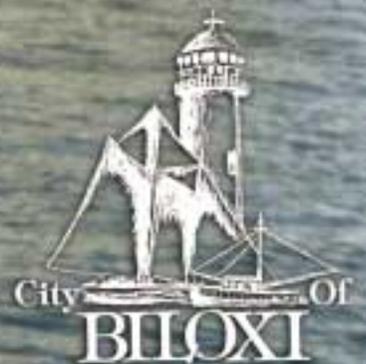




Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2002



March 11, 2003

Dear Reader:

Welcome to the Comprehensive Annual Financial Report of the City of Biloxi. We are proud to present this report because it once again reflects the financial strength and vitality of our City. Biloxi continues to enjoy one of the most successful periods in its 304-year history.

We find ourselves in this enviable position, in large part, because of the conservative financial management policies we have adhered to in the past 10 years. As I've said repeatedly: Having money is one thing; knowing how to manage it is something else. These policies have served us well in the past and will guarantee a promising future for our City.

The past year was one of milestones for our city – in a decade where we have seen a number of milestones. We've continued our multimillion-dollar capital project investments to improve the flow of traffic in our city, to improve drainage and the condition of our neighborhood streets, as well as enhance the quality of life through new facilities for education and recreation. And, along the way, we've enhanced existing services while cutting the City's property tax rate in half, which, owing to property reappraisal, lowered taxes by 10 percent.

These times continue to be pivotal for the City. By continuing our record of progress on quality of life issues – whether it be improving the flow of traffic or adopting new guidelines to foster sound growth and preservation – we will keep this city on track.

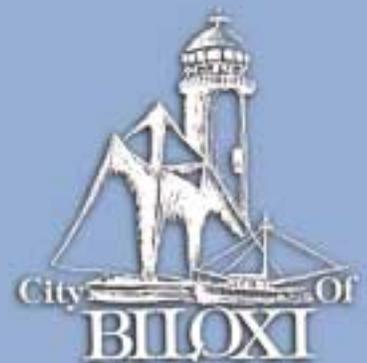
My vision of Biloxi remains basic and simple: provide a quality education for our children in a city where residents enjoy life and work, and visitors appreciate the diversity we offer, whether it be the excitement of waterfront casinos or relishing the colorful history of our city through our museums or historic sites.

Finally, I congratulate the administrative staff for compiling another informative and detailed Comprehensive Annual Financial Report. I hope you find it useful.

Sincerely,



A.J. Holloway
Mayor



Comprehensive Annual
Financial Report

Fiscal Year Ended
September 30, 2002

Prepared by the City of Biloxi
Department of Administration

<http://biloxi.ms.us>

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Introductory Section

City of Biloxi

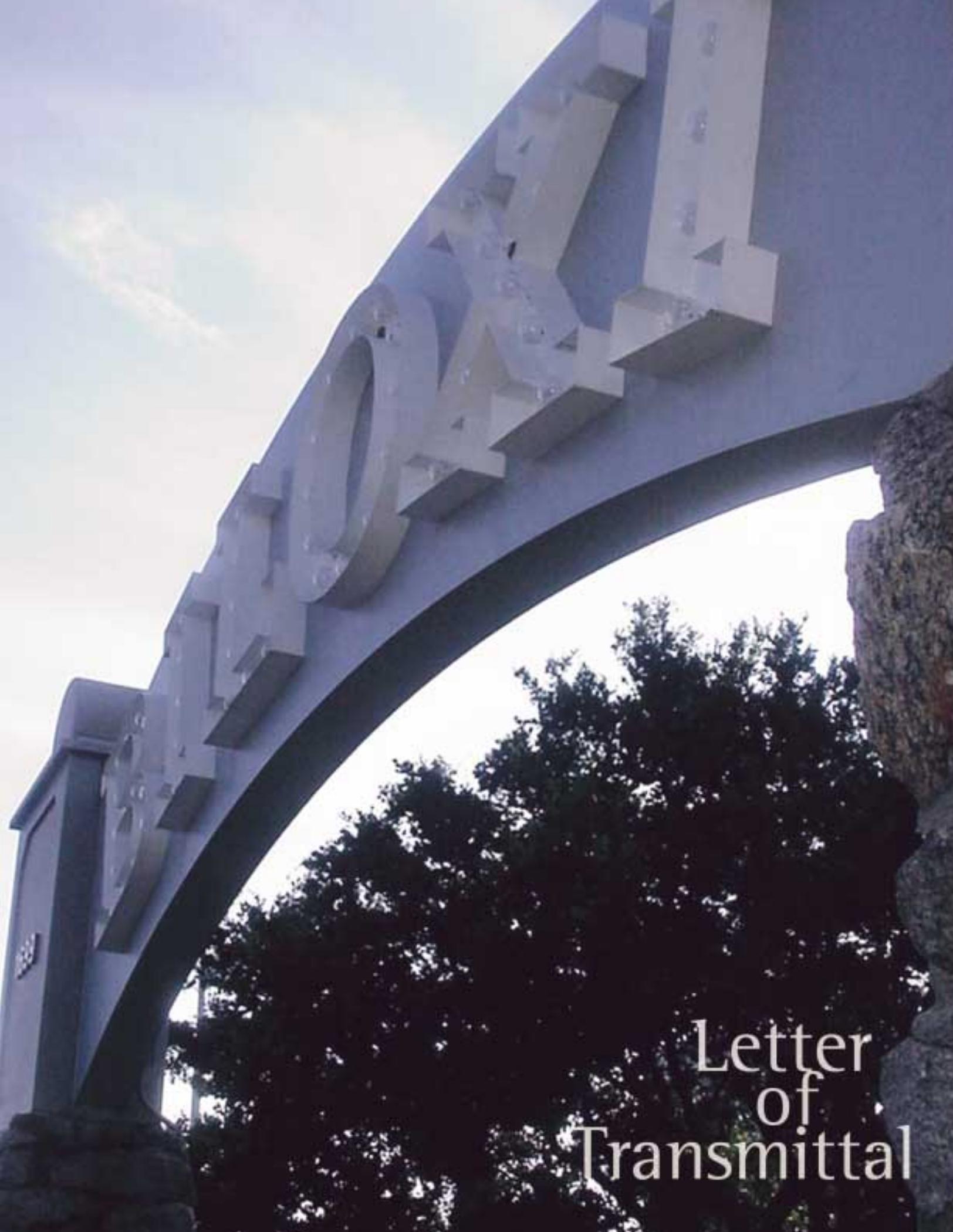
Listing of City Officials as of September 30, 2002

Elected Officials

Mayor	A.J. Holloway
Councilman Ward 1	George Lawrence
Councilman Ward 2	Eric E. Dickey
Councilman Ward 3	Jim Compton
Councilman Ward 4	Charles T. Harrison, Jr.
Councilman Ward 5	Mike Fitzpatrick
Councilman Ward 6	Tom Wall
Councilman Ward 7	David Fayard

Appointed Officials

Chief Administrative Officer	James B. Borsig
City Clerk	Brenda Johnston
Director of Police Department	Bruce Dunagan
Director of Fire Department	David Roberts
Director of Public Works	Richard Sullivan
Director of Community Development	David Staehling
Director of Parks and Recreation	Nathan Sullivan
Director of Legal Department	Ronald Cochran



Letter
of
Transmittal

Mayor
A.J. Holloway

City Council
Ward 1: George Lawrence
Ward 2: Eric Dickey
Ward 3: Jim Compton
Ward 4: Charles T. Harrison Jr.
Ward 5: Mike Fitzpatrick
Ward 6: Tom Wall
Ward 7: David Fayard



P.O. Box 429
Biloxi, MS 39533
<http://biloxi.ms.us>

February 28, 2003

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, 2002. The Administration Department 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, 2002 and results of operations for the fiscal year then ended.

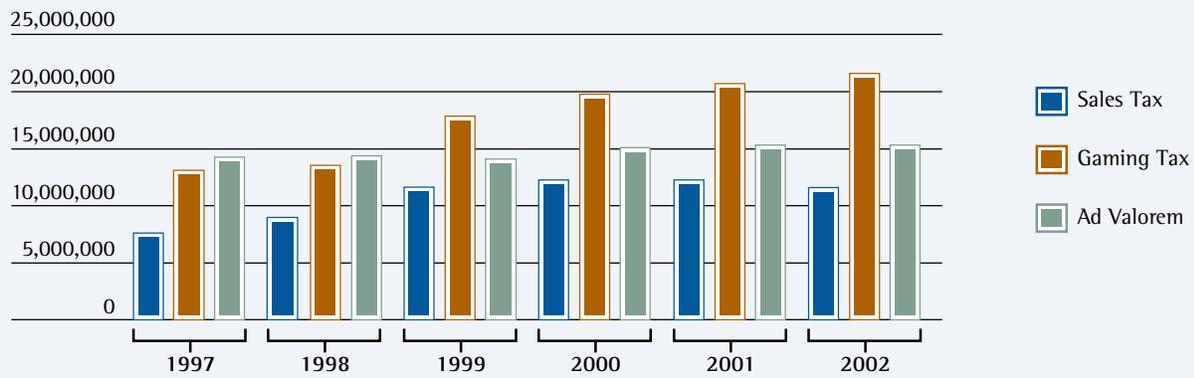
This report is divided into the following sections:

- **The Introductory Section** – contains this Letter of Transmittal and a listing of City Officials.
- **The Financial Section** – contains the report of the City's independent auditors; the general purpose financial statements, notes and supplemental information; the combining financial statements of individual funds by fund type and account groups; and schedules.
- **The Compliance Section** – contains all schedules and reports required for a Single Audit.
- **The Statistical Section** – contains several schedules of historical financial information and other statistical data concerning the City of Biloxi.

The Reporting Entity

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 included in the financial statements of the City of Biloxi within the proprietary fund type group.

CITY OF BILOXI - MAJOR REVENUES (FIGURE 1)



Economic Condition and Outlook

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 Metropolitan Statistical Area. 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 Station Pascagoula, Naval Construction Battalion Center-Gulfport and Northrop Grumman’s Ingalls Shipbuilding are located within this metropolitan statistical area.

During the fiscal year ended September 30, 2002, the City’s major revenues, property tax, sales tax and gaming tax together resulted in a net increase of approximately \$300,000. However, included in this net increase was a decrease in sales tax revenue of \$579,710 (Fig. 1).

Figure 1

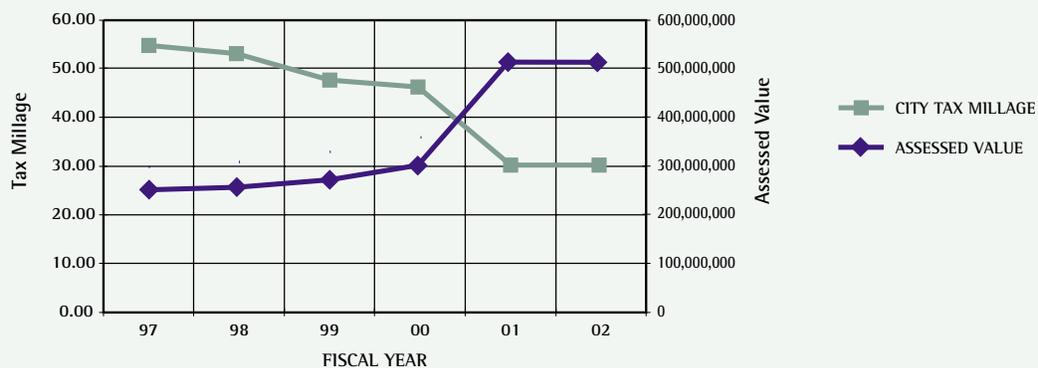
Revenues from local taxes on casino gaming have allowed Biloxi’s governing authority to reduce property tax rates while increasing municipal services and capital spending. Because of the significant growth in the City’s tax base (assessed value), property tax revenues have trended upward even though the City’s governing authorities have reduced the City’s property tax rate significantly over the last few years (Fig. 2).

Figure 2

During the fiscal year 01/02, the City issued 1,280 building permits with a total valuation of \$70,899,366. The number of building permits issued increased although the valuation of total building permits decreased. The decrease in value of permits is attributable to several unusually large building permits that were issued in the prior year.

Unemployment in Biloxi averaged 5.9% during the twelve months ended September 30, 2002. During the same period monthly unemployment percentages averaged 4.8% in Harrison County, 5.1% in the Biloxi-Gulfport-Pascagoula Metropolitan Statistical Area.

CITY OF BILOXI - TAX BASE & TAX RATE (FIGURE 2)



Major Initiatives

Public safety and capital improvements have been given special attention by the City's governing authority over the last few years. Spending for public safety (police and fire protection) has tripled since 1992. The City has increased the number of police and fire personnel and increased their compensation in order to attract and retain these employees. The City is committed to equipping its personnel with the tools necessary to do their jobs safely and effectively.

At the end of fiscal year 01/02 the City had 59 capital projects in progress totaling \$79,000,000 including Caillavet Street redevelopment, Bayview Avenue reconstruction, Popp's Ferry Road widening, Popp's Ferry Recreation Area, various water and sewer improvement projects and a multitude of other street, drainage, recreational and historic building preservation projects.



As part of its continuing efforts to enhance fire protection in the city, Biloxi purchased a fire-fighting vessel in the '01-'02 budget year.

The City of Biloxi continued to make significant investments in upgrading streets and drainage in the '01-'02 budget year.



Financial Information

A fund is a fiscal and an accounting entity with a self-balancing set of accounts recording transactions in assets, liabilities, revenues, expenditures and fund balances. Governmental entities utilize fund accounting in order to segregate resources and demonstrate accountability for the use of those resources. A discussion of the various fund types is presented in Note 1 in "Notes to Combined Financial Statements." The governmental entity may have more than one fund of any type. For instance, the City of Biloxi has several capital project funds because the proceeds of each bond issue are accounted for in a separate capital project fund. There are three broad categories of fund types – governmental funds, proprietary funds and fiduciary funds. Governmental funds include general, special revenue, debt service and capital project funds. Proprietary funds include enterprise and internal service funds. Proprietary funds are used to account for operations that are financed like commercial business, by recovering costs of services or goods through user charges. Fiduciary funds are used to account for assets held by the government in a trustee capacity or as an agent for the asset owners.

This brings us to the discussion of "basis of accounting." Governmental funds use the modified accrual basis while most enterprise funds use the accrual basis. The difference between modified accrual and accrual is when revenues are recorded. Governmental funds recognize and record revenues when they are available for use and can be measured in dollars (modified accrual). Proprietary funds record revenues when they are earned, in the period

when the services that generated the revenues are provided by the governmental entity (accrual basis).

The financial statements of the City are presented in a pyramid approach. First are the financial statements of all the funds combined by fund type with a separate column for each fund type. This section is titled the General Purpose Financial Statements (Overview). Here, separate statements of revenues and expenditures (expenses) are presented for proprietary fund types and general governmental fund types because of the difference in accounting basis for the two fund types; accrual for proprietary and modified accrual for general governmental fund types. Subsequent sections of the financial statements present more detailed information on individual funds.

In the General Purpose Financial Statements you will also find a revenue and expense statement that compares actual amounts to budgeted amounts. This statement is titled “Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual - Governmental Fund Types.” Its purpose is to demonstrate the City’s compliance with the budgetary spending limits set by the Mayor and City Council. As required by Mississippi Statutes, the budget and actual results displayed in this statement are prepared using a modified cash method which means, revenues are recorded when received and expenditures are recorded when encumbered and paid within thirty days of the fiscal year-end. Notice the phrase Non-GAAP Basis in the title. This means that the modified cash basis of accounting is used in this statement rather than the modified accrual basis of accounting.

Next are the financial statements of individual funds. This is where the individual funds of each type (general, special revenue, etc.) are combined. The totals of each fund type are brought forward to the General Purpose Financial Statements. The financial statements of individual funds present more detailed information than those in the General Purpose Financial Statements.

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 department directors’ 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. 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 by the administration, the City Council will publish the proposed budget and invite public comment on the taxing and spending plan at a special public hearing. After considering public input, the Council adopts a budget for the coming year and sets the property tax rate at a level that will generate the property tax revenue projected in the budget.

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 departments’ various divisions and sections. Constraints within the financial accounting process prohibit 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.

General Governmental Revenues

General governmental funds are used to account for most City functions and operations including the various City departments, the City’s retirement funds, Community Development Block Grants, capital projects, and the City’s debt payments. Figure 3 illustrates the relative amounts of various general governmental revenues for the fiscal year 01/02. The City’s three largest sources of revenues for general governmental functions are gaming tax, ad valorem tax and sales tax.

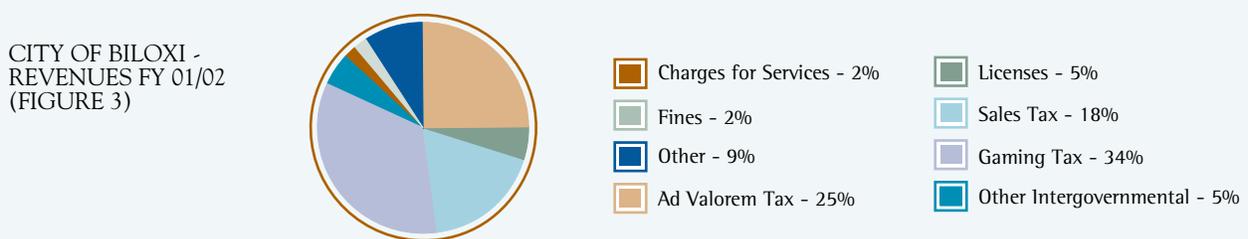


Figure 3

Gaming tax and sales tax are shown separately here but are included in the City’s combined 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, taxes collected by 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.

Class of Property.....	Ratio
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 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.

