

**Comprehensive Annual Financial Report**

**City of Biloxi  
Biloxi, Mississippi**

**Fiscal Year Ended September 30, 2005**

**City of Biloxi, Mississippi**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended September 30, 2005**  
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**Section I**  
**Introductory Section**

## City of Biloxi, Mississippi

Listing of City Officials as of September 30, 2005

### Elected Officials

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

### Appointed Officials

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

## **Letter of Transmittal**

**Mayor**  
A. J. Holloway

**Council Members**

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



P.O. Box 429  
Biloxi, Mississippi 39533  
(228) 435-6300  
June 14, 2006

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, 2005. The Administration of the City of Biloxi is responsible for the information presented in this report. We believe that the accompanying information is accurate and complete and fairly presents the financial position of the municipal government of the City of Biloxi as of September 30, 2005 and results of operations for the fiscal year then ended.

### **Control Environment**

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

### **Budgetary Controls**

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



revenue necessary to raise the budgeted ad valorem tax revenue.

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

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

### **Independent Audit**

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

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

### **Managements Discussion And Analysis**

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

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

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

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

## **Economic Condition and Outlook**

We understand that many readers of this Comprehensive Annual Financial Report will be interested in using this report to assess the impact of Hurricane Katrina on the City of Biloxi. Because Katrina struck the Mississippi Gulf Coast and the City in the last week of the eleventh month of fiscal 04/05, the full extent of the hurricane's impact on the City's financial condition will not be completely disclosed by the numbers for revenues and expenses in fiscal 04/05. The impact of the hurricane cannot be expressed in numbers alone. Katrina's impact on the citizens of Biloxi and their City government was severe. Some have described Katrina as the worst natural disaster to ever occur in the United States. Katrina killed 53 people in Biloxi and destroyed 20% of Biloxi's homes and business structures.

Recovery from Hurricane Katrina is now the main focus of City Management. We are concentrating on two primary objectives: (1) the repair and replacement of the City's damaged infrastructure, buildings, facilities and equipment and (2) ensuring maximum private sector reinvestment in order to restore the City's revenue sources. We believe that we can replace all the City's lost assets with insurance claim proceeds and disaster assistance from the Federal Emergency Management Agency (FEMA). City management has completed all FEMA Project Worksheets and 85% have been approved. We expect the remaining 15% to be approved by the end of July, 2006. These Project Worksheets total more than \$160,000,000. With these resources, we can repair or replace all of the City's damaged equipment, vehicles, buildings, parks, utilities, traffic signals, street signs, marinas and piers. We believe that Biloxi will be better than ever.

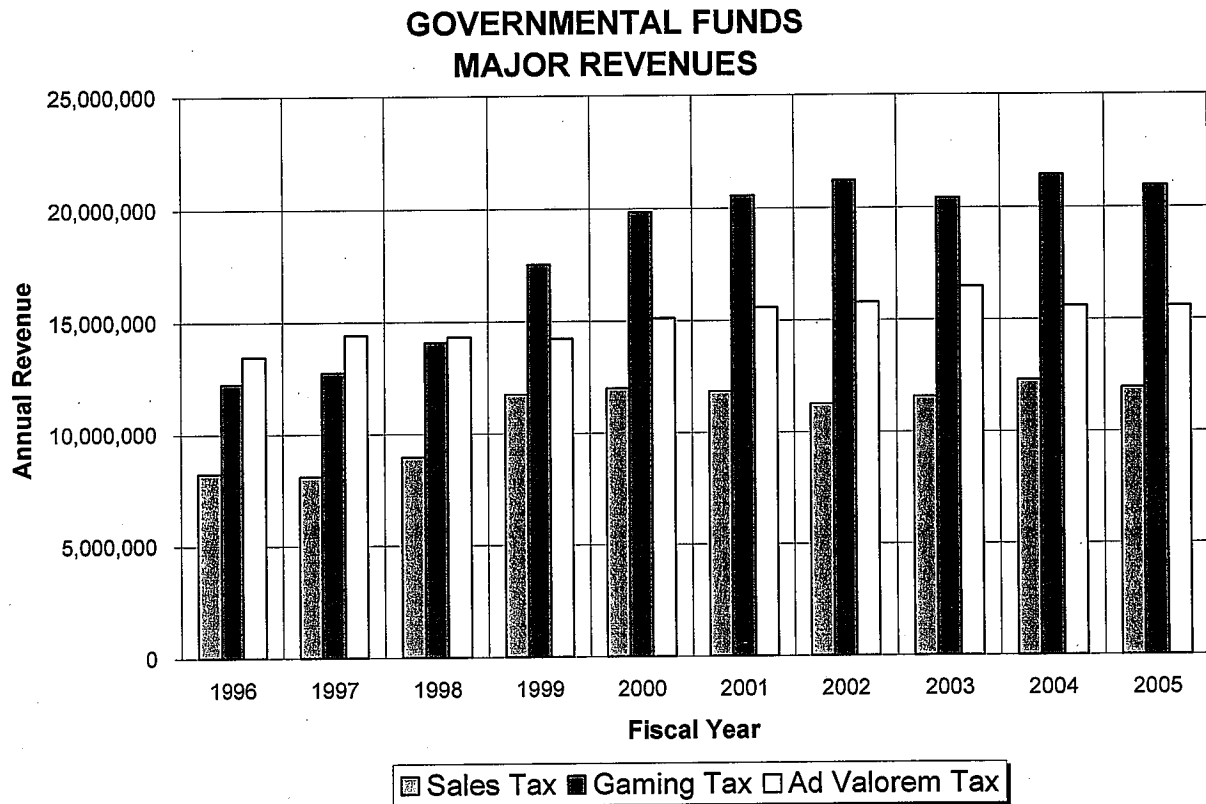
Post-storm reinvestment by the private sector has been remarkable. All the casinos, except one, have committed to rebuilding and increasing their capital investment in Biloxi. The City's Department of Community Development is currently processing 23 new condominium master plan projects coupled with 78 commercial projects under Development Review Committee review. They are also addressing numerous single family and multi-family housing projects to be developed in the City. A conservative estimate of the aggregate private sector reinvestment will be in excess of \$3 billion. The City is working expeditiously to complete the processing and issuance of approval commitments for this new development.

FY 05/06 City revenues have been better than we expected immediately following Katrina. We are currently at 70% of pre-storm gaming tax revenue and 65% of pre-storm sales tax. We expect to collect most of the City's ad valorem tax for FY 05/06 (2005 ad valorem tax year). Because ad valorem taxes are assessed on property values at the beginning of the calendar year and paid in the subsequent year (arrears), the loss of assessed value due to Katrina will not be felt until FY 06/07 when we collect 2006 taxes. We do expect a 30% reduction in ad valorem tax revenue in FY 06/07.

Subsequent to FY 04/05, the City received \$7,500,000 from the City's claim on its business interruption insurance and expects to collect the remaining \$2,500,000 in the near future. FEMA has approved community disaster loans for the City of Biloxi totaling \$16,843,377. These low-interest loans will help offset revenue losses and fund City operating expenses in FY 05/06 and 06/07.

Mayor Holloway and department directors have taken steps to reduce operating cost, where possible, by putting a freeze on new hires, implementing a policy of attrition and placing restrictions on purchasing. Our goal is to align costs of operations with available resources. We believe Biloxi's financial condition is strong and its future secure.

During the fiscal year ended September 30, 2005, the City's major revenues, property tax, sales tax and gaming tax, remained strong with a slight decline in sales tax and gaming tax caused by loss of revenue for the month of September due to Hurricane Katrina. (Fig. 1).



**Figure 1**

The City's share of local taxes on casino gaming has allowed Biloxi's governing authority to keep growth in property tax revenue low while increasing municipal services and capital spending. In the nine years since 1996, annual ad valorem tax revenue increased from 13.5 million per year to 15.6 million per year. This increase of 15.5%, over nine years, equates to an average annual growth in ad valorem tax revenue of 1.7% per year.

The chart below demonstrates how the City managed growth of ad valorem tax revenue by adjusting its tax rate downward to offset the increases in total assessed value.

In 2001, the mandatory reappraisal of all property in Harrison County increased the assessed value of property within the City, significantly. The City mitigated the impact of the reappraisal with an offsetting reduction in the ad valorem tax rate. The chart also demonstrates that total assessed value has been flat for the last four years (Fig. 2).

## TAX RATE & TAX BASE

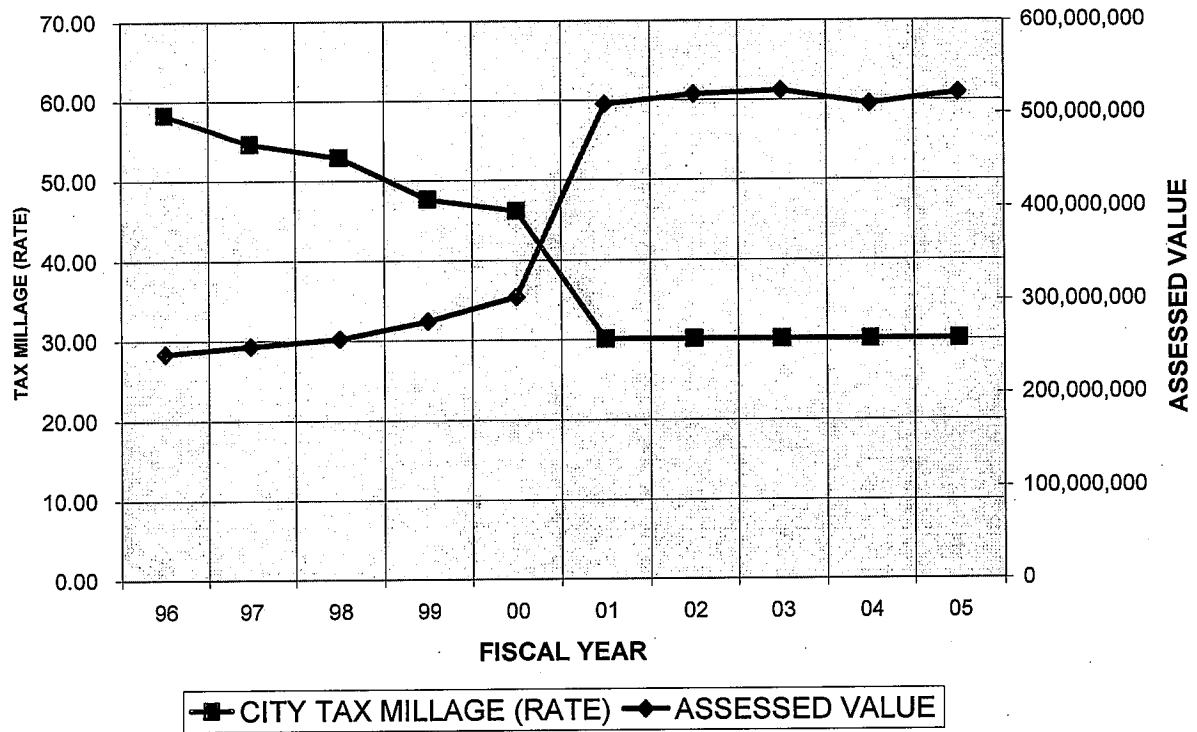
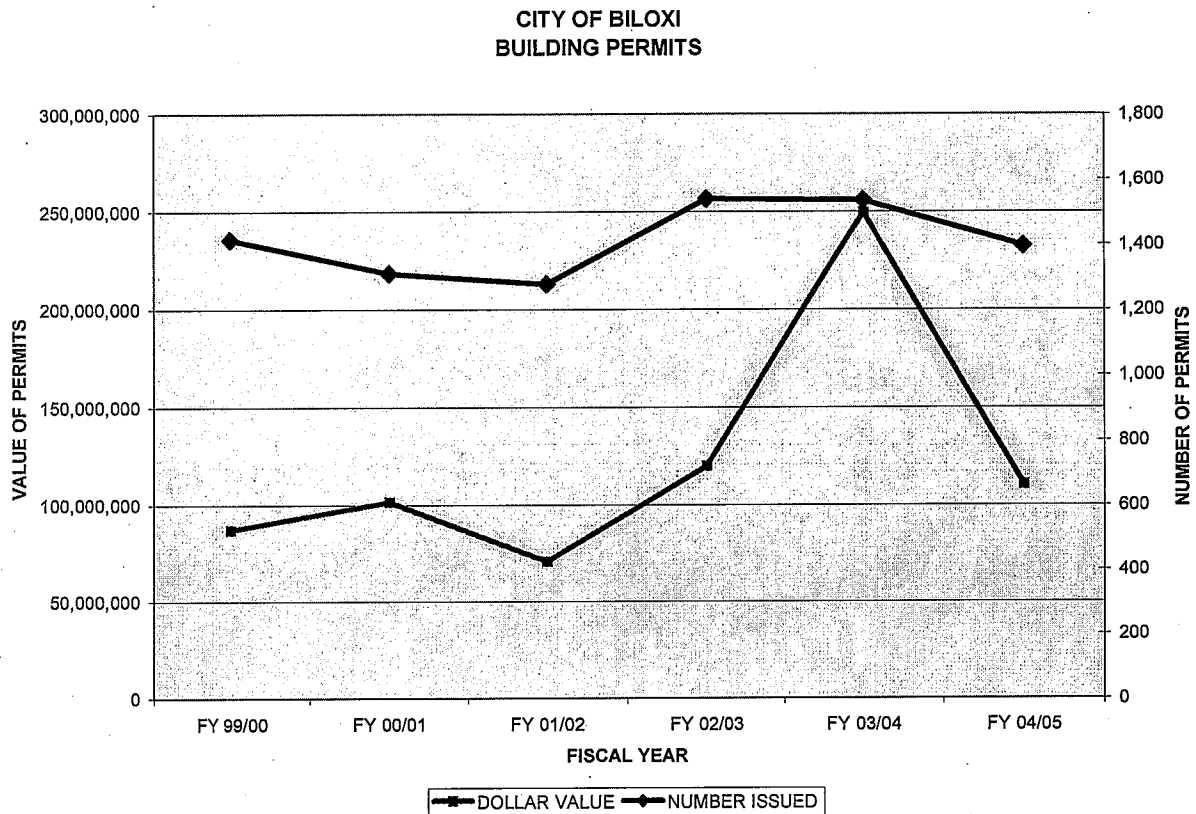


Figure 2

During fiscal year 04/05, the City issued 1,536 building permits with a total valuation of \$249,881,633. The value of building permits issued declined 56% and the number of permits issued declined 9% from the prior fiscal year (fig. 3).

