,357	393,580	6,248,937
Claims paid	(5,712,842)	(566,886)	(6,279,728)
Total estimated liability and reserves – September 30, 2008	\$ <u>3,346,974</u>	\$ <u>3,841,624</u>	\$ <u>7,188,598</u>

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

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

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

L. Related Party Commitments

Joint Venture

The City of Biloxi is a member of the Harrison County Utility Authority (Authority) which was established by an act of the Mississippi Legislature to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Harrison County, Mississippi. The governing board is comprised of one member from each of the cities and two members from each of the counties who are members of the Authority. Through a fifty-year contract, the City of Biloxi is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the Authority. Additionally, the City is jointly and severally liable for all of the liabilities of the Authority. The Authority is classified as a joint venture between the City of Biloxi and the other members. The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2008, a complete copy of which is on file at the administrative offices of the Authority.

Harrison County Utility Authority Synopsis

Balance Sheet

Assets

Current assets	\$ 12,847,739
Restricted assets	20,329,366
Property, plant and equipment	83,241,537
Deferred charges	<u>1,881,710</u>
Total assets	\$ <u>118,300,352</u>

Liabilities & Fund Equity

Liabilities

Current, unrestricted	\$ 8,059,713
Current, restricted	5,401,375
Long-term liabilities	<u>125,320,078</u>
Total liabilities	<u>138,781,166</u>

Net assets	(<u>20,480,814</u>)
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Total liabilities and net assets	\$ <u>118,300,352</u>
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City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Statement of Revenues and Expenses

Operating revenues	\$ 17,304,305
Operating expenses	(17,255,159)
Depreciation and amortization	(5,105,325)
Non-operating revenues (expenses)	<u>2,956,315</u>
Changes in net assets	\$(<u>2,099,864</u>)

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

General Fund

Statement of revenues, expenditures and changes in fund balance:

Public works expenditures:

Other services and charges (solid waste charges) \$ 2,060,378

Water and Sewer Enterprise Fund

Balance sheet:

Accounts Payable \$ 137,350

Statement of revenues, expenses and changes in retained earnings:

Operating expenses:

Contracted services (wastewater treatment) \$ 3,732,676

Jointly Governed Organizations

Harrison County Library System – On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Biloxi Public Library, the City of Gulfport, the Board of Supervisors of Harrison County, the Board of Trustees of the Gulfport-Harrison County Library, the City of Pass Christian, and the Board of Trustees of the Pass Christian Public Library to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Harrison County Library System. There are no specific monetary terms in the agreement and the City of Biloxi has no equity interest in the organization. However, a budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources. The City of Biloxi contributed \$675,000 for the year ended September 30, 2008. The amount budgeted for the City of Biloxi for the fiscal year ended September 30, 2009 is \$675,000. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City of Biloxi does not have an ongoing financial responsibility.

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

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

the City of Gulfport, the City of Biloxi, and Harrison County. These governmental units have agreed to subsidize the Airport annually. During the past fiscal year, the City of Biloxi provided \$115,000 to the Gulfport-Biloxi Regional Airport in order to assist in the operation of the facility. The City has budgeted \$115,000 for the 2008-2009 fiscal year. The City of Biloxi has no equity interest in the organization.

M. Other Commitments

Property Leases

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

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

Capital Projects

In connection with the Capital Projects Funds, the City has budgeted certain commitments for engineering services, construction and other capital project costs. The projects are to be funded, in part, with State and Federal grants. The remainder of the required funds will be generated by local sources. The following is a summary of the budgeted commitment for capital projects at September 30, 2008:

Total commitment for general Capital Projects	<u>\$ 495,188,155</u>
Funding sources:	
Federal and State Grants	\$ 437,074,851
Bond Funds	32,206,989
Enterprise Funds	646,705
Insurance claim proceeds received	15,940,288
General Fund surplus and other future	<u>9,319,322</u>
sources of funds to be provided	<u>\$ 495,188,155</u>
Total fund sources	

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

Matching Funds – USM Advanced Education Center

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

Required Supplementary Information

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

Schedule of Funding Progress
(\$ Thousands)

Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry Age	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
9/30/99	\$ 4,474	\$ 21,854	20.5%	\$ 17,380	\$ 613	2,835.2%
9/30/00	5,207	21,913	23.8	16,706	615	2,716.4
9/30/01	6,379	26,092	24.4	19,713	469	4,203.2
9/30/02	7,483	25,960	28.8	18,477	364	5,076.1
9/30/03	8,558	25,021	34.2	16,463	275	5,986.5
9/30/04	8,958	24,765	36.2	15,807	292	5,413.4
9/30/05	9,087	23,874	38.1	14,787	259	5,709.3
9/30/06	9,926	23,485	42.3	13,559	150	9,039.3
9/30/07	10,766	22,899	47.0	12,133	110	11,030.0
9/30/08	11,365	22,317	50.9	10,952	124	8,832.3

Schedule of Employer Contributions

Fiscal Year 10-1 / 9-30	Valuation Date 9-30	Annual Required Contribution	Percentage Contributed
1999-00	1999	\$ 1,528,671	131.7%
2000-01	2000	1,480,273	180.4
2001-02	2001	1,729,519	156.7
2002-03	2002	1,625,642	161.2
2003-04	2003	1,451,050	148.9
2004-05	2004	1,407,163	148.1
2005-06	2005	1,334,850	167.7
2006-07	2006	1,230,451	165.0
2007-08	2007	1,107,435	187.3
2008-09	2008	1,012,412	

Combining Financial Statements

Governmental Funds

City of Biloxi, Mississippi
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2008

	Special Revenue				Capital Projects				
	Community Development Block Grant	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	General Obligation Public Improvement			2002 TIF Capital Projects Bond Fund	Total
					2003 Bond Fund	2002 Bond Fund	1998 Bond Fund		
Assets									
Cash	\$ 9,727	\$ -	\$ 568,205	\$ 29,933	\$ -	\$ -	\$ -	\$ -	\$ 607,865
Investments	-	-	-	-	738,116	909,903	15,580	1,248,881	3,030,685
Receivables:									
Taxes	-	20,209	-	-	-	-	-	-	20,209
Grants	692,121	-	-	-	-	-	-	-	692,121
Other	4,720	-	-	-	-	-	-	-	4,720
Mortgage loans receivable	82,554	-	-	-	-	-	-	-	82,554
Land inventory	64,917	-	-	-	-	-	-	-	64,917
Total assets	\$ 854,039	\$ 20,209	\$ 568,205	\$ 29,933	\$ 738,116	\$ 909,903	\$ 15,580	\$ 1,248,881	\$ 4,503,071
Liabilities & Fund Balance									
Liabilities									
Accounts payable	\$ 711,110	\$ 20,209	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 731,319
Due to other funds	-	-	-	-	-	-	-	64	64
Total liabilities	711,110	20,209	-	-	-	-	-	64	731,383
Fund balance									
Reserved for:									
Endowment, expendable	-	-	-	29,933	-	-	-	-	29,933
Loans receivable	82,554	-	-	-	-	-	-	-	82,554
Land inventory	64,917	-	-	-	-	-	-	-	64,917
Capital projects	-	-	-	-	738,116	909,903	15,580	1,248,817	3,030,621
Unreserved reported in:									
Special revenues	(4,542)	-	568,205	-	-	-	-	-	563,663
Total fund balances	142,929	-	568,205	29,933	738,116	909,903	15,580	1,248,817	3,771,688
Total liabilities & fund balance	\$ 854,039	\$ 20,209	\$ 568,205	\$ 29,933	\$ 738,116	\$ 909,903	\$ 15,580	\$ 1,248,881	\$ 4,503,071

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, 2008

	Special Revenue				Capital Projects				
	Community Development Block Grant	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	General Obligation Public Improvement			2002 TIF Capital Projects Bond Fund	Total
					2003 Bond Fund	2002 Bond Fund	1998 Bond Fund		
Revenues									
Ad valorem taxes	\$ -	\$ 2,139,420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,139,420
Intergovernmental	1,261,838	-	-	-	-	-	-	-	1,261,838
Other income	220,963	-	34,249	891	25,328	22,376	382	34,823	341,910
Total revenues	1,482,801	2,139,420	34,249	891	25,328	22,376	382	34,823	3,743,168
Expenditures									
Community Development	1,371,779	-	-	-	-	-	-	-	1,371,779
Benefit payments	-	2,139,420	3,265	-	-	-	-	-	2,142,685
Total expenditures	1,371,779	2,139,420	3,265	-	-	-	-	-	3,514,464
Excess of revenues over expenditures	111,022	-	30,984	891	25,328	22,376	382	34,823	228,704
Other financing sources (uses)									
Transfers out	(403,692)	-	-	-	(334,545)	(5,080)	-	(251,755)	(995,072)
Total other financing sources	(403,692)	-	-	-	(334,545)	(5,080)	-	(251,755)	(995,072)
Net change in fund balances	(292,670)	-	30,984	891	(309,217)	17,296	382	(216,932)	(766,368)
Fund balance, beginning of year	435,599	-	537,221	29,042	1,047,333	892,607	15,198	1,465,749	4,538,056
Fund balance, end of year	\$ 142,929	\$ -	\$ 568,205	\$ 29,933	\$ 738,116	\$ 909,903	\$ 15,580	\$ 1,248,817	\$ 3,771,688

See Independent Auditors' Report.