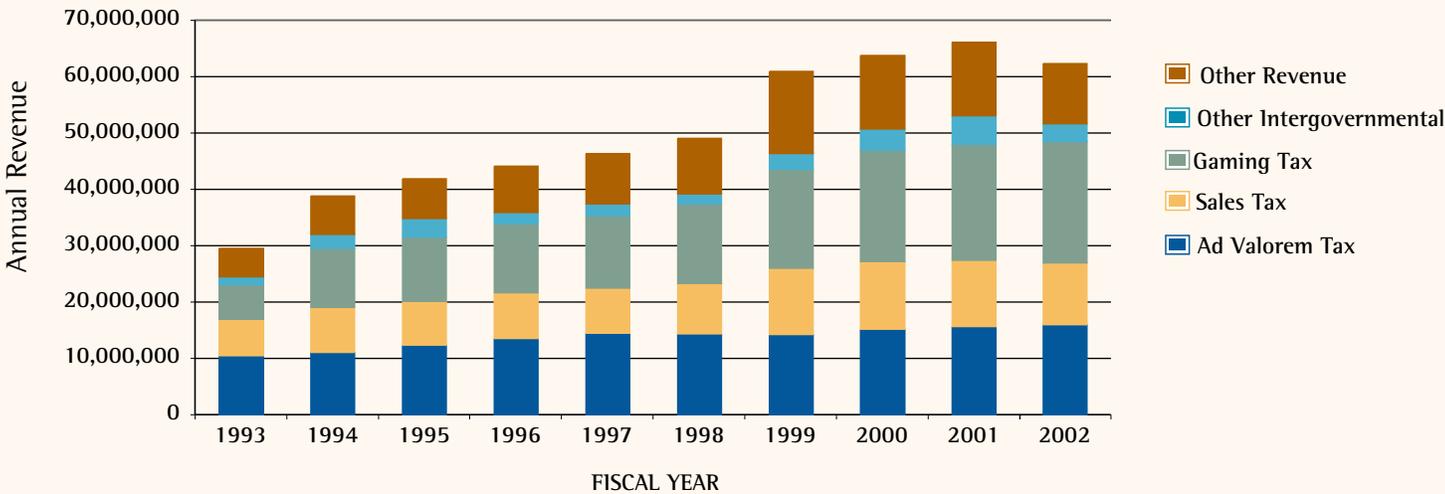
House Bill 1504, Regular Session of 1992 (Local and Private Legislation) provided for a tax of three and two tenths of one percent (3.2%) of gross gaming revenue. On the tenth day of each month the State Tax Commission remits the taxes collected in the previous month to the municipality to be distributed 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, casinos pay a tax of 8% on gross gaming revenue to the state of Mississippi.

Figure 4 illustrates the trend in annual totals for each of the City’s revenue sources. Casino gaming and the resulting gaming taxes were implemented in 1992, and since that time, gaming tax revenues have become the single largest revenue source for the City.

CITY OF BILOXI - GENERAL GOVERNMENTAL REVENUES (FIGURE 4)

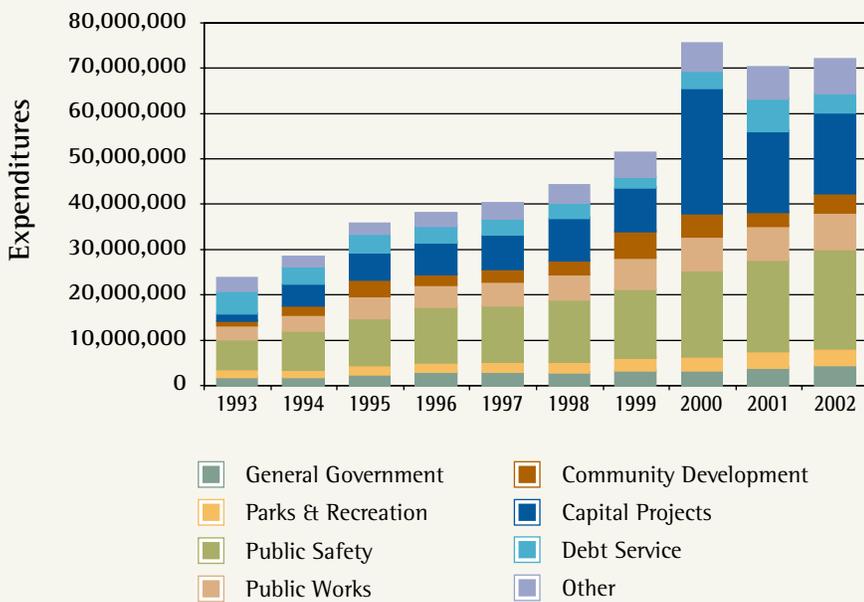


General Governmental Expenditures

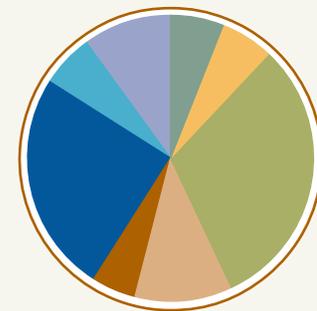
Figure 5 illustrates the trends in City spending for general governmental functions. Public safety and capital projects are the largest expenditure categories of the City.

Figure 6 illustrates the relative size of total expenditures for each general governmental function for the fiscal year 01/02.

CITY OF BILOXI - GENERAL GOVERNMENTAL EXPENDITURE TRENDS (FIGURE 5)



CITY OF BILOXI - GENERAL GOVERNMENT EXPENDITURES FY 01/02 (FIGURE 6)



Fund Balances

The difference between a fund's assets and its liabilities is its fund balance. The surplus or deficit of annual total revenues over expenditures of a fund is accumulated in the fund's fund balance. Some portion of fund balance, called reserved fund balance, represents assets that are not currently expendable such as long-term receivables. The unreserved fund balance at the end of a year represents the net assets available for appropriation and expenditure in the subsequent year. Because revenues are not received pro rata over the fiscal year, governmental funds need adequate fund balances to sustain operations just as commercial entities need working capital. A municipal government's fund balance at the end of each fiscal year is one measure of the government's fiscal health.

General Fund – The City of Biloxi's General Fund fund balance has increased significantly since 1992 because of growth in revenues, especially gaming tax revenues. Since 1992, the City's governing authority has budgeted capital project spending, each year, that would have depleted the fund balance had the budgeted projects been completed within the year. However, the size and number of these projects and the constraints of engineering, planning, staffing and acquisition have extended the expenditure of budgeted monies over several years. This lag between the appropriation of resources and actual completion of projects has caused a temporary accumulation of fund balance in the City's General Fund. At September 30, 2002 the City's General Fund ending fund balance, measured on the cash basis, was approximately \$32,000,000. Most of the City's General Fund fund balance, except a portion necessary for adequate working capital, will be used to fund capital project spending as the projects progress.

Water/Sewer Fund – Total fund equity of the City's Water/Sewer Fund remained stable at approximately \$37,000,000. Revenues and other Water/Sewer Fund resources were adequate to pay the cost of operations and debt service. The Water/Sewer Fund's capital project expenditures which totaled approximately \$1,775,568 were funded by transfers from the General Fund (\$815,358), from Bond Funds (\$454,447) and from Water and Sewer Funds (\$505,733).

Retirement Funds – The City of Biloxi has two retirement funds, the Fire and Police Disability and Relief Fund and the Employees' Disability and Relief Fund. These funds receive the avails of ad valorem taxes levied to fund the retirement benefits of retired employees who were members of these two retirement programs. These retirement programs have been closed to new membership since 1976. Only a few, long-time, active employees are members of these retirement programs. The Public Employees' Retirement System of Mississippi (PERS) has administered these retirement programs since 1987. The City of Biloxi levies a millage adequate to fund the retirement benefits as paid. The two City funds are conduits for the tax revenues collected and sent to PERS. The tax revenues are sent to PERS as collected. These funds have zero fund balances since all fund assets are owed to PERS. All other City employees are covered by the State's Public Employees' Retirement System. Please refer to Note 13 in the Notes to Combined Financial Statements for more detailed information on the City's retirement programs.

Other Funds – The fund balances of the City's other funds are adequate for the needs of each fund.

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 from a utility system.

At the beginning of the fiscal year the City of Biloxi had outstanding debt including general obligation bonds, one limited obligation bond issue, one revenue bond issue, and pollution control loans. These outstanding debts totaled \$37,713,458 at the beginning of the fiscal year 01/02. During the year, the City borrowed new debt totaling \$500,000 and consisting of the following:

- \$500,000 Mississippi Development Authority loan for Harrison County Development Commission for Gulf Coast Business Technology Center.

During the fiscal year 01/02, the City repaid \$2,725,615 of principal and \$1,865,013 of interest. In the Supplemental Information section of the financial report is a schedule titled Schedule of Long-Term Debt, which discloses the beginning balances of each debt, new debt incurred and the principal amount paid during the year.

State laws limit the amount of debt a municipality may incur. General obligation bonded debt, excluding debt issued for utility purposes, is limited to 15% of assessed valuation. The City's assessed valuation for tax year 2001 (taxes to be collected in 2002) was \$520,839,739; therefore, the limit on general obligation bonded debt during the year was \$78,125,961. The City's outstanding general obligation bonded debt, excluding debt issued for utility purposes, totaled \$21,736,865 at September 30, 2002. All debt, excluding utility revenue debt and tax increment financing bonds, is subject to a limit of 20% of assessed value. This 20% limit was \$104,167,948 during the fiscal year. The City's outstanding debt subject to the 20% limit was \$23,707,843 at September 30, 2002. The assessed value of the City of Biloxi for tax year 2001 (taxes to be collected in 2002) increased \$10,327,078 over the previous year – an increase of 2%. Reappraisal, additions to the tax rolls, and an annexation were all significant causes of the increase. The increase in total assessed valuation consequently increased the debt limitations applicable to the City by \$2,065,416.

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. The latest rating given to a City of Biloxi bond issue by Standard and Poor's Ratings Group was a rating of "A." Moody's Investor's Service has rated the City's general obligation issues A2.

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 employs a full time Risk Manager / Safety Officer and 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.

Audit

Section 21-35-31, Mississippi Code of 1972 requires Mississippi municipalities to obtain an independent audit of their financial statements. The auditor examines and tests records and other evidence supporting the figures reported in the City's financial statements. The auditor's work provides a basis for the auditor to express an opinion concerning the fairness of the financial statements and whether or not the financial statements are presented in conformance with generally accepted accounting principles. 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.

Respectfully submitted,



W. L. Lanham, Controller



James B. Borsig, Chief Administrative Officer

Financial Section



Independent Auditors' Report

To the City Council
City of Biloxi
Biloxi, Mississippi

We have audited the accompanying general purpose financial statements of the City of Biloxi, Mississippi, as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Biloxi, Mississippi's management. Our responsibility is to express an opinion on these general purpose 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 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 opinion.

In our opinion, the general purpose financial statement referred to above present fairly, in all material respects, the financial position of the City of Biloxi, Mississippi, as of September 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds 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 issued our report dated December 20, 2002, on our consideration of the City of Biloxi, Mississippi's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, as well as the combining and individual fund and account group financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



Certified Public Accountants
Biloxi, Mississippi
December 20, 2002



General Purpose
Financial Statements
Overview

City of Biloxi – Combined Balance Sheet –
All Fund Types and Account Groups
September 30, 2002

Governmental Fund Types

Assets	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Cash and cash equivalents.....	\$ 25,231,272	\$ 78,867	\$ 2,880,762	\$ 466,458
Investments.....	6,979,299	-	545,335	3,418,900
Receivables:				
Taxes.....	4,343,506	18,831	22,939	-
Customer accounts, net.....	52,233	-	-	-
Grants and other.....	529,314	1,884	542,900	46,219
Customer accounts receivable earned but not billed.....	-	-	-	-
Due from other City funds.....	2,470,530	13,519	-	2,384,491
Prepays.....	663,569	-	-	-
Cemetery lots.....	62,046	-	-	-
Supplies inventory, at cost.....	2,718	-	-	-
Mortgage loans receivable.....	-	298,828	-	-
Restricted assets:				
Cash and cash equivalents.....	-	-	-	-
Investments.....	-	-	-	-
Due from other City funds.....	-	-	-	-
Land inventory.....	-	64,917	-	-
Fixed assets.....	-	-	-	-
Amount available in Debt Service Funds.....	-	-	-	-
Amount to be provided for retirement of general long-term debt.....	-	-	-	-
Amount to be provided for compensated absences.....	-	-	-	-
Total assets.....	\$ 40,334,487	\$ 476,846	\$ 3,991,936	\$ 6,316,068

Proprietary Fund Type		Fudiciary Fund Type		Account Groups		TOTALS (Memorandum Only)	
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust & Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>September 30, 2002</u>	<u>September 30, 2001</u>	
\$ 7,841,119	\$ -	\$ 548,597	\$ -	\$ -	\$ 37,047,075	\$ 10,212,871	
-	-	-	-	-	10,943,534	46,061,409	
-	-	-	-	-	4,492,883	4,558,336	
-	-	107,607	-	-	1,034,271	975,167	
982,038	-	-	-	-	1,120,317	2,087,712	
-	-	-	-	-	738,871	526,186	
738,871	-	-	-	-	4,868,540	6,131,508	
-	-	-	-	-	722,691	457,175	
59,122	-	-	-	-	62,046	72,222	
-	-	-	-	-	28,502	28,502	
25,784	-	-	-	-	298,828	255,184	
888,626	4,937,513	-	-	-	5,826,139	3,674,148	
-	563	-	-	-	563	1,179,439	
-	99,627	-	-	-	99,627	79,626	
30,139,098	-	-	72,457,857	-	64,917	64,917	
-	-	-	-	-	102,596,955	96,387,759	
-	-	-	-	-	3,383,721	3,920,177	
-	-	-	-	-	30,133,144	31,724,196	
-	-	-	-	-	2,714,719	2,039,765	
\$ 40,674,658	\$ 5,037,703	\$ 656,204	\$ 72,457,857	\$ 36,231,584	\$ 206,177,343	\$ 210,436,299	

"Continued"

See the Notes to Combined Financial Statements

City of Biloxi – Combined Balance Sheet –
All Fund Types and Account Groups *(Continued)*
September 30, 2002

Liabilities & Fund Equity	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities				
Accounts payable and accrued liabilities.....	\$ 2,554,952	\$ 109,068	\$ 65,314	\$ 2,897,168
Notes payable, current portion.....	-	-	-	-
Due to other City funds.....	1,998,624	-	-	2,850,582
Deferred revenue.....	143,637	363,745	-	-
Payable from restricted assets:				
Accounts payable and accrued liabilities.....	-	-	-	-
Customer deposits.....	-	-	-	-
Estimated liability for self-insured risk and claims.....	-	-	-	-
General obligation bonds and notes payable, long-term portion.....	-	-	-	-
General obligation bonds and notes payable.....	-	-	-	-
Limited obligation bonds payable.....	-	-	-	-
Accrued compensated absences.....	-	-	-	-
Total liabilities.....	4,697,213	472,813	65,314	5,747,750
Fund equity				
Investment in general fixed assets.....	-	-	-	-
Contributed capital, municipality.....	-	-	-	-
Retained earnings:				
Reserved.....	-	-	-	-
Unreserved.....	-	-	-	-
Fund balances:				
Reserved.....	815,112	-	3,926,622	568,318
Unreserved:				
Designated.....	22,728,886	-	-	-
Undesignated.....	12,093,276	4,033	-	-
Total fund equity.....	35,637,274	4,033	3,926,622	568,318
Total liabilities and fund equity.....	\$ 40,334,487	\$ 476,846	\$ 3,991,936	\$ 6,316,068

Proprietary Fund Type		Fudiciary Fund Type		Account Groups		TOTALS (Memorandum Only)	
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust & Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>September 30, 2002</u>	<u>September 30, 2001</u>	
\$ 67,519	\$ -	\$ 107,607	\$ -	\$ -	\$ 5,801,628	\$ 5,999,336	
110,416	-	-	-	-	110,416	101,303	
118,961	-	-	-	-	4,968,167	6,211,134	
-	-	-	-	-	507,382	438,635	
25,622	-	-	-	-	25,622	44,890	
863,004	-	-	-	-	863,004	842,070	
-	5,037,703	-	-	-	5,037,703	4,018,004	
1,860,562	-	-	-	-	1,860,562	1,967,783	
-	-	-	-	21,736,865	21,736,865	23,994,373	
-	-	-	-	11,780,000	11,780,000	11,650,000	
-	-	-	-	2,714,719	2,714,719	2,039,765	
3,046,084	5,037,703	107,607	-	36,231,584	55,406,068	57,307,293	
-	-	-	72,457,857	-	72,457,857	66,792,926	
12,220,248	-	-	-	-	12,220,248	12,220,248	
181,333	-	-	-	-	181,333	209,582	
25,226,993	-	-	-	-	25,226,993	24,610,249	
-	-	548,597	-	-	5,858,649	12,067,283	
-	-	-	-	-	22,728,886	22,982,358	
-	-	-	-	-	12,097,309	14,246,360	
37,628,574	-	548,597	72,457,857	-	150,771,275	153,129,006	
\$ 40,674,658	\$ 5,037,703	\$ 656,204	\$ 72,457,857	\$ 36,231,584	\$ 206,177,343	\$ 210,436,299	

See the Notes to Combined Financial Statements

City of Biloxi – Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Funds
For the Year ended September 30, 2002

	Governmental Fund Types	
	General	Special Revenue
Revenues		
Ad valorem taxes	\$ 9,208,814	\$ 2,722,871
Licenses and permits	3,320,782	–
Intergovernmental	34,190,062	644,524
Charges for services.....	1,213,723	–
Fines	1,133,113	–
Other	4,425,758	208,783
Total revenues	53,492,252	3,576,178
Expenditures		
Current:		
General government.....	4,159,184	–
Parks and recreation	4,254,332	–
Public safety	22,203,686	–
Public works.....	7,639,287	–
Community development.....	2,682,095	1,095,299
Non-departmental	4,816,858	–
Benefit payments.....	–	2,722,871
Capital outlay, projects	–	–
Debt service:		
Principal retirement	–	–
Interest, paying agent fees and other.....	–	–
Total expenditures.....	45,755,442	3,818,170
Excess (deficiency) of revenues over expenditures	7,736,810	(241,992)
Other financing sources (uses)		
Bond proceeds	–	–
Operating transfers from other funds.....	–	61,113
Operating transfers to other funds.....	(9,715,001)	–
Total other financing sources (uses)	(9,715,001)	61,113
Excess (deficiency) of revenues and other financing sources over expenditures and other uses.....	(1,978,191)	(180,879)
Fund balances, beginning of year	37,615,465	184,912
Fund balances, end of year	\$ 35,637,274	\$ 4,033