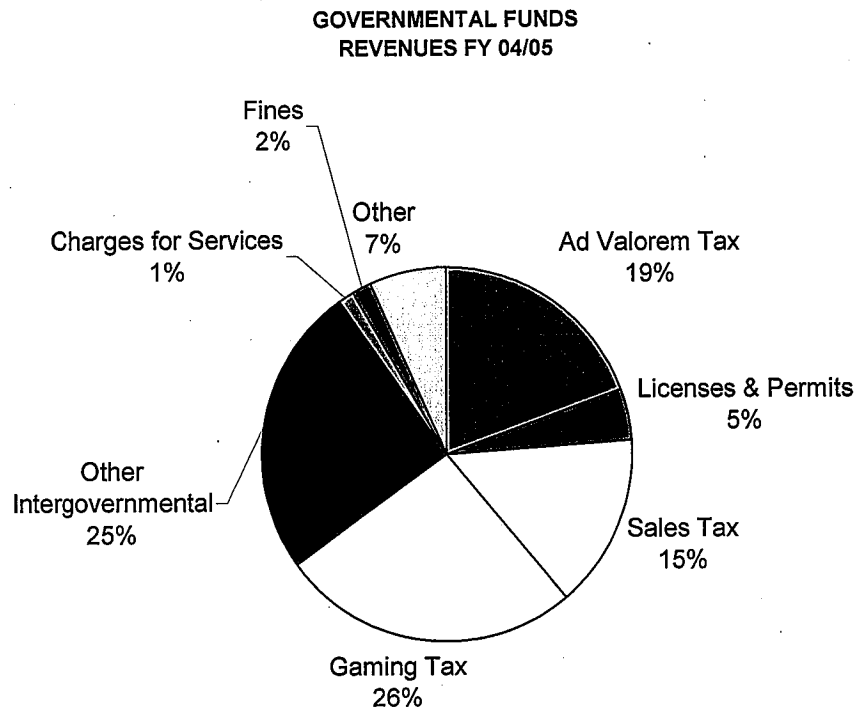


**Figure 3**

According to Annual Labor Force Report published by the Mississippi Department of Employment Security, unemployment in the City of Biloxi averaged 8.87% during fiscal year 04/05. This average increased over the average for fiscal 03/04 due to the unemployment rate of 24.12% for September, 2005, the final month of the fiscal year, due to the effect of Hurricane Katrina.

### **Governmental Fund Revenues**

Governmental funds are used to account for most City functions and operations including the various City departments, the City's two old, closed retirement plans, Community Development Block Grants, capital projects, and the City's general obligation debt payments. Figure 4 illustrates the relative amounts of various general governmental revenues for the fiscal year 04/05. The City's three largest sources of revenues for general governmental functions are gaming tax, ad valorem tax and sales tax.



**Figure 4**

Gaming tax and sales tax are shown separately here but are included in the City's governmental funds financial statements on the line titled "Intergovernmental Revenues". Intergovernmental revenues are collected by other governmental entities such as state government and distributed to the City. Other Intergovernmental Revenue includes other taxes collected by Harrison County and the State of Mississippi and state and federal grants. During the last month of fiscal 04/05, the City received \$12,492,171 of FEMA grant money which is included in the Other Intergovernmental revenue category.

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

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

Ad valorem taxes are collected in arrears. The taxes for a calendar tax year are due by February 1 of the subsequent calendar year. Each year the governing authorities of the City of Biloxi determine the total assessed value of property situated within the City limits. Prior to the beginning

of a new fiscal year, October 1, they set the tax rate (levy) that will generate the tax revenue needed for the upcoming fiscal year. In each fiscal year, the City collects the ad valorem taxes for the prior calendar tax year. To summarize, the formula for determining tax revenues from each class of property is "Appraised value X assessment ratio X tax levy = tax amount".

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

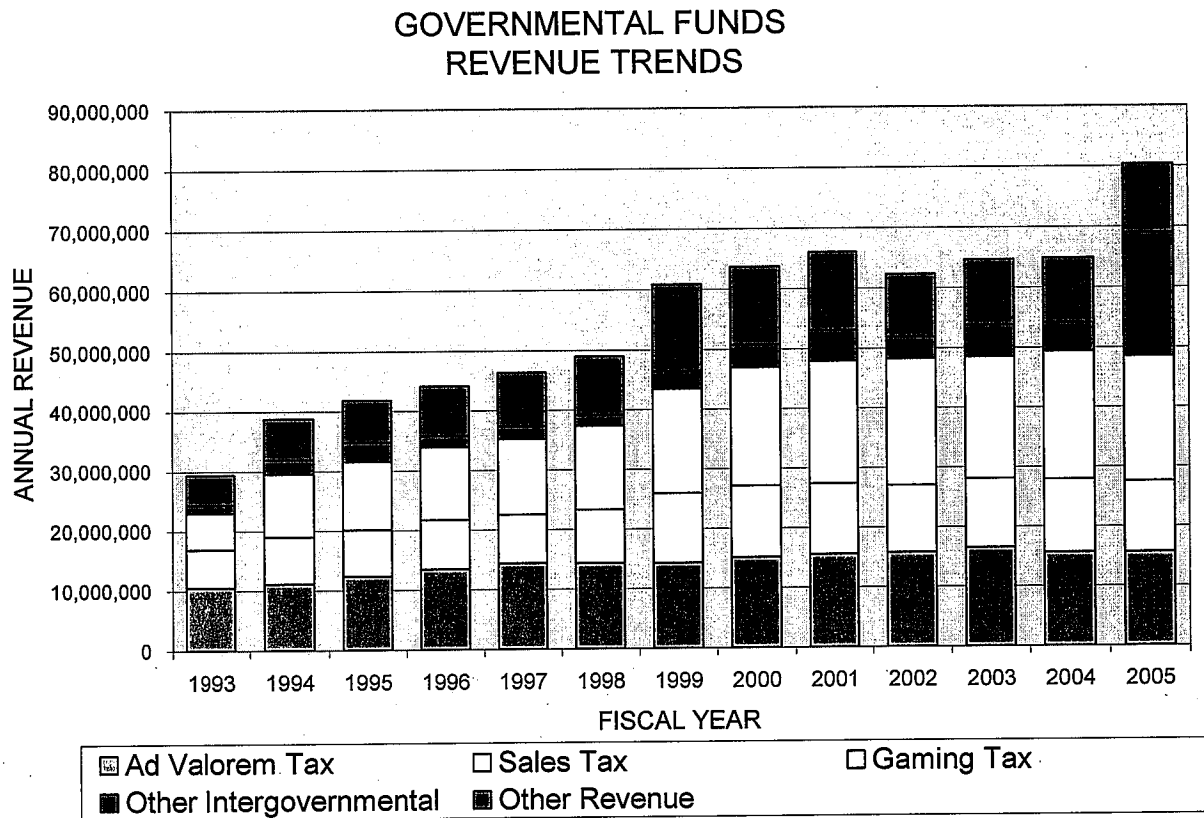
**Gaming Taxes** - All taxes on gross gaming revenue and gaming devices are collected by the State Tax Commission, including those taxes levied by municipalities. The Gaming control act of 1990 provided a tax of eight tenths of one percent (.8%) on casino gross gaming income. This tax revenue is divided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

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

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

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

Figure 5 illustrates the trends in annual totals of revenue sources for the City's governmental funds. Casino gaming and the resulting gaming taxes were implemented in 1992, and since that time, gaming tax revenues have become the single largest revenue source for the City. Note that Other Intergovernmental Revenue increased significantly in fiscal year 04/05 due to grants for Hurricane Katrina debris removal received by the City of Biloxi from the Department of Homeland Security, Federal Emergency Management Agency.