Combining Financial Statements
Internal Service Funds

City of Biloxi, Mississippi
Combining Statement of Net Assets
Internal Service Funds
(for self-insured risks)
September 30, 2008

Assets	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Restricted assets				
Cash	\$ 3,618,798	\$ 3,346,974	\$ 3,105,106	\$ 10,070,878
Investments	140	-	-	140
Due from other City funds	343,447	-	-	343,447
Total restricted assets	<u>\$ 3,962,385</u>	<u>\$ 3,346,974</u>	<u>\$ 3,105,106</u>	<u>\$ 10,414,465</u>
Liabilities & Net Assets				
Liabilities payable from restricted assets				
Due to other City funds	\$ 120,760	\$ -	\$ -	\$ 120,760
Claims contingency payable	<u>3,841,625</u>	<u>3,346,974</u>	<u>-</u>	<u>7,188,599</u>
Net assets				
Unrestricted	<u>-</u>	<u>-</u>	<u>3,105,106</u>	<u>3,105,106</u>
Total liabilities and net assets	<u>\$ 3,962,385</u>	<u>\$ 3,346,974</u>	<u>\$ 3,105,106</u>	<u>\$ 10,414,465</u>

City of Biloxi, Mississippi
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
(for self-insured risks)
For the Year Ended September 30, 2008

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Operating revenues				
Charges for services, insurance billings	\$ 3,938,838	\$ 6,189,996	\$ -	\$ 10,128,834
COBRA contributions	-	77,080	-	77,080
Total operating revenue	<u>\$ 3,938,838</u>	<u>\$ 6,267,076</u>	<u>\$ -</u>	<u>\$ 10,205,914</u>
Operating expenses				
Insurance and reinsurance	\$ 2,784,728	\$ 316,726	\$ -	\$ 3,101,454
Claims expense	1,154,110	6,050,297	-	7,204,407
Total operating expenses	<u>3,938,838</u>	<u>6,367,023</u>	<u>-</u>	<u>10,305,861</u>
Excess (deficiency of revenues over expenditures)	-	(99,947)	-	(99,947)
Other financing sources (uses)				
Interest income	-	99,947	92,309	192,256
Total other financing sources (uses)	<u>-</u>	<u>99,947</u>	<u>92,309</u>	<u>192,256</u>
Net change in fund balances	-	-	92,309	92,309
Fund balance, beginning	-	-	3,012,797	3,012,797
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,105,106</u>	<u>\$ 3,105,106</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, 2008

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Cash flows from operating activities				
Receipts from customers	\$ 3,938,838	\$ 6,267,076	\$ -	\$ 10,205,914
Payments to suppliers	(4,112,143)	(6,224,508)	-	(10,336,651)
Net cash provided by (used in) operating activities	(173,305)	42,568	-	(130,737)
Cash flows from non-capital financing activities				
Loans (to) other funds	1,684,254	-	-	1,684,254
Net cash provided by (used in) non-capital financing activities	1,684,254	-	-	1,684,254
Cash flows from investing activities				
Interest and dividends on investments	-	99,947	92,309	192,256
Proceeds from investments	1,161,307	-	-	1,161,307
Net cash provided by (used in) investing activities	1,161,307	99,947	92,309	1,353,563
Net increase (decrease) in cash and cash equivalents	2,672,256	142,515	92,309	2,907,080
Cash and cash equivalents, beginning of period	946,542	3,204,459	3,012,797	7,163,798
Cash and cash equivalents, end of period	\$ 3,618,798	\$ 3,346,974	\$ 3,105,106	\$ 10,070,878

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, 2008

	Actual	Budget	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 4,776,487	\$ 4,803,199	\$ (26,712)
Intergovernmental	33,608	431,455	(397,847)
Other income	143,808	50,000	93,808
	<u>4,953,903</u>	<u>5,284,654</u>	<u>(330,751)</u>
Expenditures			
Principal retirement	3,278,169	3,184,072	(94,097)
Interest expense	2,544,927	933,796	(1,611,131)
Paying agents' fees	26,030	25,000	(1,030)
Total expenditures	<u>5,849,126</u>	<u>4,142,868</u>	<u>(1,706,258)</u>
Excess (deficiency) of revenues over expenditures	<u>(895,223)</u>	<u>1,141,786</u>	<u>(2,037,009)</u>
Other financing sources (uses)			
Transfers in	<u>3,306,822</u>	<u>3,306,822</u>	<u>-</u>
Total other financing sources (uses)	<u>3,306,822</u>	<u>3,306,822</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>2,411,599</u>	<u>4,448,608</u>	<u>(2,037,009)</u>
Fund balances, beginning of year	<u>3,864,744</u>	<u>3,864,744</u>	<u>-</u>
Fund balances, end of year	<u>\$ 6,276,343</u>	<u>\$ 8,313,352</u>	<u>\$ (2,037,009)</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, 2008

	Actual	Budget	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ 569,716	\$ 2,292,441	\$ (1,722,725)
Other income	238,873	313,264	(74,391)
Total revenues	<u>808,589</u>	<u>2,605,705</u>	<u>(1,797,116)</u>
Expenditures			
Community Development	<u>1,428,242</u>	<u>2,293,316</u>	<u>865,074</u>
Excess (deficiency) of revenues over expenditures	(619,653)	312,389	(932,042)
Other financial sources (uses)			
Transfers out	<u>(403,692)</u>	<u>(403,692)</u>	<u>(807,384)</u>
Total other financial sources (uses)	<u>(403,692)</u>	<u>(403,692)</u>	<u>(807,384)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,023,345)	(91,303)	(1,739,426)
Fund balances, beginning of year	<u>321,960</u>	<u>321,960</u>	<u>-</u>
Fund balances, end of year	<u>\$ (701,385)</u>	<u>\$ 230,657</u>	<u>\$ (1,739,426)</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, 2008

	Fire and Police Disability & Relief Fund	Employees' Disability & Relief Fund	Total	Budget	Variance Positive (Negative)
Revenues					
Ad valorem taxes	\$ 1,289,142	\$ 851,797	\$ 2,140,939	\$ 2,149,705	\$ (8,766)
Expenditures					
Benefit payments	1,289,142	851,797	2,140,939	2,149,705	8,766
Excess of revenues over expenditures	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2008

	Actual	Budget	Variance Positive (Negative)
Revenues			
Other income	\$ 34,249	\$ 25,000	\$ 9,249
Total revenues	<u>34,249</u>	<u>25,000</u>	<u>9,249</u>
Expenditures			
Benefit payments	<u>3,265</u>	<u>9,300</u>	<u>6,035</u>
Excess (deficiency) of revenues over expenditures	30,984	15,700	15,284
Fund balances, beginning of year	<u>537,221</u>	<u>537,221</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 568,205</u></u>	<u><u>\$ 552,921</u></u>	<u><u>\$ 15,284</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, 2008