Governmental Fund Types		Fiduciary Fund Type	TOTALS (Memorandum Only)	
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Year Ended September 30, 2002</u>	<u>Year Ended September 30, 2001</u>
\$ 3,856,789	\$ -	\$ -	\$ 15,788,474	\$ 15,570,922
-	-	-	3,320,782	3,403,789
542,900	723,850	-	36,101,336	37,451,946
-	-	-	1,213,723	1,174,942
-	-	-	1,133,113	1,387,709
55,761	79,909	10,470	4,780,681	7,069,911
4,455,450	803,759	10,470	62,338,109	66,059,219
-	-	-	4,159,184	3,886,516
-	-	-	4,254,332	3,839,485
-	-	-	22,203,686	20,080,649
-	-	-	7,639,287	7,506,841
-	-	-	3,777,394	2,944,613
-	-	-	4,816,858	4,155,396
-	-	5,240	2,728,111	2,690,011
-	18,041,127	-	18,041,127	17,726,160
2,627,508	-	-	2,627,508	5,389,627
1,821,497	-	-	1,821,497	2,026,245
4,449,005	18,041,127	5,240	72,068,984	70,245,543
6,445	(17,237,368)	5,230	(9,730,875)	(4,186,324)
-	500,000	-	500,000	3,025,000
-	16,817,277	-	16,878,390	12,853,018
-	(6,544,160)	-	(16,259,161)	(15,702,744)
-	10,773,117	-	1,119,229	175,274
6,445	(6,464,251)	5,230	(8,611,646)	(4,011,050)
3,920,177	7,032,569	519,175	49,272,298	53,283,348
\$ 3,926,622	\$ 568,318	\$ 524,405	\$ 40,660,652	\$ 49,272,298

See the Notes to Combined Financial Statements

City of Biloxi – Combined Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget (Non-GAAP Basis) and Actual-Governmental Fund Types
For the Year ended September 30, 2002

	General Fund			Special Revenue Fund Type		
	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues						
Taxes	\$ 9,085,664	\$ 9,210,397	\$ 124,733	\$ 2,726,456	\$ 2,723,358	\$ (3,098)
Licenses and permits	2,998,999	3,307,414	308,415	–	–	–
Intergovernmental	33,766,823	34,867,060	1,100,237	1,595,160	646,105	(949,055)
Charges for services	906,399	1,223,413	317,014	–	–	–
Fines	1,459,999	1,133,113	(326,886)	–	–	–
Other	5,208,239	4,608,950	(599,289)	183,763	193,696	9,933
Total revenues	<u>53,426,123</u>	<u>54,350,347</u>	<u>924,224</u>	<u>4,505,379</u>	<u>3,563,159</u>	<u>(942,220)</u>
Expenditures						
Administration	2,769,550	2,612,892	156,658	–	–	–
Executive	324,191	283,879	40,312	–	–	–
Legislative	578,444	509,278	69,166	–	–	–
Judicial	237,234	229,943	7,291	–	–	–
Legal	540,568	509,854	30,714	–	–	–
Parks and recreation	5,165,818	4,234,332	931,486	–	–	–
Public safety	25,026,831	22,243,896	2,782,935	–	–	–
Public works	8,450,027	7,646,820	803,207	–	–	–
Community development	3,615,680	2,670,910	944,770	1,853,423	1,095,299	758,124
Non-departmental	5,715,395	5,053,076	662,319	–	–	–
Benefit payments	–	–	–	2,726,456	2,723,358	3,098
Capital Projects	–	–	–	–	–	–
Debt Service	–	–	–	–	–	–
Total expenditures	<u>52,423,738</u>	<u>45,994,880</u>	<u>6,428,858</u>	<u>4,579,879</u>	<u>3,818,657</u>	<u>761,222</u>
Excess (deficiency)	<u>1,002,385</u>	<u>8,355,467</u>	<u>7,353,082</u>	<u>(74,500)</u>	<u>(255,498)</u>	<u>(180,998)</u>
Other financing sources (uses)						
Proceeds from bonds and notes ..	–	–	–	–	–	–
Sale of assets	–	–	–	–	15,000	15,000
Operating transfers received	–	–	–	74,500	61,113	(13,387)
Operating transfers made	(29,849,470)	(10,175,306)	19,674,164	–	–	–
Total other financing sources (uses)	<u>(29,849,470)</u>	<u>(10,175,306)</u>	<u>19,674,164</u>	<u>74,500</u>	<u>76,113</u>	<u>1,613</u>
Excess (deficiency)	<u>\$(28,847,085)</u>	<u>(1,819,839)</u>	<u>\$ 27,027,246</u>	<u>\$ –</u>	<u>(179,385)</u>	<u>\$(179,385)</u>
Fund balances, beginning of year, budget basis	<u>–</u>	<u>33,923,476</u>	<u>–</u>	<u>–</u>	<u>181,534</u>	<u>–</u>
Fund balances, end of year, budget basis	<u>–</u>	<u>\$ 32,103,637</u>	<u>–</u>	<u>–</u>	<u>\$ 2,149</u>	<u>–</u>

See the Notes to Combined Financial Statements

Debt Service Fund Type			Capital Projects Fund Type			TOTALS (Memorandum Only)		
<u>Amended</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Amended</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Amended</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
\$ 3,855,122	\$ 3,857,380	\$ 2,258	\$ -	\$ -	\$ -	\$ 15,667,242	\$ 15,791,135	\$ 123,893
-	-	-	-	-	-	2,998,999	3,307,414	308,415
-	-	-	1,277,234	1,202,334	(74,900)	36,639,217	36,715,499	76,282
-	-	-	-	-	-	906,399	1,223,413	317,014
-	-	-	-	-	-	1,459,999	1,133,113	(326,886)
664,433	55,760	(608,673)	100,000	79,908	(20,092)	6,156,435	4,938,314	(1,218,121)
4,519,555	3,913,140	(606,415)	1,377,234	1,282,242	(94,992)	63,828,291	63,108,888	(719,403)
-	-	-	-	-	-	2,769,550	2,612,892	156,658
-	-	-	-	-	-	324,191	283,879	40,312
-	-	-	-	-	-	578,444	509,278	69,166
-	-	-	-	-	-	237,234	229,943	7,291
-	-	-	-	-	-	540,568	509,854	30,714
-	-	-	-	-	-	5,165,818	4,234,332	931,486
-	-	-	-	-	-	25,026,831	22,243,896	2,782,935
-	-	-	-	-	-	8,450,027	7,646,820	803,207
-	-	-	-	-	-	5,469,103	3,766,209	1,702,894
-	-	-	-	-	-	5,715,395	5,053,076	662,319
-	-	-	-	-	-	2,726,456	2,723,358	3,098
-	-	-	54,105,293	17,873,580	36,231,713	54,105,293	17,873,580	36,231,713
4,537,596	4,455,103	82,493	-	-	-	4,537,596	4,455,103	82,493
4,537,596	4,455,103	82,493	54,105,293	17,873,580	36,231,713	115,646,506	72,142,220	43,504,286
(18,041)	(541,963)	(523,922)	(52,728,059)	(16,591,338)	36,136,721	(51,818,215)	(9,033,332)	42,784,883
-	-	-	9,202,165	500,000	(8,702,165)	9,202,165	500,000	(8,702,165)
-	-	-	-	-	-	-	15,000	15,000
-	-	-	50,228,994	16,171,247	(34,057,747)	50,303,494	16,232,360	(34,071,134)
-	-	-	(15,087,353)	(6,090,748)	8,996,605	(44,936,823)	(16,266,054)	28,670,769
-	-	-	44,343,806	10,580,499	(33,763,307)	14,568,836	481,306	(14,087,530)
\$(18,041)	(541,963)	\$(523,922)	\$(8,384,253)	(6,010,839)	\$ 2,373,414	\$(37,249,379)	(8,552,026)	\$ 28,697,353
-	3,919,640	-	-	6,859,779	-	-	44,884,429	-
-	\$ 3,377,677	-	-	\$ 848,940	-	-	\$ 36,332,403	-

See the Notes to Combined Financial Statements

City of Biloxi – Combined Statement of Revenues, Expenditures and Changes in Retained Earnings/Fund Balances – All Proprietary Fund Types and Similar Trust Funds
For the Year ended September 30, 2002

	Proprietary Fund Type		Fiduciary Fund Type	TOTALS (Memorandum Only)	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	<u>Year Ended September 30,</u> <u>2002</u> <u>2001</u>	
Operating revenues					
Charges for services	\$ 9,266,078	\$ 5,472,809	\$ -	\$ 14,738,887	\$ 14,068,108
Rent income	18,991	-	-	18,991	19,523
Other.....	5,700	-	-	5,700	-
Total operating revenues	9,290,769	5,472,809	-	14,763,578	14,087,631
Operating expenses					
Contracted services and other services and charges.....	8,778,061	-	-	8,778,061	8,524,977
Insurance and claims expense	-	5,472,809	-	5,472,809	5,615,149
Depreciation	1,231,303	-	-	1,231,303	1,117,076
Total operating expenses	10,009,364	5,472,809	-	15,482,173	15,257,202
Operating income (loss).....	(718,595)	-	-	(718,595)	(1,169,571)
Non-operating revenues (expenses)					
Interest expense.....	(62,742)	-	-	(62,742)	(55,346)
Interest income.....	213,494	-	490	213,984	405,658
Total non-operating revenues (expenses)	150,752	-	490	151,242	350,312
Income (loss) before operating transfers.....	(567,843)	-	490	(567,353)	(819,259)
Operating transfers in.....	2,303,127	-	-	2,303,127	2,849,727
Operating transfers out.....	(1,146,789)	-	-	(1,146,789)	
Operating transfers, net.....	1,156,338	-	-	1,156,338	2,849,727
Net income (loss).....	588,495	-	490	588,985	2,030,468
Retained earnings/fund balances, beginning of year	24,819,831	-	23,702	24,843,533	22,813,065
Retained earnings/fund balances, end of year	\$ 25,408,326	\$ -	\$ 24,192	\$ 25,432,518	\$ 24,843,533

See the Notes to Combined Financial Statements

City of Biloxi – Combined Statement of Cash Flows – All Proprietary Fund Types and Similar Trust Funds

For the Year ended September 30, 2002

	Proprietary Fund Type		Fiduciary Fund Type	TOTALS (Memorandum Only)	
	Enterprise	Internal Service	Non- Expendable Trust	Year Ended September 30, 2002 2001	
Cash flows from operating activities					
Operating income (loss).....	\$(718,595)	\$ -	\$ -	\$(718,595)	\$(1,169,571)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,231,303	-	-	1,231,303	1,117,076
Changes in assets and liabilities:					
Accounts receivable	(269,815)	-	-	(269,815)	51,504
Prepays.....	(29,297)	-	-	(29,297)	208,586
Accounts payable and accrued liabilities	(5,314)	-	-	(5,314)	(2,578)
Claims payable.....	-	1,019,698	-	1,019,698	1,207,714
Customer deposits	20,934	-	-	20,934	31,305
Interfund borrowings.....	694,862	(39,270)	-	655,592	358,626
Net cash provided by operating activities....	924,078	980,428	-	1,904,506	1,802,662
Cash flows from non-capital financing activities					
Transfers from other funds.....	527,559	-	-	527,559	-
Transfers to other funds.....	(641,027)	-	-	(641,027)	596,170
Net cash provided by (used in) non-capital financing activities	(113,468)	-	-	(113,468)	596,170
Cash flows from capital and related financing activities					
Transfers from other fund	1,269,806	-	-	1,269,806	2,253,557
Proceeds from SRF loan	-	-	-	-	986,179
Fixed asset additions.....	(1,775,567)	-	-	(1,775,567)	(3,260,597)
Repayment of long-term debt	(98,108)	-	-	(98,108)	(235,698)
Interest payments on long-term debt	(62,742)	-	-	(62,742)	(55,346)
Net cash used in capital and related financing activities	(666,611)	-	-	(666,611)	(311,905)
Cash flows from investing activities					
Interest revenue.....	213,494	-	490	213,984	405,658
Investments purchased	(1,688,377)	(1,201,957)	-	(2,890,334)	(14,085,781)
Investments matured	6,800,000	2,380,833	-	9,180,833	12,841,223
Net cash provided by (used in) investing activities.....	5,325,117	1,178,876	490	6,504,483	(838,900)
Net increase in cash	5,469,116	2,159,304	490	7,628,910	1,248,027
Cash and cash equivalents, beginning of year..	3,260,629	2,778,209	23,702	6,062,540	4,814,513
Cash and cash equivalents, end of year.....	\$ 8,729,745	\$ 4,937,513	\$ 24,192	\$ 13,691,450	\$ 6,062,540
Reconciliation of cash and cash equivalents					
Cash and cash equivalents	\$ 7,841,119	\$ -	\$ 548,597	\$ 8,389,716	\$ 2,659,004
Cash and cash equivalents, restricted	888,626	4,937,513	-	5,826,139	3,674,148
Totals, per combined financial statements...	8,729,745	4,937,513	548,597	14,215,855	6,333,152
Less cash of agency funds and expendable trust funds.....	-	-	524,405	524,405	270,612
Totals, per cash flow statement above	\$ 8,729,745	\$ 4,937,513	\$ 24,192	\$ 13,691,450	\$ 6,062,540

See the Notes to Combined Financial Statements

City of Biloxi – Notes to Combined Financial Statements

For the Year ended September 30, 2002

1. Summary of Significant Accounting Policies

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 complies with Generally Accepted Accounting Principles (GAAP). 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.

(a) Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units and concluded that the financial statements of Point Cadet Development Corporation (PCDC), a non-profit corporation, should be included in these financial statements. The criterion for this decision was the conclusion that the City is financially accountable as the City's mayor is always the Corporation's president. The City also has the authority to review and approve PCDC's budget. PCDC currently has no employees and a City employee maintains its financial records. Management is continuing to use the blending method of accounting for component units by combining the financial statements of PCDC as an Enterprise Fund. PCDC does not issue separate financial statements.

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.

Additionally, during its evaluation of potential component units, management identified one joint venture (Harrison County Wastewater and Solid Waste Management District), 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.

(b) Basis of Presentation – Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into six generic fund types and three broad fund categories as follows:

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

- **General Fund**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

- **Special Revenue Funds**

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

- **Debt Service Funds**

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

- **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 (other than those financed by proprietary funds, special revenue funds and trust funds).

Proprietary Fund Types – Proprietary funds are those funds through which the City finances certain activities similar to business enterprises and are accounted for on the basis of a capital maintenance measurement focus. The City’s proprietary funds are as follows:

- **Enterprise Funds**

The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

- **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, a separate Internal Service Self-Insurance Reserve Fund has been established to account for the actual cost of claims, re-insurance, and reserves. The City’s Internal Service Fund administers workman’s compensation, liability, automobile, casualty and health insurance risk. The Internal Service Fund in turn charges the other City funds for their allocable share of these net costs.

Fiduciary Fund Types – Fiduciary funds are those funds used by the City to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City’s fiduciary fund is as follows:

- **Trust and Agency Funds**

Trust and Agency Funds include expendable and nonexpendable trust funds. Expendable trust funds are accounted for and reported in essentially the same manner as governmental funds.

Nonexpendable trust funds are accounted for and reported as proprietary funds since capital maintenance is critical. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups – Account groups are used to establish accounting control and accountability for the City’s investment in general fixed assets and general long-term debt. The account groups are not “funds.” They are concerned only with the measurement of financial position, not with the measurement of results of operations. The City’s account groups are as follows:

- **General Fixed Assets Account Group**

This group of accounts is established to account for fixed assets of the City, other than those accounted for in the proprietary funds.

- **General Long-Term Debt Account Group**

This group of accounts is established to account for all long-term debt of the City except that accounted for in the proprietary funds.

(c) Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds, Expendable Trust Funds, and Agency Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to pay liabilities of the current period. Generally, available means collected within the current period or within 60 days of the end of the current period. Revenues not considered available are recorded as deferred revenue. Expenditures are recognized when the liability is incurred except for interest on general long-term debt obligations, which is recorded when due, and the non-current portion of accrued compensated absences which is recorded in the general long-term debt account group.

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.

All proprietary funds (including internal service funds) are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Water and Sewer Fund utility service receivables are recorded at year-end.

(d) Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets)

is considered a measure of “available spendable resources.” Governmental Fund statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Fixed assets used in Governmental Fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain (“infrastructure”) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets. No interest has been capitalized on assets constructed by the City.

The City’s capitalization policy with regards to the fixed assets maintained in the General Fixed Assets Account Group is 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 fixed 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 fixed assets.

In 1997, the City completed a project to develop financial data and accounting systems for real and personal property presented in the General Fixed Assets Account. This project entailed an inventory of real and personal property, the gathering and organization of existing cost data and the estimation of historical cost for some assets. City personnel used deflated replacement cost to estimate the historical cost of assets for which no cost documentation could be found.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” because they do not represent net current assets. Recognition of governmental fund type revenues represented by non-current receivables is deferred until they become current receivables. Non-current portions of long-term notes receivable are offset by a deferred revenue account.

Special reporting treatments also are applied to governmental fund inventories to indicate that they do not represent “available spendable resources,” even though they are a component of net current assets. Such amounts generally are offset by fund balance reserve accounts.

All proprietary funds and non-expendable trust funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Fixed assets used by the proprietary funds are stated at cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided using the straight-line method over the estimated service lives of 20-40 years for buildings and utility systems and 5-20 years for machinery and equipment. Amortization of assets acquired by capital lease is included in depreciation.

(e) 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 City Council formally adopts an annual operating budget for the General Fund at the “department level” and for special revenue, debt service and capital projects fund types at the “fund type level.” State statutes prohibit the governing authority from expending amounts in excess of the adopted or amended budget. Formal budgetary integration at the “account level” is employed by management for expenditure control purposes. Management may transfer budget between expenditure accounts within each General Fund department but may not exceed the total expenditure limit set for each General Fund department nor the total expenditures level for other fund types. The City Council may amend the budget during the fiscal year, by resolution, to reallocate resources.
5. Budgets for the General, Special Revenue, Capital Projects and Debt Service Funds are adopted in accordance with provisions of the State Auditor’s Office and not on a basis consistent with accounting principles generally accepted in the United States of America. For budgetary purposes, certain revenues from property taxes, interest on investments, and certain other sources are recognized when received in

cash and unexpended appropriations lapse thirty days after the end of the fiscal year. Expenditures may not legally exceed budgeted appropriations and any existing fund balance at the various fund or fund type levels. Budget amounts are as originally adopted, or as amended by the City Council. Budget amendments are made throughout the year (prior to July) as reallocations of funds are necessary or as circumstances dictate.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (Non-GAAP Basis) and Actual for the Governmental Fund Type, presents comparisons of legally adopted budgets with actual data on the budgetary basis. Since accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of timing differences in the excess (deficiency) of revenues and other sources over expenditures and other uses for the year ended September 30, 2002 is as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis ...	\$(1,819,839)	\$(179,385)	\$(541,963)	\$(6,010,839)
Adjustments				
To convert receivables.....	(822,464)	17,336	542,309	(478,482)
To convert prepaids.....	236,219	-	-	-
To convert liabilities.....	463,172	(18,830)	6,099	25,070
To convert deferred revenue	(35,279)	-	-	-
Totals, GAAP basis	<u>\$(1,978,191)</u>	<u>\$(180,879)</u>	<u>\$ 6,445</u>	<u>\$(6,464,251)</u>

(f) Encumbrances

Encumbrances for the expenditure of monies resulting from purchase orders, contracts and other commitments are not recorded in the combined financial statements.