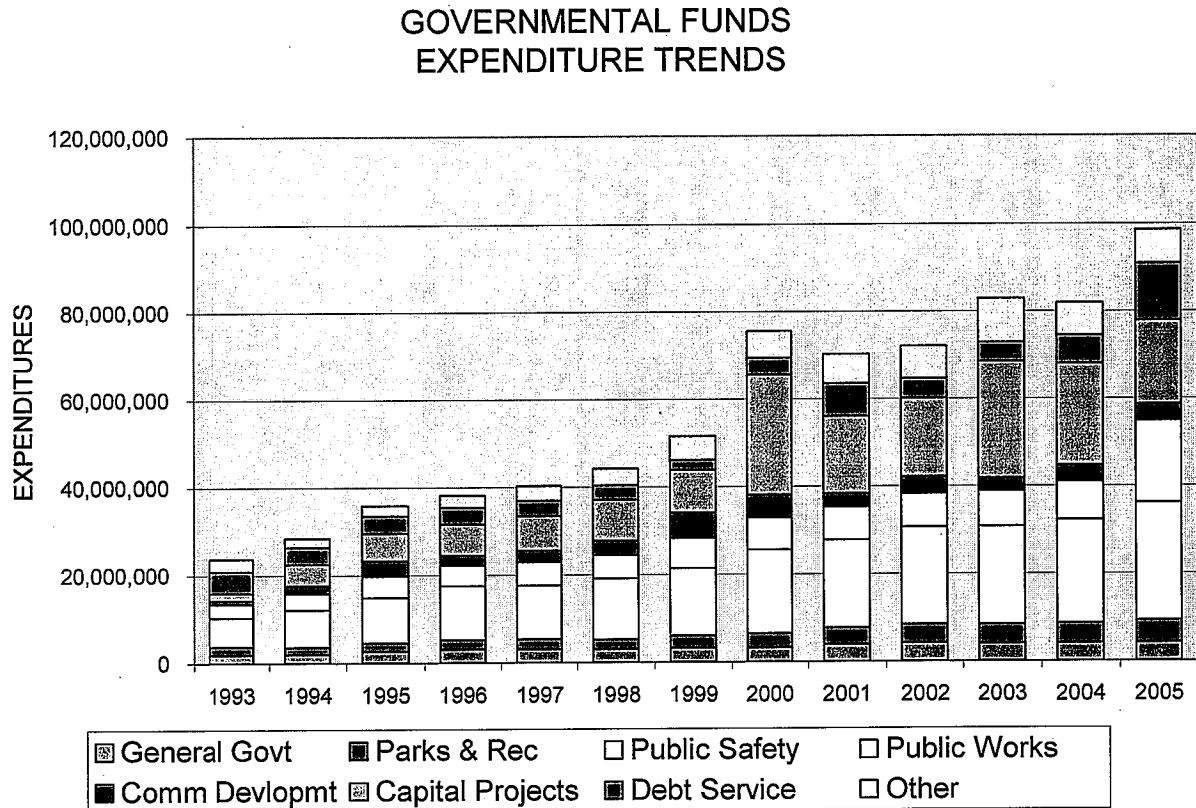


**Figure 5**



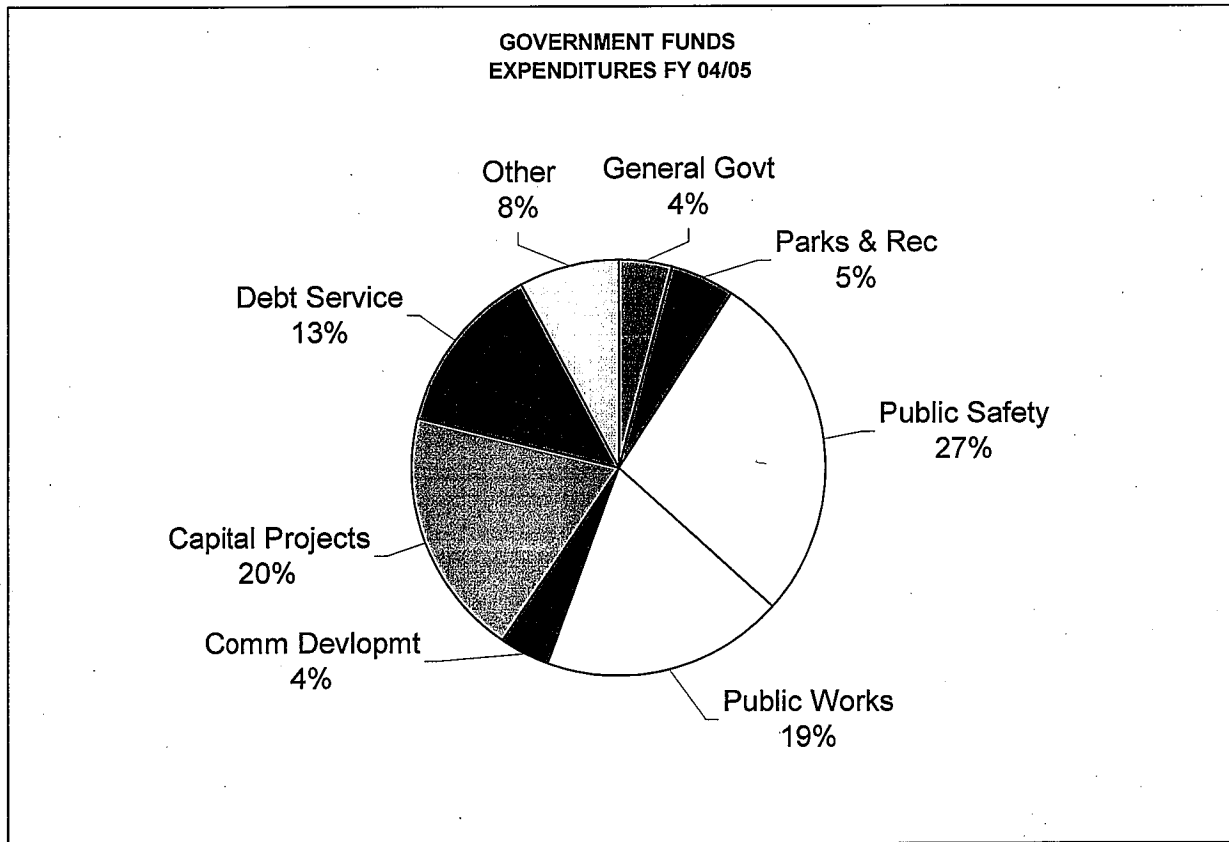
## General Governmental Expenditures

Figure 6 illustrates the trends in spending for the various services and functions accounted for in the City's governmental funds. Public safety and capital projects are the largest expenditure categories of the City's governmental funds. Note that expenditures for Public Works increased in fiscal year 04/05 due to the cost of removing debris from Hurricane Katrina.



**Figure 6**

Figure 7 illustrates the relative amount of total expenditures for each service and function accounted for in the City's governmental funds for the fiscal year 04/05. Public Works expenditures increased in FY 04/05 over the prior year due to the cost of debris removal incurred in September, 2005.



**Figure 7**

### **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. See the Management's Discussion and Analysis for additional discussion regarding the City's debt.

### **Cash Management**

Mississippi laws address the investment of surplus money by municipalities and the investment of the proceeds of bonds separately. The investment of surplus money is limited to bonds or other direct obligations of the United States of America or the State of Mississippi or any county or municipality of this state or any school district or obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement

deposit with a maturity of six months or less. Treasury Bills are purchased by a municipal depository under a Security Safekeeping Agreement. The City's checking account balances are invested automatically, overnight, under sweep agreements with the City's depositories.

### **Risk Management**

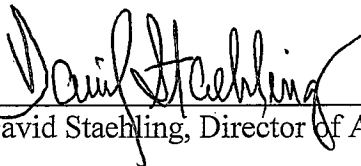
Risk management is an entity's approach to identifying, evaluating and controlling unforeseen expenses. It includes a plan to avoid, prevent and minimize the costs of (1) property loss from accidents, fire, crime, fraud, and natural disaster; (2) liability for the losses of other entities and (3) injury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

### **Major Initiatives**

During FY 04/05 the City expended \$18.5 million on capital projects and completed 17 capital projects with accumulated cost of \$23.6 million. At the end of fiscal year 04/05 the City had 62 capital projects in planning or in progress with project budgets totaling \$75.7 million. Major projects in progress at the end of FY 04/05 included Tchoutacabouffa River Bridge, Caillavet Street, The Biloxi Sports Complex, Causeway Park, Elevated Water Tanks, Main Street Urban Renewal, and Sunkist Drainage.

Hurricane Katrina struck the coast of Mississippi on August 29, 2005. Immediately, the governing authority focused all its resources on the resulting emergency conditions. Mayor Holloway temporarily suspended work on all capital projects.

Respectfully submitted,

  
\_\_\_\_\_  
David Staehling, Director of Administration

  
\_\_\_\_\_  
W. L. Lanham, Controller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Biloxi,  
Mississippi

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2004

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



*Carla E. Perry*

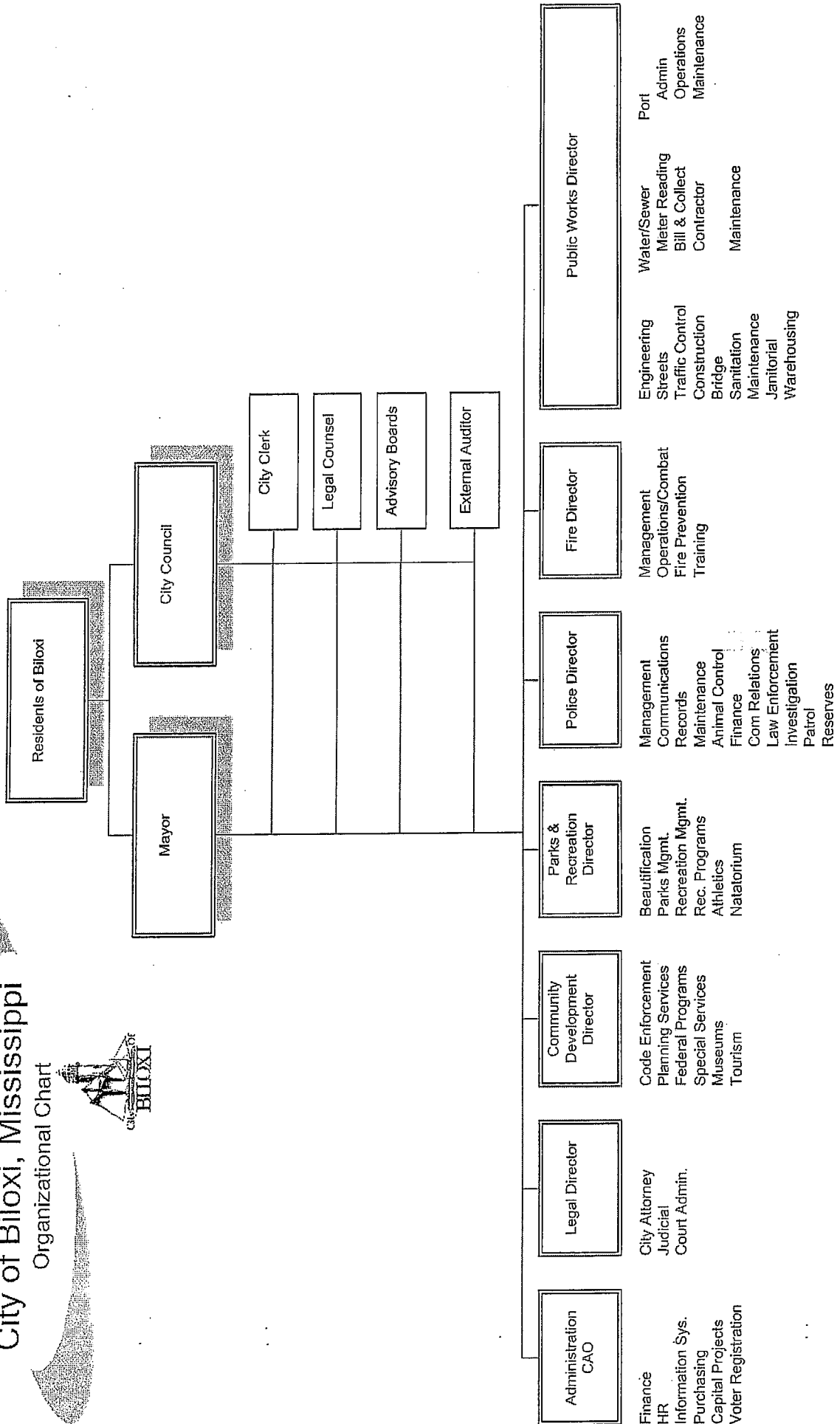
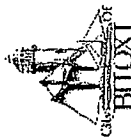
President

*Jeffrey R. Ennis*

Executive Director

# City of Biloxi, Mississippi

## Organizational Chart



## **Section II**

### **Financial Section**

## **Independent Auditors' Report**

To the City Council  
City of Biloxi  
Biloxi, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi (City), as of and for the year ended September 30, 2005 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Biloxi, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Members:*

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

Biloxi • Gulfport/Downtown • Gulfport / Orange Grove • Ocean Springs



The CPA. Never Underestimate The Value.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2006, on our consideration of the City of Biloxi, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 25 through 30 and 87 through 94, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Biloxi, Mississippi's, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Biloxi, Mississippi. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Columby, Fletcher, Hooker, Harvey & Bunge P.L.L.C.*

Certified Public Accountants

Biloxi, Mississippi  
May 21, 2006



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

## **City of Biloxi, Mississippi**

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

#### **Brief Discussion of the Basic Financial Statements**

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

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

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

In the fund financial statements, each of the City's major funds is presented in a separate column. The City's non-major funds are combined and the totals presented in one column. The distinction between governmental type activities and proprietary type activities is maintained through the presentation of separate statements these two types of funds. The major governmental funds presented are the City's General Fund, the Debt Service Fund, and the General Capital Projects Fund. The City's Water and Sewer Fund and Port Fund are presented as major funds along with the single non-major fund – The Point Cadet Development Commission, in the Statement of Net Assets – Proprietary Funds, the Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds, and the Statement of Cash Flows – Proprietary Funds.

Governmental Funds are used to account for governmental functions of the City of Biloxi including administration, executive, legislative, legal (general governmental activities),

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

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

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

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

Table 1  
City of Biloxi  
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 63,641,955	\$ 55,268,305	\$ 17,612,347	\$ 13,629,504	\$ 81,254,302	\$ 68,897,809
Capital assets	188,938,888	181,580,298	44,208,433	46,453,267	233,147,321	228,033,565
Total assets	<u>252,580,843</u>	<u>236,848,603</u>	<u>61,820,780</u>	<u>60,082,771</u>	<u>314,403,628</u>	<u>296,933,378</u>
Current & other liabilities	\$ 14,424,503	\$ 8,561,430	\$ 2,793,520	\$ 1,242,373	\$ 17,218,023	\$ 9,803,803
Long-term liabilities	73,398,501	70,351,808	5,369,628	6,132,870	78,768,129	76,484,678
Total liabilities	<u>87,823,004</u>	<u>78,913,238</u>	<u>8,163,148</u>	<u>7,375,243</u>	<u>95,986,152</u>	<u>86,288,481</u>
Net assets						
Investment in capital assets						
net of related debt	125,208,731	115,566,223	39,210,473	40,657,098	164,419,204	156,223,321
Restricted	13,202,408	22,015,077	1,897,170	2,127,659	15,099,578	24,142,736
Unrestricted	26,346,700	20,354,065	12,549,989	9,922,771	38,896,689	30,276,836
Total net assets	<u>\$ 164,757,839</u>	<u>\$ 157,935,365</u>	<u>\$ 53,657,632</u>	<u>\$ 52,707,528</u>	<u>\$ 218,415,471</u>	<u>\$ 210,642,893</u>

Capital assets (on line two above) represent the depreciated cost of the City's buildings, furnishings, land, infrastructure (streets, drainage, lighting and signals), vehicles and equipment. Capital assets, net of the outstanding debt incurred to acquire them, comprise 76% of the City's total net assets. A portion of the City's net assets are restricted to expenditure for specific purposes such as on-going capital projects and debt payments. The remaining, unrestricted net assets may be used by the governing authority to provide future services.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 6,737,279	\$ 6,591,571	\$ 10,532,459	\$ 11,311,206	\$ 17,269,738	\$ 17,902,777
Operating grants	1,196,313	1,254,752			1,196,313	1,254,752
Capital grants and contributions	17,373,396	1,969,950	978,930	406,216	18,352,326	2,376,166
General revenues						
Property taxes	15,599,678	15,621,385	657,426	987,051	16,257,104	16,608,436
Sales taxes	11,944,584	12,294,618			11,944,584	12,294,618
Gaming taxes	20,968,845	21,441,126			20,968,845	21,441,126
Franchise taxes	2,653,549	2,555,738			2,653,549	2,555,738
Other revenue	5,334,119	3,785,314	301,696	128,965	5,635,815	3,914,279
Total revenues	<u>81,807,763</u>	<u>65,514,454</u>	<u>12,470,511</u>	<u>12,833,438</u>	<u>94,278,274</u>	<u>78,347,892</u>
<b>Expenses</b>						
General government	4,505,044	4,494,668			4,505,044	4,494,668
Parks and recreation	5,528,890	5,718,522			5,528,890	5,718,522
Public safety	29,591,921	26,638,158			29,591,921	26,638,158
Public works	19,942,138	9,706,107			19,942,138	9,706,107
Community development	7,186,148	8,326,850			7,186,148	8,326,850
Unallocated depreciation	1,869,584	1,664,522			1,869,584	1,664,522
Interest on long-term debt	3,327,475	2,898,309			3,327,475	2,898,309
Water and sewer service			12,515,510	10,662,616	12,515,510	10,662,616
Port Fund activities			1,666,327	2,024,677	1,666,327	2,024,677
PCDC activities			372,659	22,394	372,659	22,394
Total expenses	<u>71,951,200</u>	<u>59,447,136</u>	<u>14,554,496</u>	<u>12,709,687</u>	<u>86,505,696</u>	<u>72,156,823</u>
Increase (decrease) in net assets before transfers	9,856,563	6,067,318	(2,083,985)	123,751	7,772,578	6,191,069
Transfers	(3,034,089)	(2,992,157)	3,034,089	2,992,157	-	-
Net increase (decrease) in net assets	<u>6,822,474</u>	<u>3,075,161</u>	<u>950,104</u>	<u>3,115,908</u>	<u>7,772,578</u>	<u>6,191,069</u>
Net assets, beg of year - as restated	<u>157,935,365</u>	<u>154,860,204</u>	<u>52,707,528</u>	<u>49,591,620</u>	<u>210,642,893</u>	<u>204,451,824</u>
Net assets, end of year	<u>\$ 164,757,839</u>	<u>\$ 157,935,365</u>	<u>\$ 53,657,632</u>	<u>\$ 52,707,528</u>	<u>\$ 218,415,471</u>	<u>\$ 210,642,893</u>

### Overall financial position and results of operations

The net assets of governmental activities increased by \$6,822,474, after transfers of net assets to business type activities of \$3,034,089. These transfers were contributions from governmental activities to water and sewer system capital projects.