	Actual	Budget	Variance Positive (Negative)
Revenues			
Other income	\$ 891	\$ 1,500	\$ (609)
Total revenues	<u>891</u>	<u>1,500</u>	<u>(609)</u>
Expenditures			
Benefit payments	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	891	1,500	(609)
Fund balances, beginning of year	<u>29,042</u>	<u>29,042</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 29,933</u></u>	<u><u>\$ 30,542</u></u>	<u><u>\$ (609)</u></u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget Basis
Capital Projects Funds
For the Year Ended September 30, 2008

	General Capital Projects Fund	General Obligation Public Improvement			2002 TIF		Variance Positive (Negative)
	2003 Bond Fund	2002 Bond Fund	1998 Bond Fund	2000 Bond Fund	Capital Projects Bond Fund	Total	
Revenues							
Intergovernmental	\$ 4,504,350	\$ -	\$ -	\$ -	\$ -	\$ 4,504,350	\$ (68,498,480)
Other income	-	25,327	22,376	2,898	34,823	85,806	(67,494)
Total revenues	4,504,350	25,327	22,376	2,898	34,823	4,590,156	(68,565,974)
Expenditures							
Capital projects	18,753,966	-	-	-	-	18,753,966	124,754,639
Excess (deficiency) of revenues over expenditures	(14,249,616)	25,327	22,376	2,898	34,823	(14,163,810)	56,188,665
Other financing sources (uses)							
Loan proceeds	2,258,000	-	-	-	-	2,258,000	(20,560,828)
Transfers in	7,730,846	-	-	-	-	7,730,846	(22,365,365)
Transfers out	-	(334,545)	(5,080)	-	(412,910)	(752,535)	1,804,274
Total other financing sources (uses)	9,988,846	(334,545)	(5,080)	-	(412,910)	9,236,311	(41,121,919)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(4,260,770)	(309,218)	17,296	2,898	(378,087)	(4,927,499)	15,066,746
Fund balances, beginning of year	19,805,911	990,551	892,607	115,307	1,626,905	23,446,479	23,446,479
Fund balances, end of year	\$ 15,545,141	\$ 681,333	\$ 909,903	\$ 118,205	\$ 1,248,818	\$ 18,518,980	\$ 15,066,746

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, 2008

	Actual	Budget	Variance Positive (Negative)
Revenues			
Charges for services:			
Water and sewer charges	\$ 7,369,479	\$ 7,110,000	\$ 259,479
Keesler Air Force Base, sewer	557,115	400,000	157,115
Intergovernmental revenues	86,590	879,061	(792,471)
Interest income	225,795	300,000	(74,205)
Other income	13,393	-	13,393
Total revenues	<u>8,252,372</u>	<u>8,689,061</u>	<u>(436,689)</u>
Expenses			
Personal services	1,811,352	1,624,209	(187,143)
Contracted services	4,991,350	7,021,130	2,029,780
Other services and charges	1,841,208	1,755,640	(85,568)
Bond principal	163,121	163,121	-
Interest expense	53,673	53,673	-
Capital outlay	574,203	800,930	226,727
Total expenses	<u>9,434,907</u>	<u>11,418,703</u>	<u>1,983,796</u>
Excess (deficiency) of revenues over expenses	(1,182,535)	(2,729,642)	1,547,107
Other financial sources (uses)			
Transfers out	(857,230)	(2,798,382)	1,941,152
Total other financial sources (uses)	<u>(857,230)</u>	<u>(2,798,382)</u>	<u>1,941,152</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (2,039,765)</u>	<u>\$ (5,528,024)</u>	<u>\$ 3,488,259</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, 2008

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
Revenues			
Charges for services:			
Harbor Fees and Rents	\$ 1,243,266	\$ 1,392,950	\$ (149,684)
Intergovernmental tax revenues	319,122	1,846,476	(1,527,354)
Other income	113,587	195,000	(81,413)
Total revenues	<u>1,675,975</u>	<u>3,434,426</u>	<u>(1,758,451)</u>
Expenses			
Personal services	1,127,288	1,146,325	19,037
Contracted services	58,264	1,525,288	1,467,024
Other services and charges	141,031	306,641	165,610
Bond principal	105,000	105,000	-
Interest expense	114,051	116,295	2,244
Capital outlay	21,469	458,225	436,756
Total expenses	<u>1,567,103</u>	<u>3,657,774</u>	<u>2,090,671</u>
Excess (deficiency) of revenues over expenses	<u>108,872</u>	<u>(223,348)</u>	<u>332,220</u>
Other financial sources (uses)			
Transfers out	(1,385,654)	(716,301)	(669,353)
Total other financial sources (uses)	<u>(1,385,654)</u>	<u>(716,301)</u>	<u>(669,353)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (1,276,782)</u>	<u>\$ (939,649)</u>	<u>\$ (337,133)</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, 2008

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total	Budget	Variance Positive (Negative)
Revenues						
Charges for services, insurance billings	\$ 3,911,604	\$ 6,189,996	\$ -	\$ 10,101,600	\$ 7,874,700	\$ 2,226,900
COBRA contributions	-	77,080	-	77,080	65,000	12,080
Interest income	-	99,947	92,309	192,256	-	192,256
Total revenues	<u>3,911,604</u>	<u>6,367,023</u>	<u>92,309</u>	<u>10,370,936</u>	<u>7,939,700</u>	<u>2,431,236</u>
Expenses						
Insurance and reinsurance	2,784,729	316,726	-	3,101,455	1,840,000	(1,261,455)
Claims expense	1,154,110	6,050,297	-	7,204,407	7,099,700	(104,707)
Total expenses	<u>3,938,839</u>	<u>6,367,023</u>	<u>-</u>	<u>10,305,862</u>	<u>8,939,700</u>	<u>(1,366,162)</u>
Excess of revenues over expenditures	<u>\$ (27,235)</u>	<u>\$ -</u>	<u>\$ 92,309</u>	<u>\$ 65,074</u>	<u>\$ (1,000,000)</u>	<u>\$ 1,065,074</u>

Supplemental Information

City of Biloxi, Mississippi
Schedule of Investments – All Funds
September 30, 2008

	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Governmental Funds					
Debt Service Funds					
Money Market Fund	0.51%	various	N/A	792,046	792,046
Capital Projects Funds					
2003 GO Bond Fund					
Money Market Fund	0.34%	various	N/A	738,116	738,116
GOPI 2002 Bond Fund					
Money Market Fund	0.34%	various	N/A	909,903	909,903
GOPI 1998 Bond Fund					
Money Market Fund	0.34%	various	N/A	15,580	15,580
GOPI 2000 Bond Fund					
Money Market Fund	0.34%	various	N/A	118,205	118,205
2002 TIF Capital Projects Bond Fund					
Money Market Fund	0.34%	various	N/A	<u>1,248,881</u>	<u>1,248,881</u>
Total investments, governmental funds				3,822,731	3,822,731
Proprietary funds					
Biloxi Port Fund					
Money Market Fund	0.34%	various	N/A	724,418	724,418
Money Market Fund	0.34%	various	N/A	<u>396,619</u>	<u>396,619</u>
Total investments, proprietary funds				1,121,037	1,121,037
Internal service funds					
Money Market Fund	0.86%	various	N/A	<u>140</u>	<u>140</u>
Total investments, internal service funds				140	140
Total investments				<u><u>4,943,908</u></u>	<u><u>4,943,908</u></u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Long-Term Debt
September 30, 2008