(g) Investments

Investments are stated at cost, which approximates fair value.

(h) 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 an expenditure at the time individual inventory items are consumed. Reported inventories of the General Fund are equally offset by the fund balance reserve, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

(i) 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 transfer between the funds. All other interfund transactions are accounted for as either an operating transfer, a capital transfer or a residual equity transfer. A capital transfer results when a governmental fund permanently transfers funds to a proprietary fund as a capital infusion for the construction of fixed assets, for example. A residual equity transfer represents a transfer of the residual fund balance of a discontinued fund to another fund or a non-recurring or non-routine transfer of equity between funds. Operating and capital transfers are all legally authorized transfers, which are not classified as residual equity transfers.

(j) Advance to Other Funds

Non-current portions of long-term interfund loans receivable (reported in "Advance To" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" because they are not a component of net current assets.

Current portions of long-term interfund loans receivable (reported in "Due From" asset accounts) are considered "available spendable resources."

(k) Allowance for Doubtful Accounts

An allowance for doubtful accounts in the amount of \$83,123 at September 30, 2002 has been provided in the Enterprise Fund for estimated uncollectible utility charges and in the General Fund for estimated uncollectible garbage collection charges.

(l) Deferred Revenue

The City records as assets, such items as cemetery lot and other land inventories, long-term notes receivable from the sale of surplus property, and other non-current receivables. These assets will not be converted into available resources within the prescribed period of time for revenue recognition. Therefore, the City has deferred recognition of the revenues until such time as they are collected. Conversely, the City has received grant awards in advance of the expenditures for which they pertain. The City recognizes revenue from grant funds only when the related expenditures have been made. These advanced funds are held as deferred revenue until such time as they are spent.

(m) Capital Leases

The City capitalizes all lease agreements that are considered to be capital leases under generally accepted accounting principles in the general fixed assets account group or enterprise funds and includes the net present value of future lease payments in the general long-term debt account group or enterprise funds, where applicable.

(n) Compensated Absences

The compensated absences liability is computed using the specific identification method whereby the actual number of accumulated personal leave and compensatory hours is multiplied by the employee's hourly rate. The resulting liability is then increased by 17.4% to include social security and retirement contributions that the City is required to pay upon liquidation of the liability. The current portion of the accrual for compensated absences is estimated at 25% of the total accrual. All of the remaining liability is reported in the general long-term debt account group.

(o) Post Employment Health Care Benefits

The City does not have costs associated with post-employment benefits for retired employees. The City does allow employees to continue in the group plan after retirement, however, all premiums are paid by the retired employees.

(p) Comparative Data

Total columns on the Combined Statements are captioned, "Memorandum Only," to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation.

Comparative total data for the prior year has been presented in the accompanying combined financial statements to provide an understanding of changes in the City's financial position and operations. However, comparative data (i.e., presentation of prior year totals by fund type) have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Certain reclassifications have been made to the 2001 comparative total data to conform with 2002 presentations. The reclassifications are not considered material.

(q) Statement of Cash Flows

In 1989, the City adopted GASB Statement 9, "Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." For purposes of reporting cash flow, all highly liquid investments (including restricted assets) with an original maturity date of three months or less are considered to be cash equivalents.

2. 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 2002, 2001 and 2000 (taxes collected in the fiscal years ending 9/30/03, 9/30/02 and 9/30/01) are as follows:

	<u>9/30/03</u> <u>Millage</u>	<u>9/30/02</u> <u>Millage</u>	<u>9/30/01</u> <u>Millage</u>
City Funds			
General Fund.....	15.65	15.65	15.35
Special revenue funds:			
Disability and Relief (Pension) Funds	5.50	5.50	5.50
Debt Service Funds:			
General Bond and Interest Funds	6.70	6.70	6.70
Solid waste collection and disposal.....	2.25	2.25	2.55
Total City administered funds.....	<u>30.10</u>	<u>30.10</u>	<u>30.10</u>
School Funds			
District maintenance.....	30.84	26.00	25.50
Minimum program.....	-	1.09	1.09
School debt.....	4.34	4.34	4.34
Total School administered funds.....	<u>35.18</u>	<u>31.43</u>	<u>30.93</u>
 Total levy	<u><u>65.28</u></u>	<u><u>61.53</u></u>	<u><u>61.03</u></u>

Gaming Revenue

In 1992, the citizens of Harrison County voted to allow dockside casino gaming as defined by the Mississippi Gaming Control Act of 1990. In August of 1992, the first casino opened at Biloxi’s Point Cadet development. As of September 30, 2002, there were nine 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 72% to the County, and 28% 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 levy.....	\$	17,220,233
Local share of State levy.....		1,906,311
Gaming licenses and permits.....		2,085,959
Total gaming revenues.....	\$	<u>21,212,503</u>

3. 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, 2002 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:

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 16,306,288	\$ 19,193,273
Certificates of deposit	26,566,926	26,566,926
Total deposits	<u>\$ 42,873,214</u>	<u>\$ 45,760,199</u>

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

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, 2002, 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:		
United States Treasury Bills:		
1.66% - 1.99%, maturing 10/3/02 – 3/13/03	\$ 6,962,973	\$ 7,010,426
Investments not categorized:		
Money Market Mutual Funds	3,981,124	3,981,124
Totals	<u>\$ 10,944,097</u>	<u>\$ 10,991,550</u>

Investments are presented in the combined balance sheet as follows:

Investments, unrestricted	\$ 10,943,534
Investments, restricted	563
Total	<u>\$ 10,944,097</u>

4. Receivables

The combined balance sheet of the City of Biloxi includes the following receivables at September 30, 2002:

Taxes receivable:	
Utility franchise taxes.....	\$ 615,231
Sales taxes	1,822,942
Ad valorem taxes.....	210,661
Gaming taxes and fees.....	1,844,049
Total taxes receivable	<u>\$ 4,492,883</u>
Customer accounts receivable:	
Garbage fees.....	\$ 59,768
Water and sewer utility charges (billed)	1,057,626
Less allowance for doubtful accounts	(83,123)
Total customer accounts receivable, net	<u>\$ 1,034,271</u>
Other receivables:	
Special assessments	\$ 96,592
Federal and state grants	141,782
Due from county for debt service	542,900
Accrued interest receivable.....	184,817
Liquor privilege tax.....	23,400
Municipal aid.....	26,397
County road tax.....	22,908
Other.....	81,521
Total other receivables.....	<u>\$ 1,120,317</u>

5. Prepaid Expenses

Prepays at September 30, 2002 consist of the following:

Prepaid insurance premiums.....	\$ 663,569
Contractual services	59,122
Total prepaid expenses.....	<u>\$ 722,691</u>

6. Cemetery Lots, Held for Sale

Cemetery lots held for sale at September 30, 2002 of \$62,046 represent costs of cemetery lots acquired in prior years. Proceeds from lot sales are recorded in the General Fund. The revenues to be recognized upon the future sale of the cemetery lots has been recorded as deferred revenue in the amount of \$62,046.

7. Interfund Receivables and Payables

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 2,470,530	\$ 1,998,624
Special Revenue:		
CDBG.....	13,519	-
Capital Projects Funds:		
General Capital Projects Fund.....	2,384,491	-
2000 Bond Fund.....	-	181,696
1999 TIF Bond Fund.....	-	1,812
1998 Bond Fund.....	-	17,798
2002 TIF Bond Fund.....	-	2,649,276
Totals	2,384,491	2,850,582
Enterprise Fund:		
Water and Sewer (W&S) Fund.....	-	118,961
Internal Service Self-Insurance:		
Reserve Fund.....	99,627	-
Totals	\$ 4,968,167	\$ 4,968,167
Unrestricted.....	\$ 4,868,540	\$ 4,968,167
Restricted.....	99,627	-
Totals	\$ 4,968,167	\$ 4,968,167

8. Changes in Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 10/1/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/02</u>
Land and buildings.....	\$ 45,133,327	\$ 741,131	\$ -	\$ 45,874,458
Furniture, equipment, vehicles.....	19,144,100	2,714,899	415,941	21,443,058
Construction in progress.....	2,515,499	3,365,973	741,131	5,140,341
Totals	\$ 66,792,926	\$ 6,822,003	\$ 1,157,072	\$ 72,457,857

A summary of proprietary fund type property, plant, and equipment at September 30, 2002 follows:

	<u>Total of Fixed Assets At Cost</u>	<u>Less Accumulated Depreciation</u>	<u>Fixed Assets, Net</u>
Land	\$ 365,412	\$ -	\$ 365,412
Buildings and improvements	627,808	151,413	476,395
Machinery and equipment	749,316	746,569	2,747
Utility plants	51,839,878	24,304,910	27,534,968
Construction in progress	1,759,576	-	1,759,576
Totals	<u>\$ 55,341,990</u>	<u>\$ 25,202,892</u>	<u>\$ 30,139,098</u>

9. Deferred Revenue

Deferred revenue at
September 30, 2002 consist
of the following:

General Fund	
Inventory, cemetery lots	\$ 62,046
Unspent grant funds on hand	81,591
Total	<u>143,637</u>
Special Revenue Funds	
Mortgages receivable	298,828
Land inventory	64,917
Total	<u>363,745</u>
Total deferred revenue	<u>\$ 507,382</u>

10. 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, 2002:

	<u>Beginning 10/01/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending 9/30/02</u>
General Obligation Bonds and Notes	\$ 23,994,373	\$ -	\$ 2,257,508	\$ 21,736,865
Limited Obligation Bonds	11,650,000	500,000	370,000	11,780,000
Compensated absences	2,039,765	674,954	-	2,714,719
Total general long-term debt	37,684,138	1,174,954	2,627,508	36,231,584
Enterprise Funds, pollution control bonds	2,069,085	-	98,107	1,970,978
Total long-term debt	<u>\$ 39,753,223</u>	<u>\$ 1,174,954</u>	<u>\$ 2,725,615</u>	<u>\$ 38,202,562</u>

Bonds, notes, and other long-term debt payable at September 30, 2002 are comprised of the following individual issues:

	<u>Original Issue</u>	<u>Range of Interest Rates</u>	<u>Amount Outstanding 9/30/02</u>
General Obligation Bonds and Notes:			
General Obligation Bonds of 1988-A, due in annual installments of \$75,000 to \$90,000 through 6/1/2008	\$ 1,200,000	7.2%-7.6%	\$ 525,000
General Obligation Bonds of 1988-D, due in annual installments of \$45,000 to \$75,000 through 2/15/2008	750,000	7.2%-7.5%	415,000
General Obligation Bonds of 1989-A, due in annual installments of \$45,000 to \$75,000 through 2/15/2009	750,000	7.0%	415,000
Refunding Bond of 1995, due in annual installments of \$575,000 to \$685,000 through 2/1/2010	4,135,000	4.8%-6.5%	2,915,000
General Obligation Bonds series 1998, due in annual installments of \$545,000 to \$895,000 through 12/1/2013 ..	10,000,000	4.1%-5.3%	8,500,000
General Obligation Bonds, series 2000, due in annual installments of \$560,000 to \$825,000 through 5/1/2010	6,500,000	4.75%-5.50%	5,475,000
Airport General Obligation Bonds 2000, due in annual installments of \$85,000 to \$130,000 through 5/1/2010	1,000,000	4.875%-5.50%	845,000
Mississippi Development Bank promissory note, due in monthly installments of \$25,209 plus interest through 6/30/2011. Interest is based upon The Bond Market Association (TBMA) index plus 105 basis points.	-	TBMA plus 1.05%	2,646,865
Total General Obligation Bonds.....	3,025,000	-	<u>\$ 21,736,865</u>
Limited Obligation Bonds and Notes:			
Tax Increment Financing, 1999, due in annual installments of \$390,000 to \$2,680,000 through 10/1/2019	\$ 12,000,000	5.30%-7.50%	\$ 11,280,000
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%	500,000
Total Limited Obligation Bonds and Notes	-	-	<u>11,780,000</u>
Compensated absences.....	-	-	<u>2,714,719</u>
Total general long-term debt	-	-	<u>36,231,584</u>
Enterprise Debt:			
State of Mississippi Pollution Control Loans, due in varying installments through 7/15/2017	2,885,688	3.0%-4.5%	1,970,978
Total bonds, notes and other long-term debt	-	-	<u>\$ 38,202,562</u>

The annual requirements to amortize all debt outstanding as of September 30, 2002, including interest payments of \$13,215,149 are as follows:

<u>Year ended</u> <u>September 30,</u>	<u>General</u> <u>Obligation</u> <u>Bonds &</u> <u>Notes</u>	<u>Limited</u> <u>Obligation</u> <u>Bonds &</u> <u>Notes</u>	<u>Enterprise</u> <u>Debt</u>	<u>Total</u>
2003	\$ 3,265,361	\$ 1,115,973	\$ 176,845	\$ 4,558,179
2004	3,269,117	1,106,723	176,835	4,552,675
2005	3,258,401	1,098,023	176,741	4,533,165
2006	3,237,482	1,092,923	176,741	4,507,146
2007	2,603,393	1,086,073	176,741	3,866,207
2008-2012	9,491,350	5,311,769	864,878	15,667,997
2013-2017	1,824,340	5,237,239	530,191	7,591,770
2018-2022	—	3,170,179	255,675	3,425,854
Totals	\$ 26,949,444	\$ 1,086,073	\$ 1,534,647	\$ 48,702,993

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

Assessed valuations 2002 (inside the City):	
Real property	\$ 371,609,562
Personal property	89,443,058
Public utility	19,710,243
Autos, estimated	50,053,505
Total assessed valuations	\$ 530,816,368
Fifteen percent (15%) of total assessed valuation	\$ 79,622,455
Less outstanding general issues at 9/30/02	21,736,865
Legal debt margin	\$ 57,885,590

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, 2002, was 6.70 mills or \$6.70 per \$1,000 of assessed value.

Other general long-term debt of the Enterprise Funds is \$1,970,978 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 \$14,737 each month from the sales tax remittances to the City to apply as note payments on these loans.

In connection with the City's urban renewal plan, the City has authorized the issuance of Urban Renewal Plan Bonds to provide financial assistance to private sector entities for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the revenues derived by City of Biloxi from a promissory note, secured by a Deed of Trust on the real property acquired with the bond proceeds. The bonds do not constitute an indebtedness of the City of Biloxi and shall never constitute a pecuniary liability of the City or a charge against the general credit or taxing powers of the City. The City is not obligated to pay the bonds and the interest thereon, except from the revenues derived from the promissory note. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2002, the aggregate, outstanding principal amount of the issues was \$6,895,000.

The City has authorized the issuance of limited tax port bonds for the purpose of making improvements to property belonging to 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 and do not constitute an indebtedness of the City of Biloxi, the State of Mississippi or any political subdivision of the state within the meaning of any provision or limitation of the Constitution or statutes of the State of Mississippi and do not give rise to any pecuniary liability of the City of Biloxi, the State of Mississippi or any political subdivision of the State of Mississippi or a charge against the general credit or taxing powers of any of them other than the limited tax pledged by Harrison County, Mississippi. At September 30, 2002, the aggregate, outstanding principal amount of the issues was \$5,215,000.

11. Fund Balances/Retained Earnings – Reserved

Reserved fund balances/retained earnings at September 30, 2002 are shown as follows:

General Fund:	
Prepays, supplies and special assessments and customer accounts receivable	\$ 815,112
Debt Service Funds:	
Principal and interest requirements	3,926,622
Capital Projects Funds:	
Existing commitments for capital projects.....	568,318
Trust and Agency Funds:	
Employees' unemployment taxes	524,405
City Bi-Centennial Trust Fund	24,192
Total.....	548,597
Total reserved fund balances	<u>\$ 5,858,649</u>
Enterprise Funds:	
Water and Sewer Capital Projects	<u>\$ 181,333</u>

12. Individual Fund Disclosures

During the year ended September 30, 2002, expenditures and other financing uses exceeded revenues and other financing sources in the following funds:

General Fund	\$ 1,978,191
 Special Revenue Funds	
Community Development Block Grant	180,879
 Debt Service Funds	
1999 TIF Bond Fund	5,982
 General Obligation Public Improvement Funds	
1998 General Obligation Bond Fund	167,913
2000 General Obligation Bond Fund	1,313,114
1999 Limited Obligation Bond Fund	2,333,948
2002 Limited Obligation Bond Fund	2,649,276
 Enterprise Funds (net loss)	
Point Cadet Development Corporation	2,982

13. Retirement Plans

Firemen’s and Policemen’s Disability and Relief Plan and Employees’ 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 Employer’s Disability and Relief Plan are single-employer defined benefit plans 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. Effective October 1, 1987, the City increased employee contributions from 8% to 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, 2002, the combined millage was 5.5 mills.

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

• Active members	8
• Retirees and beneficiaries	171
• Total	179

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, 2001)

Normal	\$	48,811
Accrued liability.....		1,680,708
Total	\$	1,729,519

Additional information as of September 30, 2001 follows.

Valuation date.....	9/30/01
Actuarial cost method.....	entry age
Amortization method.....	level dollar closed
Remaining amortization period.....	33 years
Asset valuation method.....	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases**	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, 2001, contributions totaling \$2,718,774 (\$2,669,693 employer and \$49,081 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the system as of September 30, 2000. The employer contributions consisted of \$64,975 for normal cost and administrative expenses and \$2,604,718 for amortization of the unfunded actuarial accrued liability.

During the year ended September 30, 2002, contributions totaling \$2,759,098 (\$2,723,358 employer and \$35,740 employee) were made.

Schedule of employer contributions:

<u>Fiscal year</u> <u>10-1 / 9-30</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
1999-00	\$ 1,528,671	131.7
2000-01	1,480,273	180.4
2001-02	1,729,519	157.4

Net Pension Obligation (NPO) as of September 30, 2002 was zero.

Actuarial Accrued Liability (AAL)	\$ In Thousands
Retirees and beneficiaries currently receiving benefits.....	\$ 22,131
Active members.....	3,961
Vested terminated members not yet receiving benefits.....	0
Total actuarial accrued liability.....	26,092
Less: Actuarial value of assets.....	6,379
Unfunded Actuarial Accrued Liability.....	<u>\$ 19,713</u>

During the year ended September 30, 2001, the plan experienced a net change of \$4,179 thousand in the AAL. Of the change, \$4,517 thousand was attributable to plan amendments and \$138 thousand was attributable to a change in actuarial assumption changes.