The net assets of business type activities (Water and Sewer and Port ) would have declined by \$2,083,985 during FY 04/05, had the governmental activities not contributed part of the cost of water and sewer capital projects. The decline in net assets of the business-type activities is the result of Water and Sewer revenue not covering the cost of operations and the loss of water/sewer system assets and Port assets due to Hurricane Katrina.

The City's overall financial position as well as the financial position of governmental-type and business-type activities, individually, improved in FY 04/05 as indicated by the increase in total net assets.

### Analysis of Significant Balances And Operation of Individual Funds

#### Fund Balances

##### General Fund

The General Fund is the City's primary operating fund. The City began fiscal year 04/05 with a General Fund balance of \$21,469,242 and ended the year with a fund balance of \$28,976,354. The increase is attributable primarily, to the accrual of insurance claims related to Hurricane Katrina damage and to the receipt of grants from the Federal Emergency Management Agency, to pay for debris removal. During FY 04/05, the City transferred \$4,658,638 of General Fund cash to the City's Capital Projects Fund to pay project expenses.

Concurrent with the inception of legal gaming in 1992, the annual, ending fund balance of the City's General Fund balance began to increase due to rapid growth in revenues, especially the gaming tax. In the first few years after the advent of Biloxi's casino gaming industry, the governing authority dedicated the gaming tax revenue to capital projects including those projects that were needed to accommodate the industry. The size and number of these projects and the constraints of engineering, planning, staffing and acquisition extended the expenditure of budgeted capital project monies over several years. The lag between the appropriation of resources and actual completion of projects caused a temporary accumulation of fund balance in the City's General Fund

The City's progress on its capital projects and the eventual easing of the restriction of gaming tax to capital project funding had begun to reduce the accumulated surpluses (fund balance) in the General Fund. Fortunately, the General Fund had a healthy fund balance at the beginning of fiscal 04/05 and was able to suspend the capital projects for which the surplus was intended. City management had fund balance available to deal with the reductions in revenue caused by Hurricane Katrina and to resume the suspended capital projects as conditions allow.

**2002 TIF Capital Projects Bond Fund** – This capital project fund is utilized by the City to segregate the proceeds of a limited obligation bond issue. The \$29,000,000 of bond proceeds will be expended over the life of the capital projects that are funded by the debt issuance. As project costs are incurred cash is transferred from the 2002 TIF Capital Projects Bond Fund to the General Capital Projects Fund to pay the project costs.

**Debt Service Fund** – During FY04/05 the fund balance of the City's Debt Service Fund declined by \$1.1 million, ending the year with \$4.4 million in fund balance. City management has built the fund balance to provide working capital to pay principal and interest on bonded debt that matures in the early months of the fiscal year, October through January, before the bulk of ad valorem tax revenue is received by the City. Ad valorem tax revenue is the primary resource of the Debt Service Fund, therefore the amount of working capital in the fund is directly attributable to the relationship between the amount of debt service maturing during the year and the ad valorem tax millage levied for debt service.

**Water and Sewer Fund** – Revenues and other Water and Sewer Fund resources were not adequate to pay the cost of operations and debt service. The Water and Sewer Fund incurred an operating loss of \$3,688,453 when depreciation expense was considered. The City administration was studying this issue when Hurricane Katrina hit Biloxi and must resume the study in the near future. The City's water and sewer rates are relatively low compared to other service providers in Mississippi; however, the loss of a significant number of utility customers due to destruction of residences and businesses by Hurricane Katrina further exacerbated this problem.

The Water and Sewer Fund paid \$1,931,326 of the \$4,951,835 expended for improvements in the water and sewer system during FY 04/05. \$3,020,509 of water and sewer capital projects spending was funded from the City's General Fund and bond proceeds. The funding of water/sewer capital projects by the General Fund and dedications of water/sewer system assets by developers offset the funds operating loss to prevent a decline in net assets.

#### **Budget Variances in the General Fund**

During FY 04/05 the City Council passed thirty-three resolutions amending the City's budget for all funds. These amendments increased total spending by \$12,805,906 and increased revenues and other financing sources by \$12,091,104. \$5,674,360 of the amendments related to the refunding bond issued completed during the fiscal year. Sixteen of these budget amendments increased Capital Project spending by \$5,469,739.

The amendments to General Fund increased budgeted General Fund appropriations by \$1,202,523. Of this increase \$809,824 was related to new grant revenues received during FY 04/05. The remaining General Fund appropriation increases were related to an increase in insurance renewal cost, additional donations to the Seafood Museum and the Salvation Army and other miscellaneous expenditures.

The Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual – Budget Basis discloses a significant expenditure variance (over budget) in Public Works. This variance resulted from the City's cost of responding to the emergency conditions caused by Hurricane Katrina which hit the City on the 29 day of the eleventh month of fiscal year 04/05. These expenditures were authorized under the emergency declaration of the City of Biloxi governing authority.

### **Capital Assets Activity**

During FY 04/05 the City acquired capital assets costing \$23,533,318. Of this amount \$3,587,163 consisted of streets, drainage and utilities within dedicated subdivisions. The City purchased \$3,870,331 of equipment and paid \$16,501 for real property improvements. The City incurred \$16,059,323 of capitalizable costs on construction projects.

Additionally, construction projects with accumulated project costs of \$23,581,152 were completed during FY 04/05 including the following projects:

Popps Ferry/Brashier Rd Engineering	\$1,986,119
East Biloxi Streets Upgrade A&E	2,560,691
Bayview Ave Construction	5,502,358
Fire Stations Jacquet & Barthes	2,051,788
Popps Ferry Rd Phase 2	4,287,779
Popps Ferry Rd Phase 2B	3,712,631
CIPP Project	1,382,989
Miscellaneous other projects	2,096,797

See Detail Note III – F, for additional information concerning capital asset activity for the fiscal year ended September 30, 2005.

### **Long-term Debt**

At the beginning of the fiscal year the City of Biloxi had outstanding debt consisting of general obligation bonds and notes, two limited obligation bond issues, one limited obligation note, and four pollution control loans. These outstanding debts totaled \$71,810,245 at the beginning of the fiscal year 04/05. During the year, the City issued \$5,530,000 General Obligation Refunding Bonds, Series 2004. The proceeds of the refunding bond issue were used to refund the callable maturities of the City's outstanding General Obligation Refunding Bonds, Series 1995, General Obligation Bonds, Series 2000 and General Obligation Airport Improvement Bonds, Series 2000.

During the fiscal year 04/05, the City paid and refunded \$10,612,128 of principal and paid \$3,327,475 of interest and paying agent fees on all debt. In the Supplemental Information section of the financial report is a schedule titled Schedule of Long-Term Debt which discloses the beginning balances of each debt, new debt incurred and the principal amount paid during the year.

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 2004 (taxes to be collected fiscal year 04/05) was \$519,480,876; therefore, the limit on general obligation bonded debt during the year was \$77,922,131. The City's outstanding general obligation bonded debt totaled \$31,662,672 at September 30, 2005. All debt, excluding utility revenue debt and tax increment financing bonds, is subject to a limit of 20% of assessed value. This 20% limit at September 30, 2005 was \$103,896,175. The City's total outstanding debt was \$68,728,117 at September 30, 2005.

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. Prior to August 29, 2005 The latest rating given to a City of Biloxi bond issue by Standard and Poor's Ratings Group was a rating of "A". On November 10, 2005, due to the effects of Hurricane Katrina, Standard and Poor's Ratings Group lowered the City's rating to BBB /Developing. The BBB rating is defined as "An obligation rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation". The "Developing" qualifier indicates that a rating may be raised or lowered over the intermediate term (typically six months to two years).

Subsequent to Hurricane Katrina, Moody's Investors Service lowered its rating from A2 to Baa1.

See Detail Note III – G and the Supplementary Information section of the CAFR for additional information concerning the City's debt.

### **Contact Information**

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

## **Basic Financial Statements**



**City of Biloxi, Mississippi**

**Statement of Net Assets**

September 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 33,120,479	\$ 7,372,400	\$ 40,492,879
Restricted cash and cash equivalents	5,283,742	1,464,016	6,747,758
Investments	10,877,728	1,897,170	12,774,898
Restricted investments	1,066,770		1,066,770
Receivables:			
Taxes	2,866,049		2,866,049
Customer accounts, net	7,780	801,007	808,787
Insurance proceeds	5,528,315	5,907,782	11,436,097
Grants	2,670,541		2,670,541
Other	1,204,410	9,733	1,214,143
Prepays	780,391	47,200	827,591
Inventories	17,320	113,039	130,359
Mortgage loans receivable	153,513		153,513
Land inventory	64,917		64,917
Capital assets			
Land and construction in progress	60,172,883	4,650,987	64,823,870
Other (net of accumulated depreciation)	128,766,005	39,557,446	168,323,451
<b>Total assets</b>	<b>252,580,843</b>	<b>61,820,780</b>	<b>314,401,623</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable	13,493,724	1,154,203	14,647,927
Accounts payable from restricted assets		25,622	25,622
Customer deposits payable from restricted assets		1,118,461	1,118,461
Internal balances	(473,192)	473,192	-
Unearned revenue	1,403,971	22,042	1,426,013
<b>Noncurrent liabilities</b>			
Due within one year			
Bonds and notes	4,787,833	812,420	5,600,253
Compensated absences	1,162,555	17,917	1,180,472
Claims payable		300,000	300,000
Claims payable from restricted assets	5,018,125		5,018,125
Due beyond one year			
Bonds and notes	58,942,324	4,185,540	63,127,864
Compensated absences	3,487,664	53,751	3,541,415
<b>Total liabilities</b>	<b>87,823,004</b>	<b>8,163,148</b>	<b>95,986,152</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	125,208,731	39,210,473	164,419,204
Restricted for:			
Public safety	2,000,359		2,000,359
Debt service	4,421,727	1,001,415	5,423,142
Capital improvements	6,754,146	895,755	7,649,901
Endowment, expendable	26,176		26,176
Unrestricted	26,346,700	12,549,989	38,896,689
<b>Total net assets</b>	<b>\$ 164,757,839</b>	<b>\$ 53,657,632</b>	<b>\$ 218,415,471</b>

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

**City of Biloxi, Mississippi**  
**Statement of Activities**  
For the Fiscal Year Ended September 30, 2005

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Governmental Activities	Primary Government	
			Grants and Contributions		Business-Type Activities	Total
<b>Governmental Activities</b>			Capital Grants and Contributions			
General Government	\$ 4,505,044	\$ 36,776	\$ 33,608	\$ (4,434,660)	\$ -	\$ (4,434,660)
Parks and Recreation	5,528,890	596,247	9,460	(4,418,618)		(4,418,618)
Public Safety	29,591,921	1,249,630		(28,342,291)		(28,342,291)
Public Works	19,942,138	702,655	17,005	(3,811,879)		(3,811,879)
Community Development	7,186,148	4,151,971	15,410,599	(439,705)		(439,705)
Unallocated Depreciation, Infrastructure Interest and Other, Long-Term Debt	1,869,584		1,458,232	(1,869,584)		(1,869,584)
Total Governmental Activities	3,327,475	6,737,279	1,196,313	(3,327,475)		(3,327,475)
	71,951,200		17,373,396	(46,644,212)		(46,644,212)
<b>Business-Type Activities</b>						
Water and Sewer	12,515,510	8,762,117	978,930		(2,774,463)	(2,774,463)
Biloxi Port Fund	1,666,327	1,752,748			86,421	86,421
Point Cadet Development Corporation	372,659	17,594			(355,065)	(355,065)
Total Business-Type Activities	14,554,496	10,532,459	978,930		(3,043,107)	(3,043,107)
Total Primary Government	86,505,696	17,269,738	1,196,313	(46,644,212)	(3,043,107)	(49,687,319)
<b>General revenues</b>						
Property taxes				15,599,678	657,426	16,257,104
Sales taxes				11,944,584		11,944,584
Gaming taxes				20,968,845		20,968,845
Franchise and utility taxes				2,653,549		2,653,549
Other taxes				654,641		654,641
Grants and contributions not restricted to specific programs				1,200,000		1,200,000
Unrestricted Investment Earnings				1,136,693	301,696	1,438,389
Insurance proceeds for gaming interruption				1,436,097		1,436,097
Miscellaneous				906,688		906,688
Transfers				(3,034,089)	3,034,089	-
Total general revenues and transfers				53,466,686	3,993,211	57,459,897
Change in net assets				6,822,474	950,104	7,772,578
Net Assets - beginning of period				157,935,365	52,707,528	210,642,893
Net assets - end of period				\$ 164,757,839	\$ 53,657,632	\$ 218,415,471