	Date Issued	Original Issue	Balance	New Issues	Retirements	Balance	Requirements Year Ended	
			October 1, 2007			September 30, 2008	September 30, 2009	Principal
General Obligation Bonds and Notes								
General Obligation Bonds of 1988 - A	06/01/88	\$ 1,200,000	\$ 90,000	\$ -	\$ 90,000	\$ -	\$ -	\$ -
General Obligation Bonds of 1988 - D	12/01/88	750,000	145,000	-	70,000	75,000	75,000	2,812
General Obligation Bonds of 1989 - A	02/15/89	750,000	145,000	-	70,000	75,000	75,000	2,625
GOP1 1998	05/01/00	10,000,000	5,505,000	-	685,000	4,820,000	715,000	187,425
General Obligation Bonds of 2002	12/01/02	6,000,000	5,220,000	-	220,000	5,000,000	240,000	222,543
General Obligation Bonds of 2003	12/01/03	9,800,000	8,300,000	-	545,000	7,755,000	570,000	252,550
Refunding Bond of 2004	12/30/04	5,530,000	3,055,000	-	980,000	2,075,000	1,015,000	49,675
Special Community Disaster Loan	12/20/05	7,000,000	11,000,000	-	-	11,000,000	-	-
Total General Obligation Bonds and Notes			33,460,000	-	2,660,000	30,800,000	2,690,000	717,630
Limited Obligation Bonds and Notes								
Mississippi Development Bank promissory note	01/04/01	10,000,000	2,617,648	2,258,000	596,597	4,279,051	728,316	132,119
Mississippi Development Authority Loan	11/01/01	500,000	393,375	-	21,572	371,803	22,219	11,389
Tax Increment Limited Obligation Refunding Bonds, Series 2006 A	10/31/06	31,685,000	31,685,000	-	-	31,685,000	-	1,468,843
Tax Increment Limited Obligation Refunding Bonds, Series 2006 B	10/31/06	2,335,000	2,335,000	-	-	2,335,000	-	122,547
Total Limited Obligation Bonds and Notes			37,031,023	2,258,000	618,169	38,670,854	750,535	1,734,898
Other General Long-Term Debt								
Lease/Purchase, The Peoples Bank	04/01/06	897,699	729,324	-	172,562	556,762	179,396	20,866
Lease/Purchase, Hancock Bank	11/29/07	438,782	-	438,782	45,814	392,968	57,106	15,230
Total Other General Long-Term Debt			729,324	438,782	218,376	949,730	236,502	36,096
Total General Long-Term Debt			71,220,347	2,696,782	3,496,545	70,420,584	3,677,037	2,488,624
Proprietary Funds Debt								
Water and sewer pollution control loans	1992-2001	2,497,903	1,628,026	-	163,121	1,464,905	168,903	47,891
Limited Tax Port Bonds, Series 1999	12/01/99	2,500,000	1,975,000	-	105,000	1,870,000	110,000	105,169
Special Community Disaster Loan	01/03/06	2,787,113	2,787,113	-	-	2,787,113	-	-
Total Proprietary Funds Debt			6,390,139	-	268,121	6,122,018	278,903	153,060
Totals			\$ 77,610,486	\$ 2,696,782	\$ 3,764,666	\$ 76,542,602	\$ 3,955,940	\$ 2,641,684

See Independent Auditors' Report.

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

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
A. J. Holloway	Mayor	Fidelity and Deposit Company of Maryland	\$ 100,000
George Lawrence	Councilman	Fidelity and Deposit Company of Maryland	100,000
William Stallworth	Councilman	Fidelity and Deposit Company of Maryland	100,000
Charles T. Harrison, Jr.	Councilman	Fidelity and Deposit Company of Maryland	100,000
Mike Fitzpatrick	Councilman	Fidelity and Deposit Company of Maryland	100,000
Tom Wall	Councilman	Fidelity and Deposit Company of Maryland	100,000
Edward Gemmill	Councilman	Fidelity and Deposit Company of Maryland	100,000
David Fayard	Councilman	Fidelity and Deposit Company of Maryland	100,000
William L. Lanham	Deputy Clerk	Fidelity and Deposit Company of Maryland	50,000
Brenda Johnston	City Clerk/ Tax Collector	Fidelity and Deposit Company of Maryland	50,000
Patricia Richardson	Court Clerk	Fidelity and Deposit Company of Maryland	10,000
Bruce Dunagan	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.

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.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 86

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 91

Debt Capacity

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. 94

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 99

Operating Information

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. 101

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

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

	Fiscal	
	2008	2007
Governmental activities		
Invested in capital assets, net of related debt	\$ 148,298,408	\$ 137,454,714
Restricted	30,633,195	10,146,382
Unrestricted	32,009,500	70,540,236
Total governmental activities net assets	<u>\$ 210,941,103</u>	<u>\$ 218,141,332</u>
Business-type activities		
Invested in capital assets, net of related debt	\$ 47,402,255	\$ 41,667,384
Restricted	1,121,037	1,726,398
Unrestricted	7,505,527	9,620,633
Total business-type activities net assets	<u>\$ 56,028,819</u>	<u>\$ 53,014,415</u>
Primary government		
Invested in capital assets, net of related debt	\$ 195,700,663	\$ 179,122,098
Restricted	31,754,232	11,872,780
Unrestricted	39,515,027	80,160,869
Total primary government net assets	<u>\$ 266,969,922</u>	<u>\$ 271,155,747</u>

		Year			
2006		2005	2004	2003	
\$	122,446,292	\$ 125,208,731	\$ 115,566,223	\$ 104,918,348	
	11,814,028	13,202,408	22,015,077	21,906,281	
	58,845,246	26,346,700	20,354,065	27,138,061	
<u>\$ 193,105,566</u>		<u>\$ 164,757,839</u>	<u>\$ 157,935,365</u>	<u>\$ 153,962,690</u>	
\$	39,094,116	\$ 39,210,473	\$ 40,657,098	\$ 38,554,905	
	1,684,296	1,897,170	2,127,659	181,334	
	13,393,377	12,549,989	9,922,771	9,560,438	
<u>\$ 54,171,789</u>		<u>\$ 53,657,632</u>	<u>\$ 52,707,528</u>	<u>\$ 48,296,677</u>	
\$	161,540,408	\$ 164,419,204	\$ 156,223,321	\$ 143,473,253	
	13,498,324	15,099,578	24,142,736	22,087,615	
	72,238,623	38,896,689	30,276,836	36,698,499	
<u>\$ 247,277,355</u>		<u>\$ 218,415,471</u>	<u>\$ 210,642,893</u>	<u>\$ 202,259,367</u>	

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

	Fiscal Year	
	2008	2007
Expenses		
Governmental activities:		
General government	\$ 5,545,240	\$ 4,902,940
Parks and recreation	5,720,051	4,797,664
Public safety	36,120,835	29,601,484
Public works	18,051,184	22,402,881
Community development	4,332,445	4,728,570
Unallocated depreciation, infrastructure	2,292,270	2,254,458
Interest and other, long-term debt	2,866,857	1,996,618
Total governmental activities expenses	<u>74,928,882</u>	<u>70,684,615</u>
Business-type activities:		
Water & Sewer	11,475,922	9,829,590
Biloxi Port Fund	1,653,803	1,254,929
Point Cadet Development Corporation	18,851	131
Total business-type activities expenses	<u>13,148,576</u>	<u>11,084,650</u>
Total primary government expenses	<u>\$ 88,077,458</u>	<u>\$ 81,769,265</u>
Program Revenues		
Governmental activities:		
Charges for services:		
General government	\$ 1,935	\$ 1,080
Parks and recreation	398,565	442,126
Public safety	1,236,468	1,136,610
Public works	603,235	591,434
Community development	5,204,757	5,724,975
Operating grants and contributions	2,453,282	13,728,661
Capital grants and contributions	2,476,562	2,454,944
Total governmental activities program reviews	<u>12,374,804</u>	<u>24,079,830</u>
Business-type activities:		
Charges for services:		
Water & Sewer	7,738,610	7,864,670
Biloxi Port Fund	1,246,597	1,660,968
Point Cadet Development Corporation	58,844	27,595
Operating grants and contributions	-	-
Capital grants and contributions	7,222,126	1,801,139
Total business-type activities program revenues	<u>16,266,177</u>	<u>11,354,372</u>
Total primary government program revenues	<u>\$ 28,640,981</u>	<u>\$ 35,434,202</u>