Trend Information

Ten years of historical trend information reflecting the Mississippi Municipal Retirement System's progress in accumulating sufficient assets to pay benefits when due is presented on Attachment A to the Notes to Combined Financial Statements.

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.

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 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Biloxi's contributions to PERS for the years ending September 30, 2002, 2001, and 2000 were \$1,835,237, \$1,681,044, and \$1,517,584, respectively.

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, 2002, contributions by participants employed by the City totaled \$247,672.

14. 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, 2002:

	<u>Award</u>	<u>Drawn</u>	<u>Balance</u>
CDBG B-00-MC-28-0001	\$ 747,000	\$ 623,993	\$ 114,007
CDBG B-01-MC-28-0001	\$ 773,000	\$ -	\$ 773,000
Totals	\$ 1,520,000	\$ 632,993	\$ 887,007

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 income (such as rents), generated by these properties, be restricted as to use for CDBG eligible activities only.

The City of Biloxi has negotiated two 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 will be 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 years (25) with six additional ten (10) year renewal options and a final option period with a termination date commensurate with the termination of the IHL lease which expires on December 31, 2085. Minimum annual rentals are \$404,000 and are adjusted every five years by 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.

The following is a summary of the lease transactions for the year ended September 30, 2002:

	<u>Riverboat Corporation of Mississippi</u>	<u>Casino Parking Inc.</u>	<u>Total</u>
Base rent (CPI adjusted)	\$ 974,396	\$ 367,420	\$ 1,341,816
Percentage overrides	1,785,995	-	1,785,995
Total rent revenue	\$ 2,760,391	\$ 367,420	\$ 3,127,811

Reallocation of Program Income

Prior to 1998, 100% of the income generated by the waterfront properties acquired with HUD grants and loans was subject to federal program income restrictions. In the fall of 1998, based upon HUD regulations and in accordance with HUD instructions and supervision, the City recomputed the allocation percentage for program income. In accordance with the new allocation, 6% of the income generated by these facilities is subject to the program income restrictions. The remaining 94% may now be used for general City purposes. The allocation formula is based upon the ratio of non-federal funds invested in the project (94%) to federal funds (6%).

Deferred Mortgage Loans

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. The program income derived from these loans is deferred until actually received.

Deferred mortgage loans receivable at September 30, 2002, consisted of the following:

Nixon Street home acquisition mortgages.....	\$	21,687
Rental rehabilitation loans.....		43,065
Revolving Loan Program.....		225,320
Residential rehabilitation loans		8,756
Total deferred mortgage loans receivable.....	<u>\$</u>	<u>298,828</u>

In addition to the above loans receivable, the City records as an asset the carrying value of urban renewal land inventory. The program income from the sale of this inventory is deferred until such time as the property is actually sold.

Summary of Deferred Program Income

The following is a summary of deferred program income at September 30, 2002:

Deferred income, mortgage loans.....	\$	298,828
Deferred income, surplus land inventory		64,917
Total deferred program income	<u>\$</u>	<u>363,745</u>

15. Self-Insured Risk, Claims and Other Contingencies

Self-Insurance Risk (Internal Service Fund)

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
Annual aggregate risk of loss through deductibles	700,000
Specific excess coverage in force	9,950,000
Workers' compensation	
Per occurrence deductible (SIR).....	100,000
Annual aggregate risk of loss through deductibles	700,000
Specific excess coverage in force	Statutory
General and other liability coverage	
Per occurrence deductible (SIR).....	50,000
Annual aggregate risk of loss through deductibles	700,000
Specific excess coverage in force	450,000
Health	
Per individual deductible (SIR)	100,000
Annual aggregate risk of loss through deductibles	4,361,154
Specific excess coverage in force	1,000,000

The following is a summary of the City's self-insurance reserves at September 30, 2002:

	Health	Property, Liability & Workers' Compensation	Total
Total estimated liability and reserves –			
October 1, 2001	\$ 2,219,694	\$ 1,798,310	\$ 4,018,004
Claims incurred and changes in estimates	3,538,986	543,121	4,082,107
Claims paid	(2,799,883)	(262,525)	(3,062,408)
Total estimated liability and reserves –			
September 30, 2002	\$ 2,958,797	\$ 2,078,906	\$ 5,037,703

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

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

16. Related Party Commitments

Joint Venture

The City of Biloxi is a member of the Harrison County Wastewater and Solid Waste Management District (District) 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 county who are members of the District. 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 District. Additionally, the City is jointly and severally liable for all of the liabilities of the District. The District is classified as a joint venture between the City of Biloxi and the other members. The following is a synopsis of the District's financial statements as of and for the year ended September 30, 2002, a complete copy of which is on file at the administrative offices of the District.

Harrison County Wastewater and Solid Waste Management District Balance Sheet

Assets	
Current assets	\$ 2,077,940
Restricted assets	46,700,362
Property, plant and equipment	79,467,131
Deferred charges	4,289,003
Total assets	<u>\$ 132,534,436</u>
Liabilities & Fund Equity	
Liabilities	
Current, unrestricted	\$ 2,069,005
Current, restricted	4,617,337
Long-term liabilities	126,401,290
Total liabilities	<u>133,087,632</u>
Fund equity	<u>(553,196)</u>
Total liabilities and fund equity	<u>\$ 132,534,436</u>

Harrison County Wastewater and Solid Waste Management District Statement of Revenues and Expenses

Operating revenues	\$ 13,875,950
Operating expenses	(13,873,983)
Depreciation and amortization	(4,490,456)
Non-operating revenues (expenses)	<u>2,717,017</u>
Net income (loss)	<u>\$(1,771,472)</u>

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

General Fund

Statement of revenues, expenditures and changes in fund balance:

Public works expenditures:

Other services and charges (solid waste charges)	\$ 1,947,738
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Water and Sewer Enterprise Fund

Balance sheet:

Prepaid contractual services	\$ 59,122
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Statement of revenues, expenses and changes in retained earnings:

Operating expenses:

Contracted services (wastewater treatment)	\$ 4,626,984
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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 \$700,000 for the year ended September 30, 2002. The amount budgeted for the City of Biloxi for the fiscal year ended September 30, 2003 is \$785,000. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City of Biloxi does not have an ongoing financial responsibility.

Gulfport-Biloxi Regional Airport Authority – The Gulfport-Biloxi Regional Airport Authority was chartered on August 25, 1977, and assumed control of the Airport on October 1, 1977. The Authority is comprised of one appointee each from the local governmental units of the City of 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 2002-2003 fiscal year. The City of Biloxi has no equity interest in the organization.

17. Other Commitments

Water System Operation and Maintenance – On November 1, 1990, the City entered into a service contract with ECO Resources, Inc., to provide maintenance and other services necessary for the proper operation of the City’s water facilities. ECO is responsible for all labor, chemicals, parts, supplies, and capital repairs required to maintain the water distribution system. The contract was amended to include meter reading, billing and collection services.

On October 1, 1998, the City entered into a service contract with ECO Resources, Inc., that suspended the original contract dated November 1, 1990, and all subsequent amendments. The contract was amended in 1999 to include additional costs of implementing a Cross Connection Control Program as required by the Mississippi State Department of Health. The current monthly payment is \$229,665 and is to be adjusted annually for changes in the Consumer Price Index. This contract shall remain in force until September 30, 2002.

Property Leases

On December 2, 1985, the Point Cadet Development Corporation entered into a 99-year lease contract with the State Board of Trustees of Institutions of Higher Learning for property located at the waterfront development site. On June 30, 1988, the City of Biloxi assumed this lease, along with other assets and liabilities from the Corporation. The lease payments are the greater of (a) 20% of the net income from the overall development of the property, or (b) the fair market rental value of the demised ground premises.

The fair market rental value shall be determined as follows:

From January 1, 2001 to December 31, 2005	\$125,000 per year
From January 1, 2011 to December 31, 2015	\$160,000 per year

From January 2016 through December 2084, the fair market rental value will be determined for each additional five-year term based upon an independent appraisal.

On July 15, 1988, the City of Biloxi entered into two lease agreements with the State of Mississippi for the lease of Public Tidelands Property. The terms of the leases are identical and are as follows:

- Term: July 1, 1988 through June 30, 2018
- Lease payments: Determined by and in accordance with the statutes, policies, and procedures in effect on July 1 of each year as set by the Secretary of State.
The lease payment for fiscal year ended September 30, 2002 is \$3,228.
- Option: Lessee has an option to renew for an additional 30-year period.

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, 2002:

Total commitment for Capital Projects	\$	42,743,455
Funding sources:		
Federal Grants	\$	1,388,461
Bond Funds		18,076,971
Water and Sewer Funds.....		549,137
General Fund surplus and other future sources of funds to be provided.....		22,728,886
Total fund sources	\$	42,743,455

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.

18. Subsequent Events

On November 1, 2002, the City of Biloxi issued \$23 million of Tax Increment Financing Bonds through a bond purchase agreement with the Mississippi Development Bank for the purposes of constructing major thoroughfares connecting U.S. Highway 90 to the Bay of Biloxi. In addition to the incremental property tax receipts, the bonds also carry a pledge of the general sales tax receipts of the City of Biloxi.

On December 1, 2002, the City of Biloxi issued \$6 million of General Obligation Bonds to provide money to purchase, repair, improve and extend the City’s water and sewer system.

City of Biloxi – Notes to Combined Financial Statements, Attachment A
 Disability and Retirement Plans
 Required Supplementary Information Analysis of Funding Progress
 (In Thousands of Dollars)

Schedule of Funding Progress (\$ Thousands)

<u>Plan Year Ended</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(3) Percent Funded (1) / (2)</u>	<u>(4) Unfunded AAL (2) - (1)</u>	<u>(5) Annual Covered Payroll</u>	<u>(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)</u>
9/30/92	\$ 294	\$ 13,937	2.1%	\$ 13,643	\$ 944	1,445.2%
9/30/93	621	17,074	3.6	16,453	940	1,750.3
9/30/94	929	17,575	5.3	16,646	918	1,813.3
9/30/95	1,278	19,217	6.7	17,939	854	2,100.6
9/30/96	1,831	18,859	9.7	17,028	809	2,104.8
9/30/97	2,684	19,504	13.8	16,820	862	1,951.3
9/30/98	3,787	21,561	17.6	17,774	785	2,264.2
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

City of Biloxi – Notes to Combined Financial Statements, Attachment A
 (Continued)
 Disability and Retirement Plans
 Required Supplementary Information Analysis of Funding Progress
 (In Thousands of Dollars)

Schedule of Employer Contributions

<u>Fiscal Year</u> <u>10-1 / 9-30</u>	<u>Valuation Date</u> <u>9-30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
1992-93	1992	\$ 1,219,880	109.0%
1993-94	1993	1,480,325	96.5
1994-95	1994	1,490,850	97.2
1995-96	1995	1,604,949	107.4
1996-97	1996	1,515,530	128.9
1997-98	1997	1,488,764	130.1
1998-99	1998	1,573,193	120.4
1999-00	1999	1,528,671	131.7
2000-01	2000	1,480,273	180.4
2001-02	2001	1,729,519	157.4

Financial Statements of Individual Funds



City of Biloxi
 General Fund
 Balance Sheet
 September 30, 2002

Assets	
Cash and cash equivalents	\$ 25,231,272
Investments.....	6,979,299
Receivables:	
Taxes	4,343,506
Customer accounts	52,233
Other.....	529,314
Due from other funds	2,470,530
Prepays.....	663,569
Cemetery lots.....	62,046
Supplies inventory, at cost	2,718
	<hr/>
Total assets.....	\$ 40,334,487
	<hr/> <hr/>
Liabilities & Fund Balance	
Liabilities	
Accounts payable and accrued expenses.....	\$ 2,554,952
Due to other City funds.....	1,998,624
Deferred revenue.....	143,637
Total liabilities	<hr/> 4,697,213
Fund balance	<hr/> 35,637,274
Total liabilities and fund balance.....	\$ 40,334,487
	<hr/> <hr/>

See Independent Auditors' Report.

City of Biloxi
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended September 30, 2002

Revenues	
Taxes	
Ad valorem taxes.....	\$ 8,864,050
Penalties and interest	344,764
Total taxes.....	<u>9,208,814</u>
Licenses and permits	
Privilege licenses.....	166,744
Franchise charges.....	2,490,616
Building, electrical and plumbing permits	292,929
Alcoholic beverage licenses	359,775
Certificates of occupancy	5,150
Other licenses and permits.....	5,568
Total licenses and permits	<u>3,320,782</u>
Intergovernmental revenues	
General sales tax.....	11,250,219
Prorata road tax	626,433
State Fire Protection Fund	215,730
State municipal aid.....	43,536
Federal and State grants	726,545
Gaming taxes and license fees.....	21,212,503
Other intergovernmental revenue	115,096
Total intergovernmental revenues	<u>34,190,062</u>
Charges for services	
Impact fees	96,900
Natatorium.....	54,223
Recreation fees.....	147,270
Other fees.....	54,794
Special assessments.....	30,370
Capital Projects labor services.....	295,506
Solid waste user charges	534,660
Total charges for services.....	<u>1,213,723</u>
Police court fines	<u>1,133,113</u>
Miscellaneous	
Rental income.....	3,153,340
Sale of assets	30,986
Interest on investments	971,182
Sale of cemetery lots.....	41,550
Insurance refunds and claims	78,161
Other miscellaneous	150,539
Total miscellaneous.....	<u>4,425,758</u>
Total revenues.....	\$ <u>53,492,252</u>

“Continued”

See Independent Auditors’ Report.

City of Biloxi

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - (Continued)

For the Year Ended September 30, 2002

Expenditures

Administrative Department

Personal services	\$ 2,624,128
Other services and charges	1,460,084
Capital outlay	74,972
Total Administrative Department.....	<u>4,159,184</u>

Parks and Recreation

Personal services	2,842,584
Other services and charges	1,191,876
Capital outlay	219,872
Total Parks and Recreation Department.....	<u>4,254,332</u>

Public Safety Department

Personal services	17,197,762
Other services and charges	2,686,638
Capital outlay	2,319,286
Total Public Safety Department.....	<u>22,203,686</u>

Public Works Department

Personal services	3,401,921
Other services and charges	4,093,161
Capital outlay	144,205
Total Public Works Department.....	<u>7,639,287</u>

Community Development Department

Personal services	1,507,335
Other services and charges	1,130,248
Capital outlay	44,512
Total Community Development Department.....	<u>2,682,095</u>

Non-departmental expenditures

Public transportation	394,800
Public libraries	700,000
Other non-department expenditures	3,722,058
Total non-department expenditures.....	<u>4,816,858</u>

Total expenditures	<u>45,755,442</u>
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Excess of revenues over expenditures	<u>\$ 7,736,810</u>
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“Continued”

See Independent Auditors’ Report.

City of Biloxi

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - (Continued)

For the Year Ended September 30, 2002

Other financing sources and (uses)	
Transfers to other funds:	
General Capital Projects Fund	\$(9,126,328)
Water and Sewer Fund	(527,560)
CDBG Fund	(61,113)
Total other financing sources and (uses)	<u>\$(9,715,001)</u>
Excess of revenues and other sources over expenditures and other uses.....	<u>(1,978,191)</u>
Fund balance, beginning of year	<u>37,615,465</u>
Fund balance, end of year.....	<u>\$ 35,637,274</u>

See Independent Auditors' Report.

City of Biloxi
Special Revenue Funds
Combining Balance Sheet
September 30, 2002

	<u>Community Development Block Grant</u>	<u>Fire & Police Disability & Relief Fund</u>	<u>Employees' Disability & Relief Fund</u>	<u>Total</u>
Assets				
Cash	\$ 78,867	\$ -	\$ -	\$ 78,867
Receivables:				
Taxes.....	-	10,648	8,183	18,831
Other	1,884	-	-	1,884
Mortgage loans receivable	298,828	-	-	298,828
Due from General Fund.....	13,519	-	-	13,519
Land inventory	64,917	-	-	64,917
Total assets	\$ 458,015	\$ 10,648	\$ 8,183	\$ 476,846
Liabilities				
Liabilities				
Accounts payable.....	\$ 90,237	\$ 10,648	\$ 8,183	\$ 109,068
Deferred revenue:				
Mortgage loans.....	298,828	-	-	298,828
Land inventory.....	64,917	-	-	64,917
Total liabilities	453,982	10,648	8,183	472,813
Fund balance	4,033	-	-	4,033
Total liabilities & fund balance..	\$ 458,015	\$ 10,648	\$ 8,183	\$ 476,846

See Independent Auditors' Report.

City of Biloxi
Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2002

	<u>Community Development Block Grant</u>	<u>Fire & Police Disability & Relief Fund</u>	<u>Employees' Disability & Relief Fund</u>	<u>Total</u>
Revenues				
Ad valorem taxes.....	\$ -	\$ 1,538,967	\$ 1,183,904	\$ 2,722,871
Intergovernmental.....	644,524	-	-	644,524
Other income:				
Program income.....	208,783	-	-	208,783
Total revenues.....	<u>853,307</u>	<u>1,538,967</u>	<u>1,183,904</u>	<u>3,576,178</u>
Expenditures				
Community Development:	-	-	-	-
Federal project costs:				
Building improvements.....	121,843	-	-	121,843
Other program costs.....	973,456	-	-	973,456
Benefit payments.....	-	1,538,967	1,183,904	2,722,871
Total expenditures.....	<u>1,095,299</u>	<u>1,538,967</u>	<u>1,183,904</u>	<u>3,818,170</u>
Deficiency of revenues over expenditures.....	(241,992)	-	-	(241,992)
Other financing sources (uses)				
Transfer from General Fund.....	61,113	-	-	61,113
Deficiency of revenues over expenditures and other uses.....	(180,879)	-	-	(180,879)
Fund balance, beginning of year.....	184,912	-	-	184,912
Fund balance, end of year.....	<u>\$ 4,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,033</u>

See Independent Auditors' Report.

City of Biloxi
 Debt Service Funds
 Combining Balance Sheet
 September 30, 2002

	<u>General Bond & Interest Fund</u>	<u>1999 TIF Bond Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,880,762	\$ -	\$ 2,880,762
Investments.....	-	545,335	545,335
Receivables, other	-	542,900	542,900
Taxes receivable.....	22,939	-	22,939
	<hr/>		
Total assets.....	\$ 2,903,701	\$ 1,088,235	\$ 3,991,936
	<hr/> <hr/>		
Liabilities & Fund Balances			
Liabilities			
Accounts payable.....	\$ 62,005	\$ 3,309	\$ 65,314
Fund balances			
Reserved.....	2,841,696	1,084,926	3,926,622
	<hr/>		
Total liabilities and fund balances	\$ 2,903,701	\$ 1,088,235	\$ 3,991,936
	<hr/> <hr/>		

See Independent Auditors' Report.