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

**City of Biloxi, Mississippi**  
**Balance Sheet**  
**Governmental Funds**  
September 30, 2005

	General Fund	General Capital Projects Fund	Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 28,011,248	\$ 2,926,846	\$ 1,633,807	\$ 548,578	\$ 33,120,479
Investments	1,249,016		2,134,297	7,494,415	10,877,728
Receivables:					
Taxes	2,823,747		26,699	15,603	2,866,049
Customer accounts, net	7,780				7,780
Insurance proceeds	5,528,315				5,528,315
Grants	2,110,615	553,184		6,742	2,670,541
Other	469,429	45,000	670,342	19,639	1,204,410
Due from other city funds	1,042,646	1,025,569			2,068,215
Prepays	780,391				780,391
Inventories	17,320				17,320
Mortgage loans receivable				153,513	153,513
Land inventory				64,917	64,917
Total assets	<u>\$ 42,040,507</u>	<u>\$ 4,550,599</u>	<u>\$ 4,465,145</u>	<u>\$ 8,303,407</u>	<u>\$ 59,359,658</u>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 12,484,434	\$ 2,103,982	\$ 43,418	\$ 24,445	\$ 14,656,279
Due to other city funds	579,719	1,042,646		740,269	2,362,634
Deferred revenue		1,403,971			1,403,971
Total liabilities	<u>13,064,153</u>	<u>4,550,599</u>	<u>43,418</u>	<u>764,714</u>	<u>18,422,884</u>
<b>Fund Balances</b>					
<b>Reserved for</b>					
Public safety	2,000,359				2,000,359
Loans receivable				153,513	153,513
Land inventory				64,917	64,917
Debt service			4,421,727		4,421,727
Endowment, expendable				26,176	26,176
Capital projects funds				6,754,146	6,754,146
<b>Unreserved reported in</b>					
<b>General fund</b>					
Designated for capital projects	7,625,618				7,625,618
Undesignated	19,350,377				19,350,377
Special revenue funds				539,941	539,941
Total fund balances	<u>28,976,354</u>	<u>-</u>	<u>4,421,727</u>	<u>7,538,693</u>	<u>40,936,774</u>
Total liabilities and fund balances	<u>\$ 42,040,507</u>	<u>\$ 4,550,599</u>	<u>\$ 4,465,145</u>	<u>\$ 8,303,407</u>	<u>\$ 59,359,658</u>

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

**City of Biloxi, Mississippi**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
as of September 30, 2005

Total fund balances of governmental funds in the balance sheet, page 34	\$ 40,936,774
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	188,938,888
Internal service funds are used by management to account for the costs of the City's risk management, including insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	2,100,000
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(67,217,823)</u>
Net assets of governmental activities, page 32	<u><u>\$ 164,757,839</u></u>

**City of Biloxi, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Fiscal Year Ended September 30, 2005

	General Fund	General Capital Projects Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Ad valorem taxes	\$ 8,377,227	\$ -	\$ 5,142,699	\$ 2,079,752	\$ 15,599,678
Licenses and permits	3,667,843				3,667,843
Intergovernmental	50,359,754	608,176	1,233,608	1,136,240	53,337,778
Charges for services	1,081,843				1,081,843
Fines	1,241,663				1,241,663
Other	4,839,387		106,818	496,656	5,442,861
Total revenues	<u>69,567,717</u>	<u>608,176</u>	<u>6,483,125</u>	<u>3,712,648</u>	<u>80,371,666</u>
<b>Expenditures</b>					
Current:					
General government	4,225,009			73,857	4,298,866
Parks and recreation	4,926,209			93,968	5,020,177
Public safety	26,922,427			1,644,843	28,567,270
Public works	18,802,996			159,492	18,962,488
Community development	2,802,330			1,036,764	3,839,094
Non-departmental	5,535,248				5,535,248
Debt service					
Principal retirement			9,813,918		9,813,918
Interest and other			3,246,883		3,246,883
Bond issue cost			80,592		80,592
Capital outlay, projects		19,299,416			19,299,416
Total expenditures	<u>63,214,219</u>	<u>19,299,416</u>	<u>13,141,393</u>	<u>3,008,924</u>	<u>98,663,952</u>
Excess (deficiency) of revenues over expenditures	<u>6,353,498</u>	<u>(18,691,240)</u>	<u>(6,658,268)</u>	<u>703,724</u>	<u>(18,292,286)</u>
<b>Other financing sources (uses)</b>					
Insurance proceeds	5,528,315				5,528,315
Bond proceeds			5,530,000		5,530,000
Note proceeds		2,000,000			2,000,000
Transfers in	530,335	16,847,841			17,378,176
Transfers out	(4,905,036)	(156,601)		(10,368,237)	(15,429,874)
Total other financing sources (uses)	<u>1,153,614</u>	<u>18,691,240</u>	<u>5,530,000</u>	<u>(10,368,237)</u>	<u>15,006,617</u>
Net change in fund balance	<u>7,507,112</u>	<u>-</u>	<u>(1,128,268)</u>	<u>(9,664,513)</u>	<u>(3,285,669)</u>
Fund balances, beginning of year	<u>21,469,242</u>		<u>5,549,995</u>	<u>17,203,206</u>	<u>44,222,443</u>
Fund balances, end of year	<u>\$ 28,976,354</u>	<u>\$ -</u>	<u>\$ 4,421,727</u>	<u>\$ 7,538,693</u>	<u>\$ 40,936,774</u>

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

**City of Biloxi, Mississippi**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
for the Fiscal Year Ended September 30, 2005

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

Net change in fund balances of governmental funds, page 36	\$ (3,285,669)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	13,375,746	
Less: current year depreciation	<u>(5,040,462)</u>	8,335,284

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

Bond and loan proceeds	(7,530,000)	
Principal payments	<u>9,813,918</u>	2,283,918

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

Donated infrastructure	3,732,956	
Seized assets	104,800	
Basis of assets sold	<u>(4,814,451)</u>	(976,695)

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

Change in long-term compensated absences	(234,364)
--	-----------

Internal service funds are used by management to allocate the cost of self insuring to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities .

	<u>700,000</u>
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Change in net assets of governmental activities, page 33	<u><u>\$ 6,822,474</u></u>
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**City of Biloxi, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Budget Basis**  
**General Fund**  
For the Fiscal Year Ended September 30, 2005

	Budgeted Amounts			Variance
	Original	Final	Actual	Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 8,485,085	\$ 8,485,085	\$ 8,392,795	\$ (92,290)
Licenses and permits	3,742,000	3,742,000	3,781,966	39,966
Intergovernmental	35,109,060	35,109,060	36,504,210	1,395,150
Federal & state grants	111,962	921,786	13,485,450	12,563,664
Charges for services	1,048,000	1,048,000	1,041,757	(6,243)
Fines	1,478,000	1,478,000	1,241,663	(236,337)
Other	3,959,860	3,959,860	4,316,158	356,298
Total revenues	53,933,967	54,743,791	68,763,999	14,020,208
<b>Expenditures</b>				
Administration				
Personnel services	1,628,773	1,620,773	1,602,503	18,270
Supplies	63,431	52,067	36,733	15,334
Other services & charges	628,352	587,275	451,094	136,181
Contractual services	328,874	392,715	348,301	44,414
Capital outlay	35,000	36,000	74,511	(38,511)
Total	2,684,430	2,688,830	2,513,142	175,688
Executive				
Personnel services	228,746	228,746	225,679	3,067
Supplies	10,350	10,350	6,877	3,473
Other services & charges	69,650	68,650	43,770	24,880
Contractual services	11,850	12,850	6,344	6,506
Capital outlay	20,000	20,000	-	20,000
Total	340,596	340,596	282,670	57,926
Legislative				
Personnel services	412,507	412,507	421,658	(9,151)
Supplies	19,600	11,550	6,091	5,459
Other services & charges	160,080	159,710	153,769	5,941
Contractual services	30,058	38,478	8,039	30,439
Capital outlay	5,000	5,000	4,827	173
Total	627,245	627,245	594,384	32,861
Judicial				
Personnel services	250,757	250,757	251,530	(773)
Total	250,757	250,757	251,530	(773)
Legal				
Personnel services	565,827	565,827	513,105	52,722
Supplies	16,400	16,400	7,528	8,872
Other services & charges	37,700	17,550	13,342	4,208
Contractual services	13,600	35,666	10,607	25,059
Capital outlay	9,500	9,500	6,113	3,387
Total	643,027	644,943	550,695	94,248

Continued on next page

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

**City of Biloxi, Mississippi**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Budget Basis**  
**General Fund**  
For the Fiscal Year Ended September 30, 2005  
(Continued)

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Community development				
Personnel services	1,785,079	1,785,079	1,571,392	213,687
Supplies	155,369	142,269	86,599	55,670
Other services & charges	913,725	826,214	769,614	56,600
Contractual services	319,924	403,519	298,635	104,884
Capital outlay	55,164	65,164	55,529	9,635
Total	3,229,261	3,222,245	2,781,769	440,476
Parks & recreation				
Personnel services	3,718,459	3,696,659	3,460,681	235,978
Supplies	526,017	559,447	467,739	91,708
Other services & charges	505,688	492,991	486,739	6,252
Contractual services	359,247	358,514	346,987	11,527
Capital outlay	151,900	153,700	148,705	4,995
Total	5,261,311	5,261,311	4,910,851	350,460
Public safety				
Personnel services	21,859,058	21,721,450	22,474,582	(753,132)
Supplies	1,351,386	1,421,463	1,353,262	68,201
Other services & charges	679,135	770,843	749,197	21,646
Contractual services	1,030,834	1,032,634	879,593	153,041
Capital outlay	1,650,203	2,450,396	1,327,557	1,122,839
Total	26,570,616	27,396,786	26,784,191	612,595
Public works				
Personnel services	4,684,194	4,684,194	4,401,388	282,806
Supplies	856,050	906,050	756,736	149,314
Other services & charges	860,353	857,853	948,923	(91,070)
Contractual services	3,229,044	3,223,256	13,765,121	(10,541,865)
Capital outlay	760,570	741,320	183,858	557,462
Total	10,390,211	10,412,673	20,056,026	(9,643,353)
Nondepartmental				
Other services & charges	1,461,256	1,728,089	1,780,802	(52,713)
Contractual services	3,037,311	3,125,068	3,051,959	73,109
Total	4,498,567	4,853,157	4,832,761	20,396
Total expenditures	54,496,021	55,698,543	63,558,019	(7,859,476)
Excess (deficiency) of revenues over expenditures	(562,054)	(954,752)	5,205,980	6,160,732
<b>Other financing sources (uses)</b>				
Note Proceeds	850,000	850,000	-	(850,000)
Transfers in	-	-	530,335	530,335
Transfers out	(14,843,539)	(15,091,202)	(5,358,638)	9,732,564
Total other financing sources (uses)	(13,993,539)	(14,241,202)	(4,828,303)	9,412,899
Net change in fund balances	(14,555,593)	(15,195,954)	377,677	15,573,631
Fund balances, beginning of year	17,368,121	17,368,121	17,368,121	
Fund balances, end of year	\$ 2,812,528	\$ 2,172,167	\$ 17,745,798	\$ 15,573,631

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



**City of Biloxi, Mississippi**  
**Statement of Net Assets**  
**Proprietary Funds**  
September 30, 2005

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash	\$ 6,216,563	\$ 1,030,224	\$ 125,613	\$ 7,372,400	\$ -
Restricted cash	1,367,428	96,588		1,464,016	5,283,742
Investments		1,897,170		1,897,170	
Restricted investments				-	1,066,770
Receivables:					
Customer accounts, net	690,709	110,298		801,007	
Insurance proceeds	2,927,147	2,980,635		5,907,782	
Other		9,733		9,733	
Due from other city funds	2,100	778		2,878	
Restricted due from other city funds				-	767,613
Supplies inventory	113,039			113,039	
Prepaid contractual services	21,800	25,400		47,200	
Total current assets	<u>11,338,786</u>	<u>6,150,826</u>	<u>125,613</u>	<u>17,615,225</u>	<u>7,118,125</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	42,751,315	1,341,036	116,082	44,208,433	
Total noncurrent assets	<u>42,751,315</u>	<u>1,341,036</u>	<u>116,082</u>	<u>44,208,433</u>	<u>-</u>
<b>Total assets</b>	<u>54,090,101</u>	<u>7,491,862</u>	<u>241,695</u>	<u>61,823,658</u>	<u>7,118,125</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	1,124,089	101,780		1,225,869	
Accounts payable from restricted assets	25,622			25,622	
Customer deposits payable from restricted assets	1,021,873	96,588		1,118,461	
Current portion of bond and notes	122,420	690,000		812,420	
Unearned revenue		22,042		22,042	
Due to other city funds	437,917	38,155		476,072	
Claims contingency payable from restricted assets				-	5,018,125
Total current liabilities	<u>2,731,921</u>	<u>948,565</u>	<u>-</u>	<u>3,680,486</u>	<u>5,018,125</u>
Non-current liabilities:					
Claims payable		300,000		300,000	
Notes payable, non-current	1,505,540	2,680,000		4,185,540	
Total non-current liabilities	<u>1,505,540</u>	<u>2,980,000</u>	<u>-</u>	<u>4,485,540</u>	<u>-</u>
<b>Total liabilities</b>	<u>4,237,461</u>	<u>3,928,565</u>	<u>-</u>	<u>8,166,026</u>	<u>5,018,125</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	41,123,355	(2,028,964)	116,082	39,210,473	
Restricted for capital projects		895,755		895,755	
Restricted for debt service		1,001,415		1,001,415	
Unrestricted	8,729,285	3,695,091	125,613	12,549,989	2,100,000
<b>Total net assets</b>	<u>\$ 49,852,640</u>	<u>\$ 3,563,297</u>	<u>\$ 241,695</u>	<u>\$ 53,657,632</u>	<u>\$ 2,100,000</u>