Fiscal Year			
2006	2005	2004	2003
\$ 4,444,590	\$ 4,505,044	\$ 4,494,668	\$ 4,998,883
4,294,691	5,528,890	5,718,522	6,315,711
27,540,929	29,591,921	26,638,158	25,810,017
64,616,111	19,942,138	9,706,107	9,525,166
2,364,826	7,186,148	8,326,850	6,413,034
2,219,360	1,869,584	1,664,522	1,664,522
2,786,442	3,327,475	2,898,309	2,450,726
108,266,949	71,951,200	59,447,136	57,178,059
9,925,601	12,515,510	10,662,616	10,224,620
1,415,121	1,666,327	2,024,677	-
5,730	372,659	22,394	46,885
11,346,452	14,554,496	12,709,687	10,271,505
\$ 119,613,401	\$ 86,505,696	\$ 72,156,823	\$ 67,449,564
\$ 34,656	\$ 36,776	\$ 37,828	\$ 223,257
522,282	596,247	477,684	404,137
1,352,917	1,249,630	1,166,560	1,268,426
544,772	702,655	614,340	935,568
5,761,969	4,151,971	4,295,159	4,293,780
56,706,429	1,196,313	1,254,752	1,649,026
1,214,462	17,373,396	1,969,950	1,622,550
66,137,487	25,306,988	9,816,273	10,396,744
6,989,753	8,762,117	9,566,541	9,416,309
1,768,179	1,752,748	1,723,490	-
20,874	17,594	21,175	18,352
-	-	-	-
2,269,780	978,930	406,216	-
11,048,586	11,511,389	11,717,422	9,434,661
\$ 77,186,073	\$ 36,818,377	\$ 21,533,695	\$ 19,831,405

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

	2008	Fiscal Year 2007	2006
Net (Expense)/Revenue			
Governmental activities	\$ (62,554,078)	\$ (46,604,785)	\$ (42,129,462)
Business-type activities	3,117,601	269,722	(297,866)
Total primary government net expense	<u>\$ (59,436,477)</u>	<u>\$ (46,335,063)</u>	<u>\$ (42,427,328)</u>
General Revenues and Other Changes In Net Assets			
Governmental activities:			
Taxes			
Property taxes	\$ 14,850,437	\$ 11,884,058	\$ 16,859,108
Franchise taxes	2,968,811	2,742,974	2,360,722
Sales taxes	11,162,329	11,355,382	10,159,154
Gaming taxes	22,030,475	22,518,892	15,187,146
Other taxes	1,065,200	1,684,283	706,999
Unrestricted grants and contributions	399,672	-	527,815
Unrestricted investment earnings	2,009,599	4,217,134	2,298,869
Insurance proceeds	-	12,794,680	16,306,863
Miscellaneous	190,307	1,444,358	756,751
Transfers	677,019	2,998,790	(933,637)
Total governmental activities	<u>55,353,849</u>	<u>71,640,551</u>	<u>64,229,790</u>
Business-type activities:			
Property taxes	229,178	872,186	920,215
Investment earnings	344,644	699,508	389,262
Transfers	(677,019)	(2,998,790)	(497,454)
Total business-type activities	<u>(103,197)</u>	<u>(1,427,096)</u>	<u>812,023</u>
Total primary government	<u>\$ 55,250,652</u>	<u>\$ 70,213,455</u>	<u>\$ 65,041,813</u>
Change in Net Assets			
Governmental activities	\$ (7,200,229)	\$ 25,035,766	\$ 22,100,328
Business-type activities	3,014,404	(1,157,374)	514,157
Total primary government	<u>\$ (4,185,825)</u>	<u>\$ 23,878,392</u>	<u>\$ 22,614,485</u>

2005	Fiscal Year 2004	2003
\$ (46,644,212)	\$ (49,630,863)	\$ (46,781,315)
(3,043,107)	(992,265)	(836,844)
<u>\$ (49,687,319)</u>	<u>\$ (50,623,128)</u>	<u>\$ (47,618,159)</u>

\$ 15,599,678	\$ 15,621,385	\$ 16,494,797
2,653,549	2,555,738	2,619,001
11,944,584	12,294,618	11,551,426
20,968,845	21,441,126	20,428,337
654,641	722,315	862,366
1,200,000	1,200,000	1,200,000
1,136,693	415,483	735,195
1,436,097	-	-
906,688	1,447,516	401,842
<u>(3,034,089)</u>	<u>(2,992,157)</u>	<u>(3,861,291)</u>
<u>53,466,686</u>	<u>52,706,024</u>	<u>50,431,673</u>

657,426	987,051	-
301,696	128,965	129,585
<u>3,034,089</u>	<u>2,992,157</u>	<u>3,861,291</u>

<u>3,993,211</u>	<u>4,108,173</u>	<u>3,990,876</u>
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<u>\$ 57,459,897</u>	<u>\$ 56,814,197</u>	<u>\$ 54,422,549</u>
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\$ 6,822,474	\$ 3,075,161	\$ 3,650,388
<u>950,104</u>	<u>3,115,908</u>	<u>3,154,032</u>

<u>\$ 7,772,578</u>	<u>\$ 6,191,069</u>	<u>\$ 6,804,420</u>
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Schedule 3
City of Biloxi
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2008	2007	2006	2005
General Fund				
Reserved	\$ 2,345,677	\$ 2,864,621	\$ 2,525,615	\$ 2,000,359
Unreserved	36,736,391	55,178,878	52,281,003	26,975,995
Total general fund	<u>\$ 39,082,068</u>	<u>\$ 58,043,499</u>	<u>\$ 54,806,618</u>	<u>\$ 28,976,354</u>
All Other Governmental Funds				
Reserved	\$ 28,434,989	\$ 7,442,457	\$ 9,453,276	\$ 11,420,479
Unreserved, reported in:				
General Capital Projects Fund	-	20,133,801	-	-
2002 TIF Capital Projects Fund	-	-	-	-
Debt Service Fund	-	-	-	-
Other Non-Major Governmental Funds	568,205	812,124	695,568	539,941
Total all other governmental funds	<u>\$ 29,003,194</u>	<u>\$ 28,388,382</u>	<u>\$ 10,148,844</u>	<u>\$ 11,960,420</u>

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 49,058	\$ 55,345	\$ 815,112	\$ 571,659	\$ 401,060	\$ 363,546
21,420,184	28,581,807	34,822,162	37,043,806	29,800,018	28,690,871
<u>\$ 21,469,242</u>	<u>\$ 28,637,152</u>	<u>\$ 35,637,274</u>	<u>\$ 37,615,465</u>	<u>\$ 30,201,078</u>	<u>\$ 29,054,417</u>
\$ 5,841,560	\$ 5,891,439	\$ 5,043,537	\$ 11,495,624	\$ 17,726,246	\$ 12,876,234
-	-	-	-	-	-
7,947,935	11,130,049	-	-	-	-
-	-	-	-	-	-
8,963,706	5,749,106	4,033	184,912	4,335,854	3,070,971
<u>\$ 22,753,201</u>	<u>\$ 22,770,594</u>	<u>\$ 5,047,570</u>	<u>\$ 11,680,536</u>	<u>\$ 22,062,100</u>	<u>\$ 15,947,205</u>

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

	Fiscal Year			
	2008	2007	2006	2005
Revenues				
Taxes	\$ 14,850,437	\$ 11,884,058	\$ 16,859,108	\$ 15,599,678
Licenses and permits	4,192,441	4,366,535	4,059,907	3,667,843
Intergovernmental	37,283,930	50,509,539	83,596,269	53,337,778
Charges for services	1,198,608	1,000,762	1,124,939	1,081,843
Fines	1,202,481	1,123,537	1,346,888	1,241,663
Other	5,882,659	10,760,698	6,956,788	5,442,861
Total revenues	64,610,556	79,645,129	113,943,899	80,371,666
Expenditures				
General government	5,111,940	4,319,296	4,221,591	4,225,009
Parks and recreation	5,344,806	3,965,717	3,766,106	4,926,209
Public safety	34,791,692	28,417,622	27,139,584	26,922,427
Public works	15,457,386	20,885,545	63,498,853	18,802,996
Community development	3,425,986	2,338,863	2,248,326	3,702,265
Non-departmental	5,003,572	4,031,368	2,919,036	5,535,248
Retirement contribution				2,108,989
Capital outlay	11,351,010	7,986,131	3,259,444	19,299,416
Debt service:				
Principal	3,278,169	3,590,680	4,787,845	9,813,918
Interest	2,570,957	1,615,844	2,786,442	3,246,883
Bond issue costs	-	75,219	-	80,592
Total expenditures	86,335,518	77,226,285	114,627,227	98,663,952
Excess of revenues over (under) expenditures	(21,724,962)	2,418,844	(683,328)	(18,292,286)
Other Financing Sources (Uses)				
Insurance proceeds	-	12,794,680	16,306,863	5,528,315
Issuance of bonds	-	34,020,000	-	5,530,000
Payment to refunded bond escrow agent	-	(31,669,936)		
Issuance of notes	2,258,000	4,000,000	7,000,000	2,000,000
Capital lease	438,782	-	897,699	-
Transfers in	9,168,356	28,184,393	3,255,948	17,378,176
Transfers out	(8,491,337)	(28,271,562)	(2,758,494)	(15,429,874)
Total other financing sources (uses)	3,373,801	19,057,575	24,702,016	15,006,617
Net change in fund balances	\$ (18,351,161)	\$ 21,476,419	24,018,688	\$ (3,285,669)
Debt services as a percentage of noncapital expenditures	7.8%	7.6%	6.8%	16.6%