City of Biloxi

Debt Service Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended September 30, 2002

	<u>General Bond & Interest Fund</u>	<u>1999 TIF Bond Fund</u>	<u>Total</u>
Revenues			
Ad valorem taxes.....	\$ 3,317,324	\$ 539,465	\$ 3,856,789
Intergovernmental.....	-	542,900	542,900
Miscellaneous:			
Interest income	50,684	5,077	55,761
Total revenues.....	3,368,008	1,087,442	4,455,450
Expenditures			
Debt Service:			
Principal retirement.....	2,257,508	370,000	2,627,508
Interest expense	1,082,155	720,115	1,802,270
Paying agents' fees	15,918	3,309	19,227
Total expenditures	3,355,581	1,093,424	4,449,005
Excess (deficiency) of revenues over expenditures.....	12,427	(5,982)	6,445
Fund balances, beginning of year	2,829,269	1,090,908	3,920,177
Fund balances, end of year	\$ 2,841,696	\$ 1,084,926	\$ 3,926,622

See Independent Auditors' Report.

City of Biloxi
 Capital Projects Funds
 Combining Balance Sheet
 September 30, 2002

	<u>General Capital Projects Fund</u>	<u>General Obligation Public Improvement</u>		<u>1999 Limited Obligation Bond Fund</u>	<u>2002 Limited Obligation Bond Fund</u>	<u>Total</u>
		<u>1998 Bond Fund</u>	<u>2000 Bond Fund</u>			
Assets						
Cash.....	\$ 466,458	\$ -	\$ -	\$ -	\$ -	\$ 466,458
Investments	-	225,922	850,941	2,342,037	-	3,418,900
Grants receivable	46,219	-	-	-	-	46,219
Due from other City funds.....	2,384,491	-	-	-	-	2,384,491
Total assets.....	\$ 2,897,168	\$ 225,922	\$ 850,941	\$ 2,342,037	\$ -	\$ 6,316,068
Liabilities & Fund Balances						
Liabilities						
Accounts payable	\$ 2,897,168	\$ -	\$ -	\$ -	\$ -	\$ 2,897,168
Due to other City funds	-	17,798	181,696	1,812	2,649,276	2,850,582
Total liabilities	2,897,168	17,798	181,696	1,812	2,649,276	5,747,750
Fund balances						
Reserved	-	208,124	669,245	2,340,225	(2,649,276)	568,318
Total liabilities and fund balances	\$ 2,897,168	\$ 225,922	\$ 850,941	\$ 2,342,037	\$ -	\$ 6,316,068

See Independent Auditors' Report.

City of Biloxi
 Capital Projects Funds
 Combining Statement of Revenues, Expenditures and Changes In Fund Balance
 For the Year Ended September 30, 2002

	<u>General Capital Projects Fund</u>	<u>General Obligation Public Improvement</u>		<u>1999 Limited Obligation Bond Fund</u>	<u>2002 Limited Obligation Bond Fund</u>	<u>Total</u>
		<u>1998 Bond Fund</u>	<u>2000 Bond Fund</u>			
Revenues						
Intergovernmental.....	\$ 723,850	\$ -	\$ -	\$ -	\$ -	\$ 723,850
Miscellaneous:						
Interest income and other	-	4,615	26,415	48,879	-	79,909
Total revenues.....	723,850	4,615	26,415	48,879	-	803,759
Expenditures						
Capital outlay:						
Streets and drainage	10,840,814	-	-	-	-	10,840,814
Land and building improvements...	4,375,894	-	-	-	-	4,375,894
Other.....	2,824,419	-	-	-	-	2,824,419
Total expenditures	18,041,127	-	-	-	-	18,041,127
Excess (deficiency) of revenues over expenditures.....	(17,317,277)	4,615	26,415	48,879	-	(17,237,368)
Other financing sources (uses)						
MS Development bank loan proceeds ...	500,000	-	-	-	-	500,000
Transfers from (to) other funds:						
General Fund.....	9,126,328	-	-	-	-	9,126,328
General Obligation Improvement Bond Funds	6,544,160	-	-	-	-	6,544,160
General Capital Projects Fund.....	-	(172,528)	(1,339,529)	(2,382,827)	(2,649,276)	(6,544,160)
Water and Sewer Fund.....	1,146,789	-	-	-	-	1,146,789
Total other financing sources (uses) ..	17,317,277	(172,528)	(1,339,529)	(2,382,827)	(2,649,276)	10,773,117
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(167,913)	(1,313,114)	(2,333,948)	(2,649,276)	(6,464,251)
Fund balances, beginning of year	-	376,037	1,982,359	4,674,173	-	7,032,569
Fund balances, end of year	\$ -	\$ 208,124	\$ 669,245	\$ 2,340,225	(2,649,276)	\$ 568,318

See Independent Auditors' Report.

City of Biloxi
 Proprietary Fund Type – Enterprise Funds
 Combining Balance Sheet
 September 30, 2002

	<u>Water and Sewer Fund</u>	<u>Point Cadet Development Corporation</u>	<u>Total</u>
Assets			
Current assets (unrestricted)			
Cash.....	\$ 7,745,068	\$ 96,051	\$ 7,841,119
Accounts receivable:			
Net of allowance for doubtful accounts of			
\$75,588 in the Water and Sewer Fund.....	982,038	–	982,038
Customer accounts earned but not billed.....	738,871	–	738,871
Supplies inventory.....	25,784	–	25,784
Prepaid contractual services.....	59,122	–	59,122
Total current assets (unrestricted)	9,550,883	96,051	9,646,934
Current assets (restricted)			
Water Meter Deposit Fund:			
Cash.....	863,004	–	863,004
Water and Sewer Bond and Interest Fund:			
Cash.....	25,622	–	25,622
Total current assets (restricted)	888,626	–	888,626
Total current assets.....	10,439,509	96,051	10,535,560
Property and equipment			
(net of accumulated depreciation).....	29,609,751	529,347	30,139,098
Total assets	\$ 40,049,260	\$ 625,398	\$ 40,674,658

See Independent Auditors' Report.

City of Biloxi
 Proprietary Fund Type – Enterprise Funds
 Combining Balance Sheet - (Continued)
 September 30, 2002

	<u>Water and Sewer Fund</u>	<u>Point Cadet Development Corporation</u>	<u>Total</u>
Liabilities & Fund Equity			
Current liabilities (payable from current assets - unrestricted):			
Accounts payable and accrued expenses	\$ 67,519	\$ –	\$ 67,519
Current portion of notes payable.....	110,416	–	110,416
Due to other City funds	118,961	–	118,961
Total current liabilities (payable from current assets-unrestricted)	296,896	–	296,896
Current liabilities (payable from current assets-restricted)			
Customer deposits payable	863,004	–	863,004
Accounts payable and accrued expenses	25,622	–	25,622
Total current liabilities (payable from current assets-restricted)	888,626	–	888,626
Long-term liabilities (net of current portion)	1,860,562	–	1,860,562
Total liabilities	3,046,084	–	3,046,084
Fund equity			
Contributed capital (municipality)	11,988,475	231,773	12,220,248
Retained earnings, reserved	181,333	–	181,333
Retained earnings, unreserved	24,833,368	393,625	25,226,993
Total fund equity	37,003,176	625,398	37,628,574
Total liabilities and fund equity	\$ 40,049,260	\$ 625,398	\$ 40,674,658

See Independent Auditors' Report.

City of Biloxi

Proprietary Fund Types – Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

For the Year Ended September 30, 2002

	<u>Water and Sewer Fund</u>	<u>Point Cadet Development Corporation</u>	<u>Total</u>
Operating revenues			
Charges for services:			
Water sales, sewer revenues, penalties & installations, net	\$ 8,657,088	\$ –	\$ 8,657,088
Keesler Air Force Base, sewer	608,990	–	608,990
Total charges for services	9,266,078	–	9,266,078
Rent income	–	18,991	18,991
Other income	5,700	–	5,700
Total operating revenues	9,271,778	18,991	9,290,769
Operating expenses			
Contracted services	8,777,753	–	8,777,753
Other services and charges	–	308	308
Depreciation	1,208,964	22,339	1,231,303
Total operating expenses	9,986,717	22,647	10,009,364
Operating income (loss)	(714,939)	(3,656)	(718,595)
Non-operating revenues (expenses)			
Interest income	212,820	674	213,494
Interest expense	(62,742)	–	(62,742)
Total non-operating revenues	150,078	674	150,752
Net loss before operating transfers	(564,861)	(2,982)	(567,843)
Operating transfers in	2,303,127	–	2,303,127
Operating transfers out	(1,146,789)	–	(1,146,789)
Net operating transfers	1,156,338	–	1,156,338
Net income (loss)	591,477	(2,982)	588,495
Retained earnings, beginning of year	24,423,224	396,607	24,819,831
Retained earnings, end of year	\$ 25,014,701	\$ 393,625	\$ 25,408,326

See Independent Auditors' Report.

City of Biloxi

Proprietary Fund Types – Enterprise Funds
Combining Statement of Cash Flows

For the Year Ended September 30, 2002

	<u>Water and Sewer Fund</u>	<u>Point Cadet Development Corporation</u>	<u>Total</u>
Cash flows from operating activities			
Operating income	\$(714,939)	\$(3,656)	\$(718,595)
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,208,964	22,339	1,231,303
Changes in assets and liabilities:			
Accounts receivable	(269,815)	–	(269,815)
Prepays.....	(29,297)	–	(29,297)
Accounts payable and accrued expenses	(19,296)	–	(19,296)
Customer deposits	20,934	–	20,934
Interfund borrowings.....	708,844	–	708,844
Net cash provided by operating activities	<u>905,395</u>	<u>18,683</u>	<u>924,078</u>
Cash flows from non-capital financing activities			
Transfers from other funds	527,559	–	527,559
Transfers to other funds	(641,027)	–	(641,027)
Net cash used in non-capital financing activities.....	<u>(113,468)</u>	<u>–</u>	<u>(113,468)</u>
Cash flows from capital and related financing activities			
Transfers from other funds	1,269,806	–	1,269,806
Fixed asset additions	(1,775,567)	–	(1,775,567)
Repayment of long-term debt.....	(98,108)	–	(98,108)
Interest payment on long-term debt.....	(62,742)	–	(62,742)
Net cash used in capital and related financing activities.....	<u>(666,611)</u>	<u>–</u>	<u>(666,611)</u>
Cash flows from investing activities			
Interest income	212,820	674	213,494
Investments purchased.....	(1,688,377)	–	(1,688,377)
Investments matured.....	6,800,000	–	6,800,000
Net cash provided by investing activities	<u>5,324,443</u>	<u>674</u>	<u>5,325,117</u>
Net increase in cash	5,449,759	19,357	5,469,116
Cash, beginning of year.....	<u>3,183,935</u>	<u>76,694</u>	<u>3,260,629</u>
Cash, end of year.....	<u>\$ 8,633,694</u>	<u>\$ 96,051</u>	<u>\$ 8,729,745</u>

See Independent Auditors' Report.

City of Biloxi
 Proprietary Fund Type – Internal Service Funds
 Combining Balance Sheet
 September 30, 2002

	<u>Self Insurance Reserve Funds</u>		
	<u>Claims Contingency Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Assets			
Current assets (unrestricted)			
Cash	\$ 1,978,716	\$ 2,958,797	\$ 4,937,513
Investments	563	–	563
Due from other City funds	99,627	–	99,627
Total current assets (restricted)	<u>\$ 2,078,906</u>	<u>\$ 2,958,797</u>	<u>\$ 5,037,703</u>
Liabilities & Fund Equity			
Current assets (restricted)			
(payable from current assets – restricted)			
Claims contingency payable / reserve	\$ 2,078,906	\$ 2,958,797	\$ 5,037,703
Fund equity			
Retained earnings	–	–	–
Total liabilities and fund equity	<u>\$ 2,078,906</u>	<u>\$ 2,958,797</u>	<u>\$ 5,037,703</u>

See Independent Auditors' Report.

City of Biloxi

Proprietary Fund Type – Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

For the Year Ended September 30, 2002

	<u>Self Insurance Reserve Funds</u>		
	<u>Claims Contingency Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Operating revenues			
Charges for services:			
Insurance billings	\$ 1,595,965	\$ 3,876,844	\$ 5,472,809
Operating expenses			
Insurance and reinsurance	1,009,741	181,875	1,191,616
Claims expense.....	586,224	3,694,969	4,281,193
Total operating expenses.....	1,595,965	3,876,844	5,472,809
Net income.....	-	-	-
Retained earnings, beginning of year	-	-	-
Retained earnings, end of year.....	\$ -	\$ -	\$ -

See Independent Auditors' Report.

City of Biloxi
 Proprietary Fund Type – Internal Service Funds
 Combining Statement of Cash Flows

For the Year Ended September 30, 2002

	<u>Self Insurance Reserve Funds</u>		
	<u>Claims Contingency Fund</u>	<u>Health Insurance Fund</u>	<u>Total</u>
Cash flows from operating activities			
Operating income	\$ -	\$ -	\$ -
Adjustment to reconcile operating income to net cash provided by operating activities:			
Changes in assets and liabilities:			
Claims payable	280,596	739,102	1,019,698
Interfund borrowings.....	(39,270)	-	(39,270)
Net cash provided by operating activities	<u>241,326</u>	<u>739,102</u>	<u>980,428</u>
Cash flows from investing activities			
Investments purchased.....	(1,201,957)	-	(1,201,957)
Investments matured.....	2,380,833	-	2,380,833
Net cash provided by investing activities	<u>1,178,876</u>	<u>-</u>	<u>1,178,876</u>
Net increase in cash	1,420,202	739,102	2,159,304
Cash, beginning of year.....	<u>558,514</u>	<u>2,219,695</u>	<u>2,778,209</u>
Cash, end of year.....	<u>\$ 1,978,716</u>	<u>\$ 2,958,797</u>	<u>\$ 4,937,513</u>

See Independent Auditors' Report.

City of Biloxi
 Trust and Agency Funds
 Combining Balance Sheet
 September 30, 2002

	Agency Fund	Non- Expendable Trust Fund	Expendable Trust Fund	
	<u>Tax Collection Agency Fund</u>	<u>City Bicentennial Trust Fund</u>	<u>Employees' State Unemployment Fund</u>	<u>Total</u>
Assets				
Cash	\$ -	\$ 24,192	\$ 524,405	\$ 548,597
Taxes receivable	107,607	-	-	107,607
Total assets	<u>\$ 107,607</u>	<u>\$ 24,192</u>	<u>\$ 524,405</u>	<u>\$ 656,204</u>
Liabilities & Fund Balances/Retained Earnings				
Liabilities				
Due to Biloxi Public Schools.....	\$ 107,607	\$ -	\$ -	\$ 107,607
Fund balances/retained earnings	-	24,192	524,405	548,597
Total liabilities and fund balances/retained earnings.....	<u>\$ 107,607</u>	<u>\$ 24,192</u>	<u>\$ 524,405</u>	<u>\$ 656,204</u>

See Independent Auditors' Report.

City of Biloxi

Non-Expendable Trust Fund

Statement of Revenues, Expenses and Changes in Retained Earnings

For the Year Ended September 30, 2002

	<u>City Bicentennial Trust Fund</u>
Revenues	
Miscellaneous:	
Interest income	\$ 490
Net income.....	490
Retained earnings, beginning of year	23,702
Retained earnings, end of year	<u>\$ 24,192</u>

See Independent Auditors' Report.

City of Biloxi
 Expendable Trust Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended September 30, 2002

	<u>Employees'</u> <u>State</u> <u>Unemployment</u> <u>Fund</u>
Revenues	
Miscellaneous:	
Interest income	\$ 10,470
Expenses	
Claims paid	<u>5,240</u>
Net income.....	5,230
Fund balances, beginning of year	<u>519,175</u>
Fund balances, end of year.....	<u>\$ 524,405</u>

See Independent Auditors' Report.

City of Biloxi
 Non-Expendable Trust Fund
 Statement of Cash Flows
 For the Year Ended September 30, 2002

	<u>City Bicentennial Trust Fund</u>
Cash flows from operating activities	
Net income.....	\$ 490
Net increase in cash	490
Cash, beginning of year.....	23,702
Cash, end of year	<u>\$ 24,192</u>

See Independent Auditors' Report.

City of Biloxi
 Schedule of General Fixed Assets
 by Function
 September 30, 2002

Function	<u>Land and Buildings</u>	<u>Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
General government	\$ 3,677,701	\$ 839,756	\$ -	\$ 4,517,457
Community development	4,616,002	482,990	-	5,098,992
Cultural affairs	16,236,409	100,445	-	16,336,854
Parks and recreation	6,150,550	2,046,328	-	8,196,878
Public safety	14,100,226	14,671,866	-	28,772,092
Public works	1,093,570	3,301,673	-	4,395,243
Construction in progress:				
General capital projects	-	-	5,140,341	5,140,341
Total general fixed assets	<u>\$ 45,874,458</u>	<u>\$ 21,443,058</u>	<u>\$ 5,140,341</u>	<u>\$ 72,457,857</u>

See Independent Auditors' Report.

City of Biloxi
 Schedule of Changes in General Fixed Assets
 By Function

For the Year Ended September 30, 2002

	<u>9/30/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>9/30/02</u>
Function					
General government	\$ 4,382,700	\$ 79,067	\$ —	\$ 55,690	\$ 4,517,457
Community development	5,070,134	33,799	4,762	(180)	5,098,991
Cultural affairs.....	15,810,092	534,189	2,412	(5,015)	16,336,854
Parks and recreation.....	7,740,737	468,077	3,295	(8,640)	8,196,879
Public safety	26,758,259	2,196,693	96,897	(85,963)	28,772,092
Public works	4,515,505	144,205	308,575	44,108	4,395,243
Construction in progress:					
General capital projects	2,515,499	3,365,973	741,131	—	5,140,341
Total general fixed assets	<u>\$ 66,792,926</u>	<u>\$ 6,822,003</u>	<u>\$ 1,157,072</u>	<u>\$ —</u>	<u>\$ 72,457,857</u>

See Independent Auditors' Report.