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

**City of Biloxi, Mississippi**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2005

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund	Total Enterprise Funds	Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation		Internal Service Funds
<b>Operating Revenues</b>					
Charges for services:					
Water sales, sewer revenues					
penalties & installations, net	\$ 8,176,256			8,176,256	
Keesler Air Force Base, sewer	581,864			581,864	
Harbor Fees and Rents		1,671,552	17,594	1,689,146	
Insurance billings				-	7,961,097
Total charges for service	8,758,120	1,671,552	17,594	10,447,266	7,961,097
Cobra contributions				-	57,206
Other income	3,997	81,196		85,193	
Total operating revenues	8,762,117	1,752,748	17,594	10,532,459	8,018,303
<b>Operating expenses</b>					
Personal services	1,209,007	955,050		2,164,057	
Contracted services	7,277,698			7,277,698	8,018,303
Other services and charges	1,901,477	263,557	4,071	2,169,105	
Depreciation	2,062,388	210,577	22,339	2,295,304	
Total operating expenses	12,450,570	1,429,184	26,410	13,906,164	8,018,303
Operating income (loss)	(3,688,453)	323,564	(8,816)	(3,373,705)	-
Non-operating revenues (expenses)					
Interest income	239,933	61,233	530	301,696	
Interest expense	(58,531)	(228,240)		(286,771)	
Intergovernmental tax revenues		657,426		657,426	
Loss on capital assets	(6,409)	(8,903)	(346,249)	(361,561)	
Donations	5,930,765	30,556		5,961,321	
Total non-operating revenues (expenses)	6,105,758	512,072	(345,719)	6,272,111	-
Income (loss) before transfers	2,417,305	835,636	(354,535)	2,898,406	-
Transfers from other City funds	(1,948,302)			(1,948,302)	700,000
Change in net assets	469,003	835,636	(354,535)	950,104	700,000
Net assets, beginning of year	49,383,637	2,727,661	596,230	52,707,528	1,400,000
Net assets, end of year	\$ 49,852,640	\$ 3,563,297	\$ 241,695	\$ 53,657,632	\$ 2,100,000

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

**City of Biloxi, Mississippi**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2005

	Business-Type Activities-Enterprise Funds			Governmental Activities
	Major Fund		Non-Major Fund	
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds Internal Service Funds
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 9,318,534	\$ 1,670,341	\$ 17,594	\$ 11,006,469
Payments to suppliers	(8,138,968)	(201,895)	(4,071)	(8,344,934)
Payments for services of employees	(1,209,007)	(955,050)	-	(2,164,057)
Net cash provided by (used in) operating activities	(29,441)	513,396	13,523	497,478
<b>Cash flows from non-capital financing activities</b>				
Transfers (to) from other funds		20,915		20,915
Loans (to) from other funds	152,617	37,376		189,993
Net cash provided by (used in) non-capital financing activities	152,617	58,291	-	210,908
<b>Cash flows from capital and related financing activities</b>				
Intergovernmental tax revenues		657,426		657,426
Transfers (to) from other funds	(1,948,302)			(1,948,302)
Loans (to) from other funds	270,729	229,438		500,167
Acquisition of capital assets	(337,579)	(51,471)		(389,050)
Retirement of debt	(118,209)	(680,000)		(798,209)
Interest paid on debt	(58,531)	(228,240)		(286,771)
Net cash provided by (used in) capital and related financing activities	(2,191,892)	(72,847)	-	(2,264,739)
<b>Cash flows from investing activities</b>				
Interest and dividends on investments	239,933	61,233	530	301,696
Proceeds from investments		118,607		118,607
Purchase of investments				-
Net cash provided by (used in) investing activities	239,933	179,840	530	420,303
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,828,783)	678,680	14,053	(1,136,050)
<b>Cash and cash equivalents, beginning of period</b>	9,412,774	448,132	111,560	9,972,466
<b>Cash and cash equivalents, end of period</b>	\$ 7,583,991	\$ 1,126,812	\$ 125,613	\$ 8,836,416
<b>Classified as:</b>				
Current assets	\$ 6,216,563	\$ 1,030,224	\$ 125,613	\$ 7,372,400
Restricted assets	1,367,428	96,588		1,464,016
Totals	\$ 7,583,991	\$ 1,126,812	\$ 125,613	\$ 8,836,416
<b>Non cash</b>				
Insurance proceeds receivable	\$ 2,927,147	\$ 2,980,635		

Continued on next page

**City of Biloxi, Mississippi**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2005  
(Continued)

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Major Fund		Non-Major Fund		
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (3,688,453)	\$ 323,564	\$ (8,816)	\$ (3,373,705)	\$ -
Adjustments not affecting cash					
Depreciation	2,062,388	210,577	22,339	2,295,304	
Changes in assets and liabilities:					
Accounts receivable	467,774	(34,370)		433,404	
Prepays	246,521	-		246,521	
Accounts payable and accrued expenses	793,686	61,662		855,348	455,312
Deferred revenue		(44,988)		(44,988)	
Customer deposits	88,643	(3,049)		85,594	
Net cash provided by (used in) operating activities	<u>\$ (29,441)</u>	<u>\$ 513,396</u>	<u>\$ 13,523</u>	<u>\$ 497,478</u>	<u>\$ 455,312</u>

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

**City of Biloxi, Mississippi**  
**Notes to Financial Statements**  
**September 30, 2005**

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**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
For the Year Ended September 30, 2005

**I. Summary of Significant Accounting Policies**

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

**(A) Reporting Entity**

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

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

**(B) Component Unit Disclosure**

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

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

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

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

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

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

**(C) Related Organizations**

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

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

Additionally, during its evaluation of potential component units, management identified one joint venture (Harrison County 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

**(E) Basic Financial Statements- GASB Statement 34**

**Government-Wide and Fund Financial Statements**

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

**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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statements). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

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

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

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

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

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

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



**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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Year-end accruals of ad valorem taxes, sales taxes, gaming taxes and franchise fees are based upon actual collections of amounts remitted to the City within 60 days of year end. Anticipated refunds of taxes are recorded as liabilities and reductions of revenue when they are measurable. Other licenses and permits, charges for services, fines and penalties, and miscellaneous revenues are recorded as revenues when they are received as they are generally not measurable until actually received; however, charges for services which are measurable are recorded as revenue in the period earned.

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

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

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

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

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

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

**Governmental Funds**

Governmental funds are those funds through which the City finances most of its municipal services and are accounted for on the basis of a spending measurement focus. The focus on

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

governmental funds is on the determination of changes in financial position rather than upon net income determination. The City's governmental funds are as follows:

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

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

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

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

**Special Revenue Funds**

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

**Capital Projects Funds**

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

**Proprietary Funds**

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

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

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

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

**Internal Service Funds**

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

**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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**Non-Current Governmental Assets / Liabilities**

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

**(H) Assets, Liabilities and Net Assets or Equity**

**Cash and Cash Equivalents**

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

**Investments**

Investments are stated at fair value.

**Accounts Receivable**

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

**Inventories**

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

**Capital Assets**

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

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

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

**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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**Compensated Absences**

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. For Proprietary Funds and the Government-wide Statements, the current portion is the amount estimated to be used in the following year. Since only a portion of compensated absences are expected to be liquidated with expendable available financial resources and therefore shown as a current liability in the fund financial statements, the balance or long term portion represents a reconciling item between the fund level and government-wide presentations.

**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.

**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. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government wide columnar presentation.

**Advances to Other Funds**

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

**Estimated Insurance Claims Payable**

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

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

**Bond Discounts, Bond Premiums, and Issuance Costs**

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

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

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

**Deferred Revenue**

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

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

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

**A. Budgetary Data**

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

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

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

budgets are adopted for the Water and Sewer Fund and for the Port Fund with revenues delineated at the source level (total intergovernmental revenue and total charges for services) and expenditure budgets delineated by character (current, capital outlay debt service).

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

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

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

	<u>General Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	\$ 377,677
<b>Adjustments</b>	
To convert receivables	6,064,417
To convert prepaids	102,313
To convert liabilities	941,486
To convert deferred revenue	21,219
Totals, GAAP basis	\$ <u>7,507,112</u>

**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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**B. Excess Expenditures Over Appropriations in Individual Funds**

During the year ended September 30, 2005, General Fund expenditures for Public Works exceeded budget by \$9,643,353. These expenditures were for Hurricane Katrina debris removal. The expenditures were funded by a grant from the Federal Emergency Management Agency. The expenditures were incurred under authority of the City's emergency declaration.

**C. Deficit Fund Equity**

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

**III. Detail Notes - All Funds**

**A. Property and Gaming Tax Revenues**

**Property Tax**

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

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

**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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The tax levies for the calendar years 2005, 2004 and 2003 (taxes collected in the fiscal years ending 9/30/06, 9/30/05 and 9/30/04) are as follows:

	<u>9/30/06</u> <u>Millage</u>	<u>9/30/05</u> <u>Millage</u>	<u>9/30/04</u> <u>Millage</u>
<b>City Funds</b>			
General Fund	14.15	15.65	15.65
Special revenue funds:			
Disability and Relief (Pension) Funds	4.50	4.50	4.50
Debt Service Funds	9.20	7.70	7.70
Solid waste collection and disposal	<u>2.25</u>	<u>2.25</u>	<u>2.25</u>
Total City administered funds	<u>30.10</u>	<u>30.10</u>	<u>30.10</u>
<b>School Funds</b>			
District maintenance	30.58	29.01	32.34
School debt	<u>7.45</u>	<u>9.02</u>	<u>4.34</u>
Total School administered funds	<u>38.03</u>	<u>38.03</u>	<u>36.68</u>
 Total levy	 <u>68.13</u>	 <u>68.13</u>	 <u>66.78</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, 2005, there were ten casinos operating within the City of Biloxi. Gaming activities are taxed in a variety of ways. The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City of Biloxi receive .4 to .8 percent. This tax is divided 73.4% to the County, and 26.6% to the City of Biloxi. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City of Biloxi, through local ordinance in accordance with state law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the General Fund, (20% of which is designated for public safety); 20% to the Biloxi Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County Schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. The following is an analysis of the gaming revenues reported in the General Fund:

Local option 3.2% tax	\$ 16,852,541
Local share of state tax	1,865,969
Gaming licenses and permits	<u>2,250,335</u>
 Total gaming revenues	 <u>\$ 20,968,845</u>



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

**B. Deposits and Investments**

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

**Deposits –**

Deposits consist of cash amounts in demand accounts and certificates of deposit. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. By using this multiple financial institution collateral pool, all of the City's deposits at September 30, 2005 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	\$ 44,182,040	\$ 47,176,199
Certificates of deposit	<u>3,058,597</u>	<u>3,058,597</u>
Total deposits	<u>\$ 47,240,637</u>	<u>\$ 50,234,796</u>

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

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

**Investments –**

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved. At September 30, 2005, investments consisted of the following:

**City of Biloxi, Mississippi**  
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	<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 of America Treasury Bills, 3.03%, maturing 10/6/05	\$ 1,247,592	\$ 1,266,709
United States of America Treasury Bills, 3.14% maturing 10/27/05	1,063,362	1,077,818
Investments not categorized:	<u>11,530,714</u>	<u>11,530,714</u>
Money Market Mutual Funds	<u>\$ 13,841,668</u>	<u>\$ 13,875,241</u>
Totals		

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. More than 5 percent of the City's investments are in US Treasury Bills and Money Market Mutual Funds. These are 16.70% and 83.30%, respectively, of the City's total investments.