Fiscal Year						
2004	2003	2002	2001	2000	1999	
\$ 15,621,385	\$ 16,494,797	\$ 15,788,474	\$ 15,570,922	\$ 15,129,168	\$ 14,235,254	
3,597,812	3,661,074	3,320,782	3,403,789	3,116,426	2,848,885	
38,546,261	37,250,012	36,101,336	37,451,946	35,548,793	32,124,722	
982,416	1,129,740	1,213,723	1,174,942	962,833	944,151	
1,156,867	1,180,109	1,133,113	1,387,709	1,367,677	1,227,526	
4,988,822	4,908,527	4,780,681	7,069,911	7,603,962	9,467,551	
64,893,563	64,624,259	62,338,109	66,059,219	63,728,859	60,848,089	
4,066,268	4,021,258	4,159,184	3,886,516	3,236,454	3,240,314	
4,564,356	4,323,630	4,254,332	3,839,485	3,161,109	2,762,056	
23,522,963	22,412,569	22,203,686	20,080,649	19,160,996	15,399,824	
8,829,393	8,114,028	7,639,287	7,506,841	7,292,767	6,876,835	
3,702,108	4,128,317	3,777,394	2,944,613	5,234,303	5,785,890	
5,380,002	6,180,177	4,816,858	4,155,396	4,100,494	3,424,797	
2,085,382	2,691,822	2,728,111	2,690,011	2,003,334	1,935,661	
23,236,972	26,681,858	18,041,127	17,726,160	27,508,751	9,706,179	
3,661,674	2,641,116	2,627,508	5,389,627	2,679,648	1,654,079	
2,863,804	1,689,836	1,821,497	2,026,245	1,151,844	647,055	
120,031	760,890	-	-	-	-	
82,032,953	83,645,501	72,068,984	70,245,543	75,529,700	51,432,690	
(17,139,390)	(19,021,242)	(9,730,875)	(4,186,324)	(11,800,841)	9,415,399	
-	-	-	-	-	-	
9,801,416	29,000,000	500,000	3,025,000	22,454,000	10,000,000	
-	-	-	-	-	-	
21,421,773	25,256,872	16,878,390	12,853,018	9,846,456	8,914,198	
(21,269,102)	(24,846,156)	(16,259,161)	(15,702,744)	(13,238,995)	(9,246,845)	
9,954,087	29,410,716	1,119,229	175,274	19,061,461	9,667,353	
\$ (7,185,303)	\$ 10,389,474	\$ (8,611,646)	\$ (4,011,050)	\$ 7,260,620	\$ 19,082,752	

11.3%

8.9%

8.2%

14.1%

8.0%

5.5%

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

Fiscal Year Ended	Real Property (1)		Personal Property	
	Assessed Value	Actual Value	Assessed Value	Actual Value
2008	315,103,936	2,303,391,345	86,235,198	574,901,320
2007	264,457,015	1,933,165,314	42,427,809	282,852,060
2006	367,933,781	2,689,574,423	97,968,890	653,125,933
2005	358,029,587	2,617,175,344	90,986,491	606,576,607
2004	349,059,331	2,551,603,297	87,534,512	583,563,413
2003	363,850,114	2,659,723,056	89,559,850	597,065,667
2002	364,674,681	2,665,750,592	86,133,392	574,222,613
2001	357,382,870	2,612,447,880	84,626,942	564,179,613
2000	171,458,879	1,253,354,379	70,078,864	467,192,427
1999	156,364,784	1,143,017,427	65,850,585	439,003,900

(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.

(2) Fiscal year 2001 real property figures reflect completion of real property reappraisal by Harrison County.

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

Fiscal Year Ended	Tax Year	City of Biloxi		
		Operating Millage	Debt Service	Total
2008	2007	20.90	9.20	30.10
2007	2006	20.90	9.20	30.10
2006	2005	20.90	9.20	30.10
2005	2004	22.40	7.70	30.10
2004	2003	22.40	7.70	30.10
2003	2002	23.40	6.70	30.10
2002	2001	23.40	6.70	30.10
2001	2000	23.40	6.70	30.10
2000	1999	37.61	8.60	46.21
1999	1998	38.61	9.10	47.71

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	
28,489,554	189,930,360	65,897,368	219,657,893	495,726,056	3,287,880,918	15.08%
20,810,411	138,736,073	61,828,287	206,094,290	389,523,522	2,560,847,738	15.21%
21,956,503	146,376,687	54,004,362	180,014,540	541,863,536	3,669,091,583	14.77%
23,589,400	157,262,667	46,875,398	156,251,327	519,480,876	3,537,265,945	14.69%
23,673,558	157,823,720	49,958,644	166,528,813	510,226,045	3,459,519,243	14.75%
22,826,980	152,179,867	48,284,298	160,947,660	524,521,242	3,569,916,250	14.69%
23,614,559	157,430,393	46,417,107	154,723,690	520,839,739	3,552,127,288	14.66%
21,071,009	140,473,393	47,431,840	158,106,133	510,512,661	3,475,207,019	14.69%
18,344,995	122,299,967	43,529,432	145,098,107	303,412,170	1,987,944,880	15.26%
18,796,527	125,310,180	36,826,879	122,756,263	277,838,775	1,830,087,770	15.18%

Harrison County			Biloxi School District			Total Millage	Total City and School
Operating Millage	Debt Service	Total	Operating Millage	Debt Service	Total		
34.24	2.37	36.61	30.44	7.59	38.03	104.74	68.13
34.35	2.14	36.49	30.44	7.59	38.03	104.62	68.13
34.14	2.35	36.49	30.58	7.45	38.03	104.62	68.13
33.39	2.31	35.70	29.01	9.02	38.03	103.83	68.13
33.51	2.19	35.70	32.34	4.34	36.68	102.48	66.78
32.90	2.80	35.70	30.84	4.34	35.18	100.98	65.28
32.45	3.25	35.70	27.09	4.34	31.43	97.23	61.53
32.80	3.40	36.20	26.59	4.34	30.93	97.23	61.03
40.06	3.36	43.42	36.50	2.60	39.10	128.73	85.31
41.32	2.10	43.42	35.00	2.60	37.60	128.73	85.31

Schedule 7
City of Biloxi
Principal Property Tax Payers
Current Year

Taxpayer	2008		Percentage of Total Assessed Valuation
	Taxable Assessed Value	Rank	
Beau Rivage	\$ 76,465,765	1	15.43%
Imperial Palace	29,204,141	2	5.89%
Isle of Capri Casino	22,328,942	3	4.50%
Mississippi Power	19,424,830	4	3.92%
Grand Casino	17,226,128	5	3.47%
Boomtown Casino	7,572,071	6	1.53%
Palace Casino	7,071,631	8	1.43%
Bell South	6,828,642	7	1.38%
American National	4,148,540	9	0.84%
Biloxi Regional Hospital	3,356,638	10	0.68%
Total	\$ 193,627,328		39.07%

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

Fiscal Year Ended June 30,	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
2008	30,784,713	29,715,851	96.53%	739,625	30,455,476	98.93%
2007	23,611,125	23,088,759	97.79%	1,176,800	24,265,559	102.77%
2006	33,817,049	33,670,317	99.57%	1,094,228	34,764,545	102.80%
2005	32,839,579	32,332,482	98.46%	415,459	32,747,941	99.72%
2004	31,900,734	31,894,516	99.98%	434,597	32,329,113	101.34%
2003	32,263,406	32,095,387	99.48%	1,043,193	33,138,580	102.71%
2002	30,269,675	29,505,708	97.48%	446,975	29,952,683	98.95%
2001	29,595,998	28,845,271	97.46%	522,664	29,367,935	99.23%
2000	25,214,333	25,192,231	99.91%	221,892	25,414,123	100.79%
1999	22,924,382	22,911,971	99.95%	386,089	23,298,060	101.63%