Supplemental Information



City of Biloxi

Schedule of Reconciliation of Original Ad Valorem Tax Rolls to Fund Collections

For the Year Ended September 30, 2002

	<u>Assessed Value</u>	<u>Rate</u>	<u>Tax</u>
Assessments			
Property taxes:			
Real estate:			
City and school purposes.....	\$ 343,082,584	61.53	\$ 21,109,871
City purposes only	21,592,097	30.10	649,922
Personal, other than auto:			
City and school purposes.....	85,114,917	61.53	5,237,121
City purposes only	1,018,475	30.10	30,656
Public Utility assessment:			
City and school purposes.....	21,761,190	61.53	1,338,966
City purposes only	1,853,369	30.10	55,786
Personal, auto:			
City and school purposes.....	38,832,854	61.53	2,389,386
City purposes only	7,584,253	30.10	228,286
Total			<u>31,039,994</u>
Less:			
Over 65 homestead and Social Security			
Disability allowances			(1,143,558)
Regular homestead tax allowances.....			(483,527)
Add:			
Over 65 Homestead and Social Security			
Disability reimbursement.....			512,002
Unaccrued prior year tax collections.....			446,975
Penalties and interest on delinquent taxes.....			<u>344,764</u>
Total account for.....			<u>\$ 30,716,651</u>
Actual collections allocated to			
General Fund.....			\$ 9,208,814
Debt Service Funds.....			3,856,789
Disability and Relief Funds			2,722,871
School Funds			<u>14,164,210</u>
Total.....			29,952,684
Uncollected taxes and other			<u>763,967</u>
Total accounted for.....			<u>\$ 30,716,651</u>

See Independent Auditors' Report.

City of Biloxi
 Schedule of Investments – All Funds
 September 30, 2002

	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Reported Amount</u>	<u>Reported Amount</u>
General Fund					
Treasury Bill	1.9967%	04/04/02	10/03/02	\$ 1,194,176	\$ 1,205,843
Treasury Bill	1.9451%	04/11/02	10/10/02	1,099,338	1,109,523
Treasury Bill	1.8521%	04/18/02	10/17/02	1,508,073	1,520,889
Treasury Bill	1.8624%	06/06/02	12/02/02	1,003,679	1,010,123
Treasury Bill	1.7488%	07/05/02	01/02/03	1,003,299	1,007,952
Treasury Bill	1.6664%	09/12/02	03/13/03	1,154,408	1,156,096
Money Market Fund	1.2600%	various	N/A	16,326	16,326
Total General Fund.....	–	–	–	<u>6,979,299</u>	<u>7,026,752</u>
Debt Service Funds					
1999 TIF Bond Fund:					
Money Market Fund	1.2600%	various	N/A	<u>545,335</u>	<u>545,335</u>
Capital Projects Funds					
GOPI 1998 Bond Fund:					
Money Market Fund	1.2600%	various	N/A	225,922	225,922
GOPI 2000 Bond Fund					
Money Market Fund	1.2600%	various	N/A	850,941	850,941
1999 Limited Obligation Bond Fund					
Money Market Fund	1.2600%	various	N/A	<u>2,342,037</u>	<u>2,342,037</u>
Total Capital Projects Funds.....	–	–	–	<u>3,418,900</u>	<u>3,418,900</u>
Total investments,					
Governmental Funds	–	–		<u>\$ 10,943,534</u>	<u>\$ 10,990,987</u>
Proprietary Funds Water & Sewer					
Internal Service Funds					
Claims Contingency Fund:					
Money Market Fund	1.2600%	various	N/A	<u>\$ 563</u>	<u>\$ 563</u>

See Independent Auditors' Report.

City of Biloxi
 Schedule of Long-Term Debt
 September 30, 2002

	<u>Date Issued</u>	<u>Original Issue</u>	<u>Balance October 1, 2001</u>
General Obligation Bonds and Notes			
General Obligation Bonds of 1988 - A	06/01/88	\$ 1,200,000	\$ 600,000
General Obligation Bonds of 1988 - D.....	12/01/88	750,000	455,000
General Obligation Bonds of 1989 - A	02/15/89	750,000	455,000
General Obligation Bonds of 1992	06/01/92	1,085,000	140,000
Refunding Bond of 1995	11/01/95	4,135,000	3,450,000
GOPI 1998	12/22/98	10,000,000	9,020,000
GOPI 2000	05/01/00	6,500,000	6,000,000
Airport General Obligation Bonds, 2000	05/01/00	1,000,000	925,000
Mississippi Development Bank promissory note	01/04/01	3,025,000	<u>2,949,373</u>
Total General Obligation Bonds and Notes	-	-	<u>23,994,373</u>
Limited Obligation Bonds			
Tax Increment Limited Obligation, 1999.....	10/01/99	12,000,000	11,650,000
Mississippi Development Authority Loan	11/01/01	500,000	<u>-</u>
Total Limited Obligation Bonds and Notes.....	-	-	<u>11,650,000</u>
Total general long-term debt.....	-	-	<u>35,644,373</u>
Proprietary Funds Debt			
Pollution Control Loans.....	1981-2001	2,685,427	<u>2,069,085</u>
Totals	-	-	<u>\$ 37,713,458</u>



Requirements Year Ended
September 30, 2002

<u>New Issues</u>	<u>Retirements</u>	<u>Balance September 30, 2002</u>	<u>Principal</u>	<u>Interest</u>
\$ -	\$ 75,000	\$ 525,000	\$ 75,000	\$ 39,660
-	40,000	415,000	45,000	29,106
-	40,000	415,000	45,000	27,475
-	140,000	-	-	-
-	535,000	2,915,000	575,000	133,230
-	520,000	8,500,000	545,000	343,224
-	525,000	5,475,000	560,000	279,125
-	80,000	845,000	85,000	43,081
-	302,508	2,646,865	302,508	137,952
-	2,257,508	21,736,865	2,232,508	1,032,853
-	370,000	11,280,000	390,000	692,365
500,000	-	500,000	18,608	15,000
500,000	370,000	11,780,000	408,608	707,365
500,000	2,627,508	33,516,865	2,641,116	1,740,218
-	98,107	1,970,978	110,416	66,429
\$ 500,000	\$ 2,725,615	\$ 35,487,843	\$ 2,751,532	\$ 1,806,647

See Independent Auditors' Report.

City of Biloxi

Schedule of Surety Bonds for Municipal Officials and Other Municipal Employees

September 30, 2002

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
A. J. Holloway	Mayor	Fidelity and Deposit Company of Maryland.....	\$ 100,000
Jim Compton	Councilman	Fidelity and Deposit Company of Maryland.....	100,000
Eric Dickey	Councilman	Fidelity and Deposit Company of Maryland.....	100,000
George Lawrence.....	Councilman	Fidelity and Deposit Company of Maryland.....	100,000
Mike Fitzpatrick.....	Councilman	Fidelity and Deposit Company of Maryland.....	100,000
David Fayard.....	Councilman	Fidelity and Deposit Company of Maryland.....	100,000
Charles Harrison	Councilman	Fidelity and Deposit Company of Maryland.....	100,000
Tom Wall	Councilman	Fidelity and Deposit Company of Maryland.....	100,000
William L. Lanham	Deputy Clerk	Fidelity and Deposit Company of Maryland.....	50,000
Brenda Johnston.....	City Treasurer/Tax Collector....	Fidelity and Deposit Company of Maryland.....	50,000
Ann B. Kriss	Court Clerk.....	Fidelity and Deposit Company of Maryland.....	10,000
W. Eugene Henry.....	Municipal Judge.....	Fidelity and Deposit Company of Maryland.....	25,000
William Tisdale.....	Municipal Judge.....	Fidelity and Deposit Company of Maryland.....	25,000

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

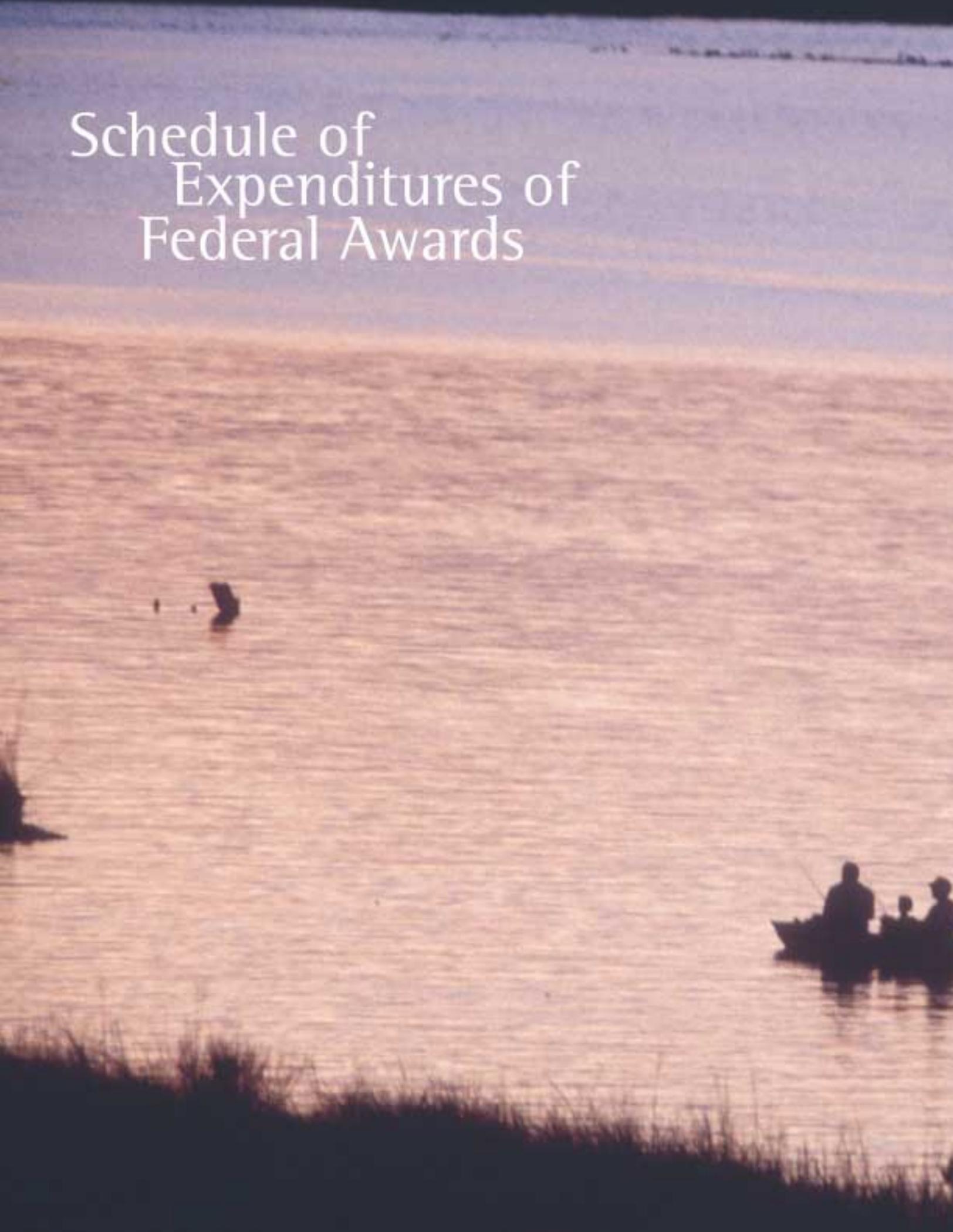
See Independent Auditors' Report.



Compliance
Section



Schedule of Expenditures of Federal Awards



City of Biloxi
 Schedule of Expenditures of Federal Awards
 Year Ended September 30, 2002

<u>Grantor Federal Agency/Passed - Through Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant No./ Pass-Through Grantor No.</u>	<u>Federal Expenditures</u>
U. S. Department of Housing and Urban Development			
Community Development Block Grant (CDBG)	14.218	B-99-MC-28-001	\$ 11,531
Community Development Block Grant (CDBG)	14.218	B-00-MC-28-001	632,993
Total	-	-	<u>644,524</u>
Department of the Interior			
Historic Preservation Fund Grants:			
Passed-Through Mississippi Department of Archives and History:			
Historic Preservation	15.904	28-98-90017	<u>7,079</u>
National Park Service:			
Outdoor recreation:			
Acquisition, development and planning	15.916	28-00532	<u>163,999</u>
Department of Treasury			
Bureau of Alcohol, Tobacco and Firearms:			
Gang resistance education and training	21.053	ATC02DD12	<u>1,947</u>
Department of Justice			
Office of Community Oriented Policing Services:			
COPS Universal Hiring	16.710	95CFWX5698	84,467
COPS in Schools	16.710	2000SHWX0201	148,792
Total	-	-	<u>233,259</u>
Office of Justice Programs:			
Local Law Enforcement Block Grant	16.592	01LBBX3229	<u>46,312</u>
Federal Emergency Management Agency			
Passed-Through Mississippi Emergency Management Agency:			
Public assistance	83.544	FEMA-1382 / 3132	<u>43,086</u>
Hazard Mitigation Grant	83.548	HMGP-1051-002	<u>119,884</u>
Executive Office of the President			
Office of National Drug Control Policy:			
High intensity drug trafficking area	-	-	<u>2,079</u>
Total expenditures of federal awards	-	-	<u>\$ 1,262,169</u>

See Independent Auditors' Report.

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



Independent Auditors' Report

To the City Council, City of Biloxi
Biloxi, Mississippi

We have audited the general purpose financial statements of the City of Biloxi, Mississippi, as of and for the year ended September 30, 2002, and have issued our report thereon dated December 20, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Biloxi's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Biloxi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information 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.



Certified Public Accountants
Biloxi, Mississippi
December 20, 2002



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

Independent Auditors' Report

To the City Council, City of Biloxi
Biloxi, Mississippi

Compliance

We have audited the compliance of the City of Biloxi 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, 2002. The City of Biloxi'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's management. Our responsibility is to express an opinion on the City of Biloxi'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'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 on the City of Biloxi's compliance with those requirements.

In our opinion, the City of Biloxi 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, 2002.

Internal Control Over Compliance

The management of the City of Biloxi is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Biloxi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited any occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information 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.



Certified Public Accountants
Biloxi, Mississippi
December 20, 2002

Schedule of
Findings &
Questioned
Costs



City of Biloxi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2002

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 which are required to be reported under Section __.510(a) of OMB Circular A-133.
7. The major programs were:

Community Development Block Grant	14.218
-----------------------------------	--------
8. The dollar threshold used to distinguish between Type A and Type B Programs was \$300,000.
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

Summary Schedule of Prior Audit Findings





City of Biloxi
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2002

There were no prior audit findings relative to federal awards.

Statistical Section



City of Biloxi

General Governmental Expenditures by Function - Last Ten Fiscal Years

	<u>FYE</u> <u>09/30/02</u>	<u>FYE</u> <u>09/30/01</u>	<u>FYE</u> <u>09/30/00</u>
EXPENDITURE FUNCTION			
General government	\$ 4,159,184	\$ 3,886,516	\$ 3,236,454
Parks and recreation.....	4,254,332	3,839,485	3,161,109
Public safety	22,203,686	20,080,649	19,160,996
Public works	7,639,287	7,506,841	7,292,767
Community Development	3,777,394	2,944,613	5,234,303
Non-departmental.....	4,816,858	4,155,396	4,100,494
Retirement contribution.....	2,728,111	2,690,011	2,003,334
Capital outlay.....	18,041,127	17,726,160	27,508,751
Debt service			
Principal	2,627,508	5,389,627	2,679,648
Interest.....	1,821,497	2,026,245	1,151,844
Total	\$ 72,068,984	\$ 70,245,543	75,529,700

City of Biloxi

General Revenues by Source - Last Ten Fiscal Years

	<u>FYE</u> <u>09/30/02</u>	<u>FYE</u> <u>09/30/01</u>	<u>FYE</u> <u>09/30/00</u>
REVENUE SOURCE			
Taxes.....	\$ 15,788,474	\$ 15,570,922	\$ 15,129,168
Licenses & permits.....	3,320,782	3,403,789	3,116,426
Intergovernmental	36,101,336	37,451,946	35,644,640
Charges for services.....	1,213,723	1,174,942	962,833
Fines	1,133,113	1,387,709	1,367,677
Other	4,780,680	7,069,911	7,603,962
Total	\$ 62,338,109	\$ 66,059,219	\$ 63,824,706

<u>FYE</u> <u>09/30/99</u>	<u>FYE</u> <u>09/30/98</u>	<u>FYE</u> <u>09/30/97</u>	<u>FYE</u> <u>09/30/96</u>	<u>FYE</u> <u>09/30/95</u>	<u>FYE</u> <u>09/30/94</u>	<u>FYE</u> <u>09/30/93</u>
\$ 3,240,314	\$ 2,973,058	\$ 3,087,628	\$ 3,123,473	\$ 2,625,516	\$ 1,974,334	\$ 1,939,673
2,762,056	2,267,951	2,177,271	2,027,528	1,897,458	1,640,803	1,765,617
15,399,824	13,822,490	12,358,991	12,345,098	10,391,089	8,462,882	6,543,953
6,876,835	5,464,126	5,240,023	4,711,159	4,869,208	3,667,121	3,103,239
5,785,890	5,779,560	4,540,654	4,753,255	6,268,157	3,755,865	1,557,399
3,424,797	1,768,632	1,409,370	1,074,229	805,596	735,014	1,663,192
1,935,661	1,975,410	1,963,354	1,724,506	1,458,373	1,285,433	1,098,636
9,706,179	6,804,730	5,978,367	4,627,764	3,419,094	2,996,140	930,294
1,654,079	2,480,119	2,485,045	2,521,305	2,704,944	2,390,267	6,474,861
647,055	816,293	985,567	1,212,325	1,342,382	1,468,746	1,580,528
<u>\$ 51,432,690</u>	<u>\$ 44,152,369</u>	<u>\$ 40,226,270</u>	<u>\$ 38,120,642</u>	<u>\$ 35,781,817</u>	<u>\$ 28,376,605</u>	<u>\$ 26,657,392</u>

<u>FYE</u> <u>09/30/99</u>	<u>FYE</u> <u>09/30/98</u>	<u>FYE</u> <u>09/30/97</u>	<u>FYE</u> <u>09/30/96</u>	<u>FYE</u> <u>09/30/95</u>	<u>FYE</u> <u>09/30/94</u>	<u>FYE</u> <u>09/30/93</u>
\$ 14,235,254	\$ 14,319,944	\$ 14,416,033	\$ 13,452,688	\$ 12,316,995	\$ 11,092,816	\$ 10,489,726
2,848,885	2,589,044	2,942,327	2,333,102	2,310,856	2,265,091	1,848,004
32,124,722	24,767,498	22,894,848	21,965,225	20,605,718	20,849,929	13,925,244
944,151	891,662	724,323	748,409	980,820	662,284	1,062,521
1,227,526	989,477	1,212,835	1,322,732	1,026,490	708,884	420,388
9,467,551	5,405,523	4,138,035	4,286,213	4,606,248	3,246,768	1,695,488
<u>\$ 60,848,089</u>	<u>\$ 48,963,148</u>	<u>\$ 46,328,401</u>	<u>\$ 44,108,369</u>	<u>\$ 41,847,127</u>	<u>\$ 38,825,772</u>	<u>\$ 29,441,371</u>