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

**C. Receivables**

The Statement of Net Assets of the City of Biloxi includes the following receivables at September 30, 2005:

Taxes receivable:	
Utility franchise taxes	\$ 553,373
Sales taxes	1,320,653
Ad valorem taxes	95,890
Gaming taxes and fees	<u>896,133</u>
Total taxes receivable	\$ <u>2,866,049</u>
Customer accounts receivable:	
Garbage fees	\$ 15,514
Water and sewer utility charges (billed)	764,660
Port berth rentals	137,346
Less allowance for doubtful accounts	<u>(108,733)</u>
Total customer accounts receivable, net	\$ <u>808,787</u>
Insurance proceeds:	
Business interruption	\$ 1,436,097
Property insurance	<u>10,000,000</u>
Total insurance proceeds receivable	\$ <u>11,436,097</u>
Grants receivable:	
Federal and state grants	\$ <u>2,670,541</u>
Other receivables:	
Special assessments	\$ 170,008
Less allowance for doubtful accounts	( 94,462)
Due from county for debt service	670,342
Liquor privilege tax	3,150
County road tax	8,966
Other	<u>456,139</u>
Total other receivables	\$ <u>1,214,143</u>

**D. Prepaids**

Prepaids at September 30, 2005 consist of the following:

Prepaid insurance premiums	\$ 780,391
Contractual services	<u>47,200</u>
Total prepaids	\$ <u>827,591</u>

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

**E. Interfund Receivables and Payables**

<u>Individual Interfund Balances at September 30, 2005</u>	Due From Other Funds	Due to Other Funds
General Fund		
General Capital Projects to fund project cost	\$ 1,042,646	\$
Water and sewer		2,100
Claims contingency fund for claims and expenses		576,841
Biloxi Port Fund		778
Total General Fund	<u>1,042,646</u>	<u>579,719</u>
General Capital Projects Fund:		
General Fund		1,042,646
GOPI 2002 Bond Fund	45,189	
GOPI 2003 Bond Fund	148,366	
2002 TIF Capital Projects Bond Fund	546,714	
Water and Sewer Fund	285,300	
Total General Capital Projects Fund	<u>1,025,569</u>	<u>1,042,646</u>
Other Nonmajor Governmental Funds		
GOPI 2002 Bond Fund to General Capital Projects		45,189
GOPI 2003 Bond Fund to General Capital Projects		148,366
2002 TIF Capital Projects Bond Fund to General Capital Projects		546,714
Total other nonmajor governmental funds		<u>740,269</u>
Enterprise Fund:		
Water and Sewer Fund from General Fund	2,100	
Water and Sewer Fund to General Capital Projects Fund		285,300
Water and Sewer Fund for claims and expenses		152,617
Biloxi Port Fund for claims and expenses		38,155
Biloxi Port Fund to General Fund	778	
Total Enterprise Fund	<u>2,878</u>	<u>476,072</u>
Internal Service Self-Insurance:		
Claims Contingency Fund from General Fund for claims and expenses	576,841	
Claims Contingency Fund from Water and Sewer Fund for claims and expenses	152,617	
Claims Contingency Fund from Biloxi Port Fund for claims and expenses	38,155	
Total Internal Service Self-Insurance	<u>767,613</u>	
Totals	\$ <u>2,838,706</u>	\$ <u>2,838,706</u>

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

The composition of interfund transfers for the year ended September 30, 2005:

<u>Transfers From</u>	<u>Transfers Into</u>		
	General Fund	General Capital Projects Fund	Total
General Fund	\$ <u>          </u>	\$ <u>4,905,035</u>	\$ <u>4,905,035</u>
Nonmajor governmental funds			
Community Development Block Grant	530,335		530,335
GOPI 2002 Bond Fund		3,156,963	3,156,963
GOPI 1998 Bond Fund		44,633	44,633
2002 TIF Capital Projects Bond Fund		4,900,430	4,900,430
GOB 2003 Bond Fund		<u>1,892,478</u>	<u>1,892,478</u>
Total nonmajor governmental funds	<u>530,335</u>	<u>9,994,504</u>	<u>10,524,839</u>
Enterprise Funds			
Water and Sewer Fund		<u>1,948,302</u>	<u>1,948,302</u>
Totals	\$ <u>530,335</u>	\$ <u>16,847,841</u>	\$ <u>17,378,176</u>

The City transfers funds from the General Fund, various bond funds and the Water and Sewer Fund to pay for project cost incurred.

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

**F. Capital Asset Activity**

Capital asset activity for the year ended September 30, 2005 was as follows:

	Balance October 1, 2004	Increases	Decreases	Balance September 30, 2005
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 28,696,870	\$ 695,083	\$ 82,490	\$ 29,309,463
Construction in progress	40,802,710	11,086,573	21,025,863	30,863,420
Total capital assets not being depreciated	<u>69,499,580</u>	<u>11,781,656</u>	<u>21,108,353</u>	<u>60,172,883</u>
Capital assets being depreciated				
Buildings	33,175,072	2,111,465	6,326,952	28,959,585
Improvements other than buildings	5,318,190	16,501	1,543,461	3,791,230
Machinery and equipment	25,322,787	3,502,197	5,089,936	23,735,048
Infrastructure - streets and drainage	106,500,760	20,827,547		127,328,307
Total capital assets being depreciated	<u>170,316,809</u>	<u>26,457,710</u>	<u>12,960,349</u>	<u>183,814,170</u>
Less accumulated depreciation for:				
Buildings	8,850,246	750,850	3,093,657	6,507,439
Improvements other than buildings	3,305,502	145,921	1,417,500	2,033,923
Machinery and equipment	16,490,214	2,274,107	3,717,231	15,047,090
Infrastructure - streets and drainage	29,590,129	1,869,584		31,459,713
Total accumulated depreciation	<u>58,236,091</u>	<u>5,040,462</u>	<u>8,228,388</u>	<u>55,048,165</u>
Net capital assets being depreciated	<u>112,080,718</u>	<u>21,417,248</u>	<u>4,731,961</u>	<u>128,766,005</u>
Net governmental activities assets	<u>\$ 181,580,298</u>	<u>\$ 33,198,904</u>	<u>\$ 25,840,314</u>	<u>\$ 188,938,888</u>
<b>Business type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 829,243	\$ -	\$ -	\$ 829,243
Construction in progress	1,404,283	4,972,750	2,555,289	3,821,744
Total Capital assets not being depreciated	<u>2,233,526</u>	<u>4,972,750</u>	<u>2,555,289</u>	<u>4,650,987</u>
Capital assets being depreciated				
Equipment	1,477,057	368,133	507,775	1,337,415
Pier improvements	446,774		446,774	-
Water and sewer system	71,318,344	3,534,219	9,111,287	65,741,276
Port Buildings & Improvements	15,907,758		7,918,557	7,989,201
Total capital assets being depreciated	<u>89,149,933</u>	<u>3,902,352</u>	<u>17,984,393</u>	<u>75,067,892</u>
Less accumulated depreciation for:				
Equipment	459,923	250,886	166,620	544,189
Pier improvements	78,187	22,339	100,526	-
Water and sewer system	32,469,897	1,822,958	6,516,163	27,776,692
Port Buildings and Improvements	11,922,185	199,121	4,931,741	7,189,565
Total accumulated depreciation	<u>44,930,192</u>	<u>2,295,304</u>	<u>11,715,050</u>	<u>35,510,446</u>
Net capital assets being depreciated	<u>44,219,741</u>	<u>1,607,048</u>	<u>6,269,343</u>	<u>39,557,446</u>
Net business type activities assets	<u>\$ 46,453,267</u>	<u>\$ 6,579,798</u>	<u>\$ 8,824,632</u>	<u>\$ 44,208,433</u>

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

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

Governmental activities	
General government	\$ 246,855
Community development	104,190
Cultural affairs	332,458
Parks and recreation	379,631
Public safety	1,859,584
Public works	248,528
Infrastructure	<u>1,869,584</u>
Total depreciation expense – governmental activities	<u>\$ 5,040,462</u>
Business-type activities	
Water and sewer	\$ 2,062,398
Point Cadet Development Corporation	<u>210,577</u>
Total depreciation expense – business-type activities	<u>\$ 2,295,304</u>

**Leased assets**

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

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Cost	\$ 2,023,642	\$ 16,619,104	\$ 18,642,746
Accumulated depreciation		<u>(12,336,361)</u>	<u>(12,336,361)</u>
Carrying amount	<u>\$ 2,023,642</u>	<u>\$ 4,282,743</u>	<u>\$ 6,307,385</u>
Depreciation expense	<u>\$ _____</u>	<u>\$ 206,939</u>	<u>\$ 206,939</u>

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

**G. 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, 2005:

	Beginning 10/01/04	Additions	Deletions	Ending 9/30/05	Amounts Due Within One Year
<b>Governmental activities</b>					
General Obligation Bonds and Notes	\$ 32,766,849	\$ 7,530,000	\$ 8,634,177	\$ 31,662,672	\$ 3,547,500
Limited Obligation Bonds	33,247,226	-	1,179,741	32,067,485	1,240,333
Compensated absences	<u>4,337,733</u>	<u>1,738,621</u>	<u>1,426,135</u>	<u>4,650,219</u>	<u>1,162,555</u>
Total governmental activities	<u>\$ 70,351,808</u>	<u>\$ 9,268,621</u>	<u>\$ 11,240,053</u>	<u>\$ 68,380,376</u>	<u>\$ 5,950,388</u>
<b>Business-type Activities</b>					
Water and Sewer, pollution control loans	\$ 1,746,170	\$ -	\$ 118,210	\$ 1,627,960	\$ 122,420
Limited tax port bonds	4,050,000	-	680,000	3,370,000	690,000
Compensated absences	<u>36,701</u>	<u>49,668</u>	<u>14,701</u>	<u>71,668</u>	<u>17,917</u>
Total business-type activities	<u>\$ 5,832,871</u>	<u>\$ 49,668</u>	<u>\$ 812,911</u>	<u>\$ 5,069,628</u>	<u>\$ 830,337</u>



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

Bonds, notes, and other long-term debt payable at September 30, 2005 are comprised of the following individual issues:

	<u>Original Issue</u>	<u>Range of Interest Rates</u>	<u>Amount Outstanding 9/30/05</u>
<b>Governmental Activities</b>			
General Obligation Bonds and Notes:			
General Obligation Bonds of 1988-A, due in annual installments of \$90,000 through 6/1/2008	\$ 1,200,000	7.2%-7.6%	\$ 270,000
General Obligation Bonds of 1988-D, due in annual installments of \$60,000 to \$75,000 through 2/15/2008	750,000	7.2%-7.5%	265,000
General Obligation Bonds of 1989-A, due in annual installments of \$60,000 to \$75,000 through 2/15/2009	750,000	7.0%	265,000
General Obligation Bonds series 1998, due in annual installments of \$625,000 to \$895,000 through 12/1/2013	10,000,000	4.1%-5.3%	6,785,000
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	5,025,000	TBMA plus 1.05%	3,622,672
General Obligation Bonds, series 2002, due in annual installments of \$200,000 to \$450,000 through 12/1/2022	6,000,000	3.70%-5.25%	5,630,000
General Obligation Bonds, series 2003, due in annual installments of \$500,000 to \$860,000 through 12/1/18	9,800,000	3.0%-4.25%	9,320,000
Refunding Bond of 2004, due in annual installments of \$940,000 to \$1,510,000 through 2/1/2010	5,530,000	2.00%-3.25%	<u>5,505,000</u>
Total General Obligation Bonds			<u>\$ 31,662,672</u>
Limited Obligation Bonds and Notes:			
Tax Increment Financing, 1999, due in annual installments of \$455,000 to \$945,000 through 10/1/2017	\$12,000,000	5.30%-7.50%	\$ 10,050,000
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%	442,485
Tax Increment Financing, 2002, due in annual installments of \$765,000 to \$1,760,000 through 11/1/2022	23,000,000	1.85%-5.2%	<u>21,575,000</u>
Total Limited Obligation Bonds and Notes			<u>32,067,485</u>
Compensated absences			<u>4,650,219</u>
Total governmental long-term debt			<u>\$ 68,380,376</u>

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

	<u>Original Issue</u>	<u>Range of Interest Rates</u>	<u>Amount Outstanding 9/30/05</u>
<b>Business Type Activities</b>			
Water and Sewer Fund			
State of Mississippi Pollution Control Loans, due in varying installments through 7/15/2017	2,885,688	3.0%-4.5%	\$ 1,627,960
Biloxi Port Fund			
Limited Tax Port Bonds, series 1998 due in annual installments of \$595, 000 to \$605,000 through 12/1/06	4,325,000	6.15%-3.25%	1,200,000
Limited Tax Port Bonds, series 1999 due in annual installments of \$95, 000 to \$210,000 through 12/1/19	2,500,000	5.4%-6.75%	<u>2,170,000</u>
Total business-type activities bonds and notes			<u>4,997,960</u>
Compensated absences			<u>71,668</u>
Total business-type activities long-term debt			\$ <u>5,069,628</u>

**Debt Refunding**

The City of Biloxi issued General Obligation Refunding Bonds, Series 2004, in the amount of \$5,530,000.00. The refunding bonds were issued to raise money for the purpose of refunding the callable maturities of the City's outstanding General Obligation Refunding Bonds, Series 1995, dated November 1, 1995, issued in the original principal amount of \$4,135,000, General Obligation Bonds, Series 2000, dated May 1, 2000, issued in the original principal amount of \$6,500,000, and General Obligation Airport Improvement Bonds, Series 2000, dated May 1, 2000, issued in the original amount of \$1,000,000, in order to reduce debt service requirements.

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

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

The annual requirements to pay principal and interest on the bonds, notes and loans outstanding at September 30, 2005 follow and include interest on the variable rate debt.