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

Fiscal Year	Governmental Activities				Business-Type Activities	
	General Obligation Bonds	Limited Obligation Bonds	Capital Leases	Other General Long-Term Debt	Water/ Sewer Revenue Bonds	SRF Loans
2008	\$ 19,800,000	\$ 34,020,000	\$ 949,731	\$ 15,650,854	\$ -	\$ 1,464,905
2007	22,460,000	34,020,000	729,324	14,011,023	-	1,628,026
2006	24,995,000	30,405,000	897,699	10,542,312	-	1,628,026
2005	28,040,000	31,625,000	-	4,065,157	-	1,628,026
2004	26,946,849	32,785,000	-	6,282,226	-	1,746,170
2003	23,160,000	33,890,000	-	2,825,749	-	1,860,468
2002	19,090,000	11,280,000	-	3,146,865	-	1,970,978
2001	21,045,000	11,650,000	-	2,949,373	-	2,069,085
2000	26,009,000	12,000,000	-	-	160,000	1,158,604
1999	17,395,000	830,000	-	11,295	305,000	79,324

Business-Type Activities

Port Bonds	Other Loans	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 1,870,000	\$ 2,787,113	76,542,603	Not Available	1,728
1,975,000	2,787,113	77,610,486	4.89%	1,752
2,680,000	1,000,000	72,148,037	5.04%	1,617
3,370,000	-	68,728,183	5.27%	1,358
4,050,000	-	71,810,245	5.35%	1,412
-	-	61,736,217	4.71%	1,233
-	-	35,487,843	2.82%	711
-	-	37,713,458	3.08%	754
-	-	39,327,604	3.18%	776
-	-	18,620,619	1.69%	390

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

Fiscal Year Ended 9/30	Estimated Population (1)	Actual Value of Property (2)	Gross General Obligation Debt (3)	Less Debt Service Fund	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Net Bonded Debt Per Capita
2008	44,292	3,287,880,918	35,079,051	6,524,693	28,554,358	0.87%	645
2007	44,292	2,560,847,738	36,077,648	3,716,525	32,361,123	1.26%	783
2006	44,624	3,669,091,583	35,115,160	3,651,761	31,463,399	0.86%	710
2005	50,614	3,537,265,945	31,662,672	4,421,727	27,240,945	0.77%	546
2004	50,842	3,459,519,243	32,766,849	5,549,995	27,216,854	0.79%	542
2003	50,077	3,569,916,250	25,504,357	5,588,664	19,915,693	0.56%	401
2002	49,902	3,552,127,288	21,736,865	3,926,622	17,810,243	0.50%	359
2001	49,995	3,475,207,019	23,994,373	3,920,177	20,074,196	0.58%	403
2000	50,690	1,987,944,880	26,169,000	3,817,572	22,351,428	1.12%	441
1999	47,759	1,830,087,770	17,395,000	3,914,477	13,480,523	0.74%	282

(1) Source: Population Estimates Program, Population Division, US Census Bureau, Washington, DC 20233

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

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

Schedule 11
City of Biloxi
Direct and Overlapping
General Obligation Debt
As of September 30, 2008

	Net General Obligation Bonded Debt Outstanding	Applicable Percentage	Amount Applicable to City of Biloxi
Jurisdiction			
Direct:			
City of Biloxi	\$ 28,554,358	100.00%	\$ 28,554,358
Overlapping:			
Biloxi School District	24,150,000	100.00%	24,150,000
Harrison County	138,001,864	27.52%	37,978,113
City of Biloxi Limited Tax Port Bonds (2)	<u>1,870,000</u>	27.52%	<u>514,624</u>
Total overlapping	<u>164,021,864</u>		<u>62,642,737</u>
Totals	<u>\$ 192,576,222</u>		<u>\$ 91,197,095</u>

(1) Outstanding general obligation bonded debt less amount available in Debt Service Fund.

Includes Port Fund (enterprise) general obligation debt.

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

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

	2008	2007	2006	2005
Debt Limit	\$ 74,358,908	\$ 58,428,528	\$ 81,279,530	\$ 77,922,131
Total net debt applicable to limit	30,800,000	33,460,000	31,995,000	31,662,672
Legal debt margin	<u>\$ 43,558,908</u>	<u>\$ 24,968,528</u>	<u>\$ 49,284,530</u>	<u>\$ 46,259,459</u>
Total net debt applicable to the limit as a percentage of the debt limit	41.42%	57.27%	39.36%	40.63%

Fiscal Year					
2004	2003	2002	2001	2000	1999
\$ 78,301,512	\$ 76,764,019	\$ 79,622,455	\$ 78,393,382	\$ 79,954,366	\$ 42,331,542
32,766,849	25,504,357	21,736,865	23,994,373	26,009,000	16,820,000
<u>\$ 45,534,663</u>	<u>\$ 51,259,662</u>	<u>\$ 57,885,590</u>	<u>\$ 54,399,009</u>	<u>\$ 53,945,366</u>	<u>\$ 25,511,542</u>
41.85%	33.22%	27.30%	30.61%	32.53%	39.73%

Legal Debt Margin Calculated

for Fiscal Year 2008

Assessed Value	\$ 495,726,056
Debt Limit (15% of assessed value)	74,358,908
Debt applicable to limit:	
General obligation bonds	<u>30,800,000</u>
Total debt applicable to limit	<u>30,800,000</u>
Legal debt margin	<u>\$ 43,558,908</u>

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

Fiscal Year Ended 9/30	Gross Revenues	Operating Expenses	Net Revenues Available for Debt Service	Debt Service Requirements (1)			
				Principal	Interest	Total	Coverage
2008	7,964,405	11,346,358	\$ (3,381,953)	\$ 163,121	\$ 53,673	\$ 216,794	-1559.98%
2007	8,264,274	9,730,830	(1,466,556)	-	-	-	N/A
2006	7,212,180	9,925,146	(2,712,966)	-	-	-	N/A
2005	9,002,050	12,450,570	(3,448,520)	118,210	58,531	176,741	-1951.17%
2004	9,672,172	10,600,079	(927,907)	114,298	62,537	176,835	-524.73%
2003	9,545,558	10,158,286	(612,728)	110,510	66,335	176,845	-346.48%
2002	9,484,598	9,986,717	(502,119)	98,108	62,742	160,850	-312.17%
2001	8,857,508	9,630,775	(773,267)	235,698	55,346	291,044	-265.69%
2000	8,925,287	9,579,252	(653,965)	218,282	68,492	286,774	-228.04%
1999	8,676,964	8,031,633	645,331	207,474	52,958	260,432	247.79%

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

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

Year	Estimated Population (1)	Per Capita Personal Income (2)	Personal Income (3)	School Enrollment (4)	Unemployment Rate (5)
2008	44,292	not available	not available	4,780	6.3
2007	44,292	35,856	1,588,133,952	4,816	6.2
2006	44,624	32,063	1,430,779,312	4,711	11.8
2005	50,614	25,785	1,305,081,990	6,051	12.5
2004	50,842	26,380	1,341,211,960	6,132	5.9
2003	50,077	26,172	1,310,615,244	6,009	5.4
2002	49,902	25,211	1,258,079,322	5,854	6.3
2001	49,995	24,493	1,224,527,535	5,791	4.9
2000	50,690	24,396	1,236,633,240	5,895	5.1
1999	47,759	23,087	1,102,612,033	5,991	4.7

- (1) 2000 population is US Census data; intervening years are taken from "Population Estimates for Places..., Annual Time Series; April 1, 1990 Population Estimates Base". Area annexed in 1999 is excluded.
- (2) US Department of Commerce, Bureau of Economic Analysis "Local Area Personal Income" CAI-3 for Harrison County, Mississippi
- (3) Calculated by multiplying Estimated Population by Per Capita Personal Income
- (4) Biloxi School District
- (5) Annual average monthly figures for calendar year, City of Biloxi, Mississippi Employment Security Commission