City of Biloxi

Property Tax Levies and Collections - Last Ten Fiscal Years

	<u>FYE</u> <u>09/30/02</u>	<u>FYE</u> <u>09/30/01</u>	<u>FYE</u> <u>09/30/00</u>
Gross tax levy before exemptions	\$ 31,039,994	\$ 29,202,471	\$ 25,909,370
Add special H/S exemption reimbursement.....	512,002	525,651	524,557
Add penalties and interest	344,764	277,091	293,964
Deduct special homestead exemption	(1,143,558)	(979,035)	(1,150,864)
Deduct regular homestead exemption	(483,527)	(409,214)	(362,694)
Total Tax Levy	30,269,675	28,616,964	25,214,333
Current tax collections	29,160,945	28,568,182	25,192,231
Percent of current taxes collected	96.34%	99.83%	99.91%
Delinquent tax collections.....	791,739	799,755	221,892
Total tax collected.....	29,952,684	29,367,937	25,414,123
Ratio of tax collected to tax levied	98.95%	102.62%	100.79%
Outstanding delinquent taxes.....	763,967	750,727	22,102
Ratio of delinquent tax to total levy	2.52%	2.62%	0.09%

	<u>FYE</u> <u>09/30/02</u>	<u>FYE</u> <u>09/30/01</u>	<u>FYE</u> <u>09/30/00</u>
TAX LEVY MILLAGE			
Tax year	2001	2000	1999
City Funds			
General Fund.....	15.65	15.35	26.61
Garbage collection/disposal	2.25	2.55	4.00
Pension Funds.....	5.50	5.50	7.00
Debt Service Fund.....	6.70	6.70	8.60
total for City Purposes.....	30.10	30.10	46.21
School Funds			
District maintenance.....	26.00	25.50	35.00
Minimum Program	1.09	1.09	1.50
School Debt.....	4.34	4.34	2.60
Total for School Purposes.....	31.43	30.93	39.10
Total City and School	61.53	61.03	85.31

<u>FYE</u> <u>09/30/99</u>	<u>FYE</u> <u>09/30/98</u>	<u>FYE</u> <u>09/30/97</u>	<u>FYE</u> <u>09/30/96</u>	<u>FYE</u> <u>09/30/95</u>	<u>FYE</u> <u>09/30/94</u>	<u>FYE</u> <u>09/30/93</u>
\$ 23,665,151	\$ 23,444,114	\$ 23,121,088	\$ 23,355,884	\$ 20,257,317	\$ 17,640,409	\$ 16,091,987
524,455	527,765	523,981	524,087	513,414	508,839	480,672
226,451	247,405	167,093	156,729	153,033	101,979	288,718
(1,131,455)	(1,178,118)	(1,186,046)	(1,207,603)	(1,181,870)	(1,177,141)	(1,155,239)
(360,220)	(359,653)	(359,850)	(359,091)	(352,917)	(337,932)	(343,680)
22,924,382	22,681,513	22,266,266	22,470,006	19,388,977	16,736,154	15,362,458
22,911,971	22,256,417	21,722,026	20,313,231	18,543,516	16,597,897	15,196,835
99.95%	98.13%	97.56%	90.40%	95.64%	99.17%	98.92%
386,089	218,831	784,493	87,713	108,453	(14,243)	213,661
23,298,060	22,475,248	22,506,519	20,400,944	18,651,969	16,583,654	15,410,496
101.63%	99.09%	101.08%	90.79%	96.20%	99.09%	100.31%
12,411	425,096	544,240	2,156,775	845,461	138,257	165,623
0.05%	1.87%	2.44%	9.60%	4.36%	0.83%	1.08%

<u>FYE</u> <u>09/30/99</u>	<u>FYE</u> <u>09/30/98</u>	<u>FYE</u> <u>09/30/97</u>	<u>FYE</u> <u>09/30/96</u>	<u>FYE</u> <u>09/30/95</u>	<u>FYE</u> <u>09/30/94</u>	<u>FYE</u> <u>09/30/93</u>
1998	1997	1996	1995	1994	1993	1992
27.61	30.86	30.86	33.66	32.02	31.02	31.52
4.00	4.00	4.00	4.00	-	-	-
7.00	8.00	8.00	8.00	7.50	7.50	7.00
9.10	10.10	11.85	12.65	18.04	20.54	20.54
47.71	52.96	54.71	58.31	57.56	59.06	59.06
33.50	33.00	33.00	33.00	33.00	33.00	33.00
1.50	2.00	2.00	2.00	2.00	2.00	2.00
2.60	2.60	2.35	2.75	3.50	4.00	4.00
37.60	37.60	37.35	37.75	38.50	39.00	39.00
85.31	90.56	92.06	96.06	96.06	98.06	98.06

City of Biloxi

Assessed and Actual Value of Property - Last Ten Fiscal Years

Fiscal Year Ending	Real Property (1)		Personal Property	
	<u>Assessed Value</u>	<u>Actual Value</u>	<u>Assessed Value</u>	<u>Actual Value</u>
2002.....	\$ 364,674,681	\$ 2,665,750,592	\$ 86,133,392	\$ 574,222,613
2001 (2)	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
1998.....	145,958,532	1,066,948,333	62,375,669	415,837,793
1997.....	143,212,567	1,046,875,490	60,122,266	400,815,107
1996.....	133,742,569	977,650,358	64,387,269	429,248,460
1995.....	120,177,909	878,493,487	48,821,576	325,477,173
1994.....	117,506,601	858,966,382	23,024,097	153,493,980
1993.....	114,145,095	834,393,969	14,582,319	97,215,460

City of Biloxi

Property Tax Rates - All Overlapping Governments - Last Ten Fiscal Years

Fiscal Year Ended	Tax Year	City of Biloxi			Harrison County
		<u>Operating Millage</u>	<u>Debt Service</u>	<u>Total</u>	<u>Operating Millage</u>
2002.....	2001.....	23.40	6.70	30.10	32.45
2001.....	2000.....	23.40	6.70	30.10	32.80
2000.....	1999.....	37.61	8.60	46.21	40.06
1999.....	1998.....	38.61	9.10	47.71	41.32
1998.....	1997.....	42.86	10.10	52.96	41.42
1997.....	1996.....	42.86	11.85	54.71	40.42
1996.....	1995.....	45.66	12.65	58.31	38.93
1995.....	1994.....	39.52	18.04	57.56	38.90
1994.....	1993.....	38.52	20.54	59.06	38.90
1993.....	1992.....	38.52	20.54	59.06	41.40

Utilities		Automobiles		Total		<u>Ratio of Assessed to Actual</u>
<u>Assessed Value</u>	<u>Actual Value</u>	<u>Assessed Value</u>	<u>Actual Value</u>	<u>Assessed Value</u>	<u>Actual Value</u>	
\$ 23,614,559	\$ 157,430,393	\$ 46,417,107	\$ 154,723,690	\$ 520,839,739	\$ 3,552,127,289	14.66%
21,071,009	140,473,393	47,431,840	158,106,133	510,512,661	3,475,207,019	14.60%
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%
18,389,461	122,596,407	32,473,483	108,244,943	259,197,145	1,713,627,476	15.13%
17,708,799	118,058,660	30,360,099	101,200,330	251,403,731	1,666,949,587	15.08%
15,853,782	105,691,880	29,377,671	97,925,570	243,361,291	1,610,516,268	15.11%
15,327,828	102,185,520	26,948,027	89,826,757	211,275,340	1,395,982,937	15.13%
14,755,670	98,371,133	25,020,580	83,401,933	180,306,948	1,194,233,428	15.10%
14,893,085	99,287,233	20,987,934	69,959,780	164,608,433	1,100,856,442	14.95%

- (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.

Harrison County		Biloxi School District			<u>Total Millage</u>	<u>Total City & School</u>
<u>Debt Service</u>	<u>Total</u>	<u>Operating Millage</u>	<u>Debt Service</u>	<u>Total</u>		
3.25	35.70	27.09	4.34	31.43	97.23	61.53
3.40	36.20	26.59	4.34	30.93	97.23	61.03
3.36	43.42	36.50	2.60	39.10	128.73	85.31
2.10	43.42	35.00	2.60	37.60	128.73	85.31
2.00	43.42	35.00	2.60	37.60	133.98	90.56
3.00	43.42	35.00	2.35	37.35	135.48	92.06
4.49	43.42	35.00	2.75	37.75	139.48	96.06
4.50	43.40	35.00	3.50	38.50	139.48	96.06
4.50	43.40	35.00	4.00	39.00	141.46	98.06
3.50	44.90	35.00	4.00	39.00	142.96	98.06

Source: Harrison County Chancery Clerk

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. Ad valorem taxes on real property are due by February 1 of the year subsequent to the tax 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.

City of Biloxi

Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita - Last Ten Fiscal Years

<u>Fiscal Year Ended 9/30,</u>	<u>Estimated Population</u>	<u>Assessed Value (3)</u>	<u>Gross General Obligation Debt (4)</u>	<u>Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2002.....	50,644 (1)	\$ 520,839,739	\$ 21,736,865	\$ 3,926,622	\$ 17,810,243	3.42%	352
2001.....	50,644 (1)	510,512,661	23,994,373	3,920,177	20,074,196	3.93%	396
2000.....	50,644 (1)	303,412,170	26,169,000	3,817,572	22,351,428	7.37%	441
1999.....	47,759 (2)	277,838,775	17,395,000	3,914,477	13,480,523	4.85%	282
1998.....	47,448 (2)	259,197,145	8,960,000	2,607,639	6,352,361	2.45%	134
1997.....	47,199 (2)	251,403,731	11,330,000	2,310,637	9,019,363	3.59%	191
1996.....	47,373 (2)	243,361,291	13,710,000	1,572,684	12,137,316	4.99%	256
1995.....	48,815 (2)	211,275,340	14,730,000	1,532,805	13,197,195	6.25%	270
1994.....	47,829 (2)	180,306,948	17,280,000	959,322	16,320,678	9.05%	341
1993.....	47,669 (2)	164,608,433	19,530,000	(522,775)	20,052,775	12.18%	421

(1) 2000 Census

(2) Source: Population Estimates Program, Population Division, U.S Census Bureau, Washington, DC 20233

(3) Schedule "Assessed And Actual Value of Property"

(4) Includes notes and school bonds; excludes debt paid from Enterprise Fund revenues

City of Biloxi

Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Applicable Percentage</u>	<u>Amount Applicable to City of Biloxi</u>
Direct:			
City of Biloxi.....	\$ 17,810,243	100.00%	\$ 17,810,243
Overlapping:			
Biloxi School District.....	28,550,000	100.00%	28,550,000
Biloxi Port Commission.....	5,215,000	33.40%	1,741,810
Harrison County.....	48,070,000	33.40%	16,055,380
Total Overlapping.....	<u>81,835,000</u>		<u>46,347,190</u>
Totals.....	<u>\$ 99,645,243</u>		<u>\$ 64,157,433</u>

Excludes revenue bonds and general obligation bonds reported in enterprise funds.

City of Biloxi

Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
To Total General Governmental Expenditures - Last Ten Fiscal Years

<u>Fiscal Year Ended 9/30,</u>	<u>Principal</u>	<u>Interest and Paying Agent Fees</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
2002.....	\$ 2,257,508	\$ 1,098,074	\$ 3,355,582	\$ 72,068,984	4.66%
2001.....	5,039,627	1,291,873	6,331,500	70,245,543	9.01%
2000.....	2,679,648	1,151,844	3,831,492	75,529,700	5.07%
1999.....	1,654,079	647,055	2,301,134	51,432,690	4.47%
1998.....	2,480,119	816,293	3,296,412	44,152,369	7.47%
1997.....	2,485,045	985,567	3,470,612	40,226,270	8.63%
1996.....	2,521,305	1,212,325	3,733,630	38,120,642	9.79%
1995.....	2,704,944	1,342,382	4,047,326	35,781,817	11.31%
1994.....	2,390,267	1,468,746	3,859,013	28,376,605	13.60%
1993.....	6,474,861	1,580,528	8,055,389	26,657,392	30.22%

City of Biloxi

Revenue Bond Coverage - Last Ten Fiscal Years

<u>Fiscal Year Ended 9/30,</u>	<u>Gross Revenues</u>	<u>Operating Expenses</u>	<u>Net Revenues Available for Debt Service</u>	<u>Debt Service Requirements (1)</u>			
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2002.....	\$ 9,271,778	\$ 9,986,717	\$(714,939)	\$ 98,107	\$ 62,742	\$ 160,849	-444.48%
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	68,942	287,224	-228.04%
1999.....	8,676,964	8,031,633	645,331	207,474	52,958	260,432	247.79%
1998.....	7,581,089	6,987,718	593,371	178,164	68,965	247,129	240.11%
1997.....	7,716,226	6,472,490	1,243,736	161,713	78,227	239,940	518.35%
1996.....	7,298,062	5,777,670	1,520,392	157,575	126,718	284,293	534.80%
1995.....	7,091,855	5,690,471	1,401,384	1,201,973	209,960	1,411,933	99.25%
1994.....	6,046,710	5,345,162	701,548	945,665	299,367	1,245,032	56.35%
1993.....	6,009,455	5,089,987	919,468	982,714	570,628	1,553,342	59.19%

(1) Includes State Pollution Control Loans.

City of Biloxi Demographic Statistics - Last Ten Fiscal Years

<u>Fiscal Year Ended September 30,</u>	<u>Estimated Population (1)</u>	<u>Per Capita Income (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2002	50,644	not available	5,854	5.9
2001	50,644	not available	5,791	4.3
2000	50,644	24,157	5,895	4.7
1999	47,759	23,130	5,991	3.8
1998	47,448	22,148	6,053	4.7
1997	47,199	20,394	6,143	5.3
1996	47,373	19,657	6,219	5.7
1995	48,815	18,629	6,257	7.6
1994	47,829	18,087	6,468	6.5
1993	47,669	16,993	6,451	7.6

- (1) 1990 and 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"
 (3) Biloxi School District
 (4) Average monthly figures for calendar year; City of Biloxi; Mississippi Employment Security Commission

City of Biloxi Real Property Value, Construction and Bank Deposits - Last Ten Fiscal Years

<u>Fiscal Year Ended 9/30,</u>	<u>Real Property Appraised Value (1)</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Bank Deposits</u>		
		<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	<u>Bank and Thrifs (2)</u>	<u>Credit Unions (3)</u>	<u>Total (1000's)</u>
2002.....	\$ 2,665,750,592	296	\$ 31,871,067	984	\$ 39,028,299	\$ 711,099	\$ 677,365	\$ 711,099
2001.....	2,612,447,880	341	71,835,806	971	29,935,714	697,784	569,154	1,266,938
2000.....	1,253,354,379	370	61,893,037	1,046	25,582,750	699,772	505,394	1,205,166
1999.....	1,143,017,427	383	59,679,732	1,170	28,748,157	519,086	477,325	996,411
1998.....	1,066,948,333	317	74,546,149	722	24,357,696	471,027	421,789	892,816
1997.....	1,046,875,490	440	299,429,173	712	19,937,665	471,751	396,322	868,073
1996.....	977,650,358	373	47,967,067	662	17,542,792	401,119	357,628	758,747
1995.....	878,493,487	134	27,775,682	228	34,447,617	383,149	342,610	725,759
1994.....	858,966,382	175	52,077,615	317	49,519,179	384,269	343,965	728,234
1993.....	834,393,969	152	51,394,482	321	11,324,609	363,990	323,859	687,849

- (1) Schedule "Assessed And Actual Value of Property"
 (2) Source: FDIC
 (3) Source: National Credit Union Administration

City of Biloxi
Principal Taxpayers

September 30, 2002

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2001 Assessed Value</u>	<u>Percentage of Total Assessed Valuation</u>
Beau Rivage	Casino resort	\$ 85,054,391	16.33%
Grand Casino.....	Casino resort	32,220,056	6.19%
Imperial Palace.....	Casino resort	26,811,888	5.15%
Casino Magic	Casino resort	17,891,629	3.44%
Isle of Capri Casino	Casino resort	16,974,043	3.26%
Master.....	Pet food manufacturing.....	11,366,120	2.18%
Mississippi Power	Electrical utility.....	9,805,954	1.88%
Bell South	Telecommunications	9,501,588	1.82%
The New Palace Casino	Casino resort	7,828,937	1.50%
President Casino	Casino resort	6,884,755	1.32%
		<u>\$ 224,339,361</u>	<u>43.07%</u>

Based on assessment rolls for tax year 2001 (taxes to be collected in 2002)

City of Biloxi

Miscellaneous Statistics For the Year Ended September 30, 2002

Date of Incorporation.....	02/08/1838
Form of Government.....	Mayor / Council
Number of employees (excluding police and fire)	
classified.....	213
exempt.....	88
Area in square miles.....	62
Government facilities and services	
Culture and Recreation	
Community Centers.....	5
Parks.....	26
Park Acreage.....	170
Golf Courses.....	0
Swimming Pools.....	2
Tennis Courts.....	16
Fire Protection	
Number of Stations.....	8
Number of Fire Personnel.....	161
Number of Calls Answered.....	3,427
Number of Inspections Conducted.....	3,106
Police Protection	
Number of Stations.....	1
Number of Police Personnel and Officers.....	192
Number of Patrol Units.....	135
Number of Law violations	
Physical Arrests.....	10,120
Traffic Violations.....	12,319
Parking Violations.....	351
Sewerage System	
Miles of Sanitary Sewers.....	235
Number of Treatment Plants.....	3
Number of Service Connections.....	12,697
Daily Average Treatment in Gallons.....	11,485,225
Maximum Daily Capacity of Treatment Plants in Gallons.....	18,923,800
Water System	
Miles of Water Mains.....	231
Number of Service Connections.....	14,959
Number of Fire Hydrants.....	2,996
Daily Average Consumption in Gallons.....	8,002,192
Maximum Daily Capacity of Plants in Gallons.....	13,065,840
Facilities and Services not Included in the Reporting Entity:	
Education:	
Number of Elementary Schools.....	7
Number of Elementary School Instructors.....	296
Number of Secondary Schools.....	4
Number of Secondary Schools Instructors.....	217
Number of Community Colleges.....	1
Number of Universities.....	0
Hospitals	
Number of Hospitals.....	4
Number of Patient Beds.....	1,520