Schedule 15
City of Biloxi
Principal Employers
Current Year

2008

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>
Keesler Air Force Base	10,848	1
Beau Rivage Casino & Resort	2,866	2
Imperial Palace Casino Resort Spa	2,248	3
Biloxi Veterans Admin Hospital	1,780	4
Grand Casino Biloxi	903	5
Hard Rock Hotel & Casino Biloxi	886	6
Biloxi Public School District	850	7
Isle of Capri Casino	726	8
City of Biloxi	660	9
Biloxi Regional Medical Center	653	10

Total

22,420

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

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

Function/Program	Full-Time Equivalent Employees as of September 30		
	2008	2007	2006
General Government			
Management Services	1	1	1
Finance	7	7	8
Planning	7	7	6
Building	15	13	11
Other	41	36	28
Police			
Officers	135	121	131
Civilians	46	41	44
Fire			
Firefighters and officers	175	174	163
Civilians	4	4	6
Refuse collection	-	-	-
Other public works			
Engineering	12	12	13
Other	100	81	68
Redevelopment	-	-	-
Parks and recreation	62	57	61
Library	-	-	-
Water	31	31	18
Wastewater	-	-	-
Port	25	26	21
Total	661	611	579

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

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

Function/Program	Fiscal Year			
	2008	2007	2006	2005
Police				
Physical arrests	9,953	8,421	10,171	16,351
Parking violations	103	98	245	441
Traffic violations	13,278	3,197	5,622	7,838
Fire				
Emergency responses	6,338	5,873	5,729	5,117
Inspections	4,491	4,076	4,056	3,270
Water				
Average daily consumption (thousands of gallons)	5,559	5,414	5,910	5,739
Wastewater				
Average daily sewage treatment (thousands of gallons)	8,927	7,909	7,398	10,859

The City did not prepare this schedule or accumulate this data prior to 2000.

Fiscal Year				
2004	2003	2002	2001	2000
10,772	10,087	10,120	9,151	11,533
308	269	351	687	507
10,274	15,729	12,319	19,682	19,997
3,939	3,427	3,427	3,093	2,821
3,500	3,106	3,106	986	2,125
7,713	8,002	8,002	8,242	8,333
11,111	11,870	11,485	12,651	9,806

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

Function/Program	Fiscal Year		
	2008	2007	2006
Police			
Stations	1	1	1
Patrol Units	144	144	135
Fire Stations	9	9	9
Other public works			
Streets (miles)	215	215	215
Traffic signals	40	40	40
Parks and recreation			
Acreage	258	258	258
Playgrounds	17	17	17
Ballfields	25	25	25
Community centers	2	2	2
Water			
Water mains	234	234	234
Fire Hydrants	1,786	1,729	1,729
Storage Capacity (thousands of gallons)	14,793	14,793	14,793
Wastewater			
Sanitary sewers	235	235	235
Treatment capacity (thousands of gallons)	21,582	21,582	21,582

The City did not prepare this schedule or accumulate this data prior to 2000.

Fiscal Year					
2005	2004	2003	2002	2001	2000
1	1	1	1	1	1
136	165	150	135	134	174
9	9	8	8	8	7
-	-	-	-	-	-
-	-	-	-	-	-
161	170	170	170	170	170
2	4	5	5	5	5
234	234	231	231	230	225
14,793	14,793	13,066	13,066	13,066	12,000
235	235	235	235	200	200
21,582	21,582	21,582	18,924	18,924	18,924

Section IV
Compliance Section

City of Biloxi
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008

Grantor Federal Agency / Pass-Through Agency / Program Title	CFDA Number	Pass-Through Grantor No.	Federal Expenditures
Department of Justice			
Bureau of Justice Assistance			
Bulletproof Vest Partnership Program	16.607	2006-BU-CX-06133418	41,965
Office of Justice Programs			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0253	37,513
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-F3237-MS DJ	1,336
Community Capacity Development Office	16.595	2006-WS-Q6-0038	8,159
Community Capacity Development Office	16.595	2007-WS-Q7-0026	16,499
Total			105,472
Executive Office of the President			
Office of National Drug Control Policy:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	16PGCP514Z	5,894
National Endowment for the Humanities			
Preservation & Access			
Promotion of the Humanities_Division of Preservation and Access	45.149	PC-50031-06	30,000
Department of Housing & Urban Development			
Community Planning & Development			
Community Development Block Grants/Entitlement Grants	14.218	B-04-MC-28-001	169,216
Community Development Block Grants/Entitlement Grants	14.218	B-05-MC-28-001	400,500
Pass through MS Development Authority			
Community Development Block Grants/Small Cities Program	14.219	R101-06-002-1	218,306
Community Development Block Grants/Small Cities Program	14.219	R-103-122-01-KP	109,900
Community Development Block Grants/Small Cities Program	14.219	R-103-122-01-KCR	472,748
Community Development Block Grants/Small Cities Program	14.219	R-103-122-02-KCR	248,730
Community Development Block Grants/Small Cities Program	14.219	R-103-122-02-KP	11,000
Community Development Block Grants/Small Cities Program	14.219	R-109-122-04-KCR	86,936
Total			1,717,336

City of Biloxi
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008
(Continued)

Department of Transportation

Pass through Mississippi Department of Transportation

Highway Planning and Construction	20.205	104384-811000	77,632
Highway Planning and Construction	20.205	104636-704000	46,214
Highway Planning and Construction	20.205	104636-705000	262,491
Highway Planning and Construction	20.205	104636-706000	1,827
Highway Planning and Construction	20.205	104913-711000	30,295

Total			<u>418,459</u>
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Department of Commerce

National Oceanic and Atmospheric Adm

Pass through Coastal Impact Assistance Program

Coastal Zone Management Administration Awards	11.419	MS.24.05	5,789
Coastal Zone Management Administration Awards	11.419	MS.24.13	<u>270,976</u>

Total			<u>276,765</u>
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Dept of Homeland Security

Federal Emergency Management Assistance

Pass through MEMA

Homeland Security Grant Program	97.067	06HS122	109,074
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Pass through MS Dept of Public Safety

Homeland Security Grant Program	97.067	05LE122	9,754
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Pass through MEMA

Hazard Mitigation Grant	97.039	HMGP 1550-0011	93,125
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Disaster Grants-Public Assistance (Presidentially Declared)	97.036	FEMA 1594	18,754
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Disaster Grants-Public Assistance (Presidentially Declared)	97.036		10,746,442
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Hazard Mitigation Grant	97.039	HMGP 1604-0008	<u>128,250</u>
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Total			<u>11,105,399</u>
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Total expenditures of federal awards			<u>\$ 13,659,325</u>
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See Independent Auditors' Report.

**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
Biloxi, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the City of Biloxi, Mississippi's basic financial statements and have issued our report thereon dated March 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the city's internal control.

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

Members:

Compliance and Other Matters

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

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

Culumber, Fletcher, Harvey & associates, P.A.

Biloxi, Mississippi
March 19, 2009

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Federal Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133**

**Culumber
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Associates, P.A.**

Certified Public Accountants

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To the City Council
City of Biloxi
Biloxi, Mississippi

Compliance

We have audited the compliance of the City of Biloxi, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The City of Biloxi, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Biloxi, Mississippi's management. Our responsibility is to express an opinion on the City of Biloxi, Mississippi's compliance based on our audit.

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

In our opinion, the City of Biloxi, Mississippi complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City of Biloxi, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Biloxi, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over compliance.

Members:

American Institute of CPAs • AICPA Division of CPA Firms-Private Companies Practice Section • Mississippi Society of CPAs

Biloxi • Gulfport



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A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Culumber, Fletcher, Harvey & associates, P.A.

Certified Public Accountants

Biloxi, Mississippi
March 19, 2009

The City of Biloxi, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Section 1 – Summary of Auditors’ Results

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

Community Development Block Grants/Entitlement Grants	14.218
Community Development Block Grants/Small Cities Program	14.219
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036
8. The dollar threshold used to distinguish between Type A and Type B Programs was \$409,780.
9. The auditee did qualify as a low-risk auditee.

Section 2 – Finding Relating to the Financial Statements

None

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

None.

The City of Biloxi, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

There were no prior audit findings relative to federal awards.