Year Ended September 30,	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Limited Obligation Bonds		Port Bonds & Water and Sewer Pollution Control Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 3,547,500	\$ 1,177,607	\$ 1,305,943	\$ 1,587,050	\$ 812,420	\$ 234,723
2007	3,072,500	1,022,918	1,371,572	1,468,891	831,754	186,582
2008	3,207,500	898,919	1,442,219	1,405,432	236,247	156,783
2009	3,217,500	869,461	1,512,885	1,337,840	245,904	146,005
2010	3,182,500	646,956	1,593,572	1,264,478	260,732	134,907
2011-2015	10,180,172	1,979,987	10,499,234	5,134,586	1,088,612	496,693
2016-2020	4,370,000	636,188	10,874,431	2,552,293	388,411	181,156
2021-2025	885,000	334,315	3,467,629	269,444	43,880	499
Totals	<u>\$ 31,662,672</u>	<u>\$ 7,566,351</u>	<u>\$ 32,067,485</u>	<u>\$ 15,020,014</u>	<u>\$ 1,631,295</u>	<u>\$ 1,537,348</u>

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

Assessed valuations 2005 (inside the City):

Real property	\$ 358,029,587
Personal property	90,986,491
Public utility	23,589,400
Autos, estimated	46,875,398
Total assessed valuations	<u>\$ 519,480,876</u>

Fifteen percent (15%) of total assessed valuation	\$ 77,922,131
Less outstanding general issues at 9/30/05	<u>31,662,672</u>
Legal debt margin	<u>\$ 46,259,459</u>

The City Council annually adopts a resolution providing for the amount of property tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City. The millage rate for the year ended September 30, 2005, was 7.70 mills or \$7.70 per \$1,000 of assessed value.

Other general long-term debt of the Enterprise Funds is \$1,627,960 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 \$14,728 each month from the sales tax remittances to the City to apply as note payments on these loans.

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

The City has authorized the issuance of limited tax port bonds for the purpose of making improvements to property belonging to the Biloxi Port Fund (previously the Biloxi Port Commission). The bonds are secured by an irrevocable pledge of the avails of a direct and continuing one (1) mill ad valorem tax to be levied by Harrison County, Mississippi. The bonds are payable solely from the avails of the Harrison County tax levy. At September 30, 2005, the aggregate, outstanding principal amount of the issues was \$3,370,000.

**H. Retirement Plans**

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

All firemen and policemen hired prior to March 1, 1976, are covered by the Firemen's and Policemen's Disability and Relief Plan. All other City employees employed prior to February 5, 1975, are covered by the Employees' Disability and Relief Plan. Both the Firemen's and the Policemen's Disability and Relief Plan and the 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. City employee contributions are 9%. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the Municipal Retirement Systems' Disability and Relief Plans. That information may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 800-444-PERS. Based upon annual actuarial data provided by PERS, the City levies a tax millage sufficient to fund the current obligations for retirement payments and also provide the recommended amount to reduce the balance of the unfunded employer liability. For the year ended September 30, 2005, the combined millage was 4.5 mills.

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

Active members	5
Retirees and beneficiaries	<u>150</u>
Total	<u>155</u>

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

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

**The Annual Required Contribution (ARC)**

(based on the valuation as of September 30, 2005)

Normal	\$ 27,082
Accrued liability	<u>1,307,768</u>
Total	<u>\$ 1,334,850</u>

Additional information as of September 30, 2005 follows.

Valuation date	9/30/05
Actuarial cost method	entry age
Amortization method	level dollar closed
Remaining amortization period	29 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases**	4.50 – 6.00%
 * Includes price inflation at	 3.75%
** Includes wage inflation at	4.50%
 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, 2005, contributions totaling \$2,108,719 (\$2,082,455 employer and \$26,264 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the system as of September 30, 2004. The employer contributions consisted of \$39,483 for normal cost and administrative expenses and \$2,581,846 for amortization of the unfunded actuarial accrued liability.

During the year ended September 30, 2005, contributions totaling \$2,112,218 (\$2,084,652 employer and \$27,566 employee) were made.

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

Schedule of employer contributions:

Fiscal year 10-1 / 9-30	Annual Required Contribution	Percentage Contributed
2002-03	\$ 1,625,642	165.2
2003-04	1,451,050	143.5
2004-05	1,407,163	148.1
2005-06	1,334,850	

Net Pension Obligation (NPO) as of September 30, 2005 was zero.

<b>Actuarial Accrued Liability (AAL)</b>	(in thousands)
Retirees and beneficiaries currently receiving benefits	\$ 21,918
Active members	1,956
Vested terminated members not yet receiving benefits	<u>0</u>
Total actuarial accrued liability	23,874
<b>Less: Actuarial value of assets</b>	<u>9,087</u>
Unfunded Actuarial Accrued Liability	\$ <u>14,787</u>

During the year ended September 30, 2005, the plan experienced a net change of \$(891) thousand in the AAL. Of the change, \$0 thousand was attributable to plan amendments and \$90 thousand was attributable to a change in actuarial assumption changes.

**PERS' Defined Benefit Pension Plan**

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

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

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

Funding Policy: PERS' members are required to contribute 7.25% of their annual covered salary and City of Biloxi is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. PERS increased the employer contribution rate from 9.75% to 10.75% effective July 1, 2005. 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, 2005, 2004, and 2003 were \$2,565,040 and \$2,177,678, and \$2,009,009, 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, 2005, contributions by participants employed by the City totaled \$311,354.

**I. 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, 2005:

	Award	Drawn Prior to FYE 9/30/05	Drawn During FYE 9/30/05	Balance
CDBG B-04-MC-28-0001	\$ 580,000	\$ -	\$ 379,434	\$ 200,566
CDBG B-05-MC-28-0001	565,683	-	-	565,683
Totals	<u>\$ 1,145,683</u>	<u>\$ -</u>	<u>\$ 379,434</u>	<u>\$ 766,249</u>

**Waterfront Development**

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

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

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

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

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

**Mortgage Loans Receivable**

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

Mortgage loans receivable at September 30, 2005, consisted of the following:

Nixon Street home acquisition mortgages	\$ 14,556
Revolving Loan Program	<u>138,957</u>
Total deferred mortgage loans receivable	\$ <u>153,513</u>



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

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

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

**Property damage**

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

**Workers' compensation**

Per occurrence deductible (SIR)	300,000
Specific excess coverage in force	Statutory

**General and other liability coverage**

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

**Annual aggregate coverage to:**

General liability	1,500,000
Law enforcement liability	1,500,000
Automobile liability	No Limit

**Health**

Per individual deductible (SIR)	100,000
Annual aggregate risk of loss through deductibles	5,474,299
Specific excess coverage in force	1,000,000

The following is a summary of the City's self-insurance reserves at September 30, 2005:

	Employee Medical Claims	Property, Liability & Workers' Compen- sation	Total
Total estimated liability and reserves – October 1, 2003	\$ 2,626,686	\$ 2,206,573	\$ 4,833,259
Claims incurred and changes in estimates	4,064,535	408,667	4,473,202
Claims paid	<u>(4,170,650)</u>	<u>(572,998)</u>	<u>(4,743,648)</u>
Total estimated liability and reserves – September 30, 2004	\$ 2,520,571	\$ 2,042,242	\$ 4,562,813
Claims incurred and changes in estimates	5,200,577	705,505	5,905,082
Claims paid	<u>(4,681,687)</u>	<u>(768,083)</u>	<u>(5,449,770)</u>
Total estimated liability and reserves – September 30, 2005	<u>\$ 3,039,461</u>	<u>\$ 1,978,664</u>	<u>\$ 5,018,125</u>

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

**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
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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.

**K. 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, 2005, a complete copy of which is on file at the administrative offices of the District.

**Harrison County Wastewater and Solid Waste Management District Synopsis**

**Balance Sheet**

**Assets**

Current assets	\$ 2,664,028
Restricted assets	26,933,270
Property, plant and equipment	81,679,420
Deferred charges	<u>3,729,416</u>
Total assets	\$ <u>115,006,134</u>

**Liabilities & Fund Equity**

**Liabilities**

Current, unrestricted	\$ 3,244,815
Current, restricted	5,424,662
Long-term liabilities	<u>116,349,042</u>
Total liabilities	<u>125,018,519</u>

<b>Fund equity</b>	<u>(10,012,385)</u>
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Total liabilities and fund equity	\$ <u>115,006,134</u>
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**City of Biloxi, Mississippi**  
**Notes to the Financial Statements**  
(Continued)

**Statement of Revenues and Expenses**

Operating revenues	\$ 15,776,214
Operating expenses	15,791,335
Depreciation and amortization	4,639,877
Non-operating revenues (expenses)	<u>(874,696)</u>
Net income (loss)	\$ <u>(5,529,694)</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) \$ 2,050,032

**Water and Sewer Enterprise Fund**

Balance sheet:

Accounts Payable \$ 358,062

Statement of revenues, expenses and changes in retained earnings:

Operating expenses:

Contracted services (wastewater treatment) \$ 6,296,383

**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 \$115,000 for the year ended September 30, 2005. The amount budgeted for the City of Biloxi for the fiscal year ended September 30, 2006 is \$115,000. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City of Biloxi does not have an ongoing financial responsibility.

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

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

the City of Gulfport, the City of Biloxi, and Harrison County. These governmental units have agreed to subsidize the Airport annually. During the past fiscal year, the City of Biloxi provided \$650,000 to the Gulfport-Biloxi Regional Airport in order to assist in the operation of the facility. The City has budgeted \$715,000 for the 2005-2006 fiscal year. The City of Biloxi has no equity interest in the organization.

**L. Other Commitments**

**Property Leases**

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

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

**Capital Projects**

In connection with the Capital Projects Funds, the City has budgeted certain commitments for engineering services, construction and other capital project costs. The projects are to be funded, in part, with State and Federal grants. The remainder of the required funds will be generated by local sources. The following is a summary of the budgeted commitment for capital projects at September 30, 2005:

Total commitment for general Capital Projects	\$ <u>29,948,202</u>
Funding sources:	
Federal and State Grants	\$ 5,432,262
Bond Funds	13,734,079
General Fund surplus and other future	3,156,243
sources of funds to be provided	<u>7,625,618</u>
Total fund sources	\$ <u>29,948,202</u>

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

**Matching Funds – USM Advanced Education Center**

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

**M. Asset Impairment**

On August 29, 2005 Hurricane Katrina damaged many city capital assets. After recognition of \$10,000,000 of insurance proceeds the City recognized a loss of \$368,145. \$8,961 was in governmental activities, and \$359,184 was in business-type activities. General Governmental expenses include an impairment loss of \$657, Parks and Recreation expenses include an impairment loss of \$5,791, Public Safety expenses include an impairment loss of \$996, Public Works expenses include an impairment loss of \$821, and Community Development Expenses include an impairment loss of \$696. The City's Management did not feel Hurricane Katrina was an extraordinary item, since the Mississippi Gulf Coast is susceptible to hurricanes.

	Historical Cost		Less	Net	Recognized	
	Real	Machinery &	Accumulated	Book	Property	Gain
	Property	Equipment	Depreciation	Value	Insurance	(Loss)
				Impairment	Recovery	
General government	892,998	203,664	(795,984)	300,678	300,021	(657)
Community development	1,243,455	16,630	(941,463)	318,622	317,926	(696)
Cultural affairs	3,759,058	52,609	(1,911,933)	1,899,735	1,895,584	(4,150)
Parks and recreation	1,273,666	756,210	(1,279,134)	750,741	749,101	(1,640)
Public safety	489,023	1,445,945	(1,479,184)	455,783	454,787	(996)
Public works	294,703	1,118,510	(1,037,594)	375,619	374,798	(821)
Total Governmental Type Activities	7,952,902	3,593,567	(7,445,292)	4,101,178	4,092,218	(8,960)
Water & Sewer	9,111,287	487,085	(6,664,816)	2,933,556	2,927,147	(6,409)
Biloxi Port Fund	7,918,557	20,690	(4,952,086)	2,987,161	2,980,635	(6,526)
Point Cadet Development Corporation	446,774	-	(100,525)	346,249		(346,249)
Total Business Type Activities	17,476,619	507,775	(11,717,427)	6,266,967	5,907,782	(359,184)
	25,429,521	4,101,342	(19,162,719)	10,368,145	10,000,000	(368,145)

## **Required Supplementary Information**

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

Schedule of Funding Progress  
(\$ Thousands)

Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry Age	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
9/30/96	\$ 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
9/30/02	7,483	25,960	28.8	18,477	364	5,076.1
9/30/03	8,558	25,021	34.2	16,463	275	5,986.5
9/30/04	8,958	24,765	36.2	15,807	292	5,413.4
9/30/05	9,087	23,874	38.1	14,787	259	5,709.3

Schedule of Employer Contributions

Fiscal Year 10-1 / 9-30	Valuation Date 9-30	Annual Required Contribution	Percentage Contributed
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	156.7
2002-03	2002	1,625,642	161.2
2003-04	2003	1,451,050	148.9
2004-05	2004	1,407,163	148.1
2005-06	2005	1,334,850	

**Combining Financial Statements**

**Governmental Funds**



**City of Biloxi, Mississippi**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
September 30, 2005

Assets	Special Revenue					Capital Projects					Total
	Community Development Block Grant	Fire & Police Disability & Relief Fund	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	General Obligation Public Improvement			2002 TIF Capital Projects Bond Fund		
						2003 Bond Fund	2002 Bond Fund	1998 Bond Fund		2000 Bond Fund	
Cash	\$ 4,937	\$ -	\$ -	\$ 517,465	\$ 26,176	\$ 2,069,774	\$ -	\$ -	\$ -	\$ -	\$ 548,578
Investments							1,590,463	13,936	105,729	3,714,513	7,494,415
Receivables:											
Taxes											15,603
Grants	6,742	9,050	6,553								6,742
Other	19,639										19,639
Mortgage loans receivable	153,513										153,513
Land inventory	64,917										64,917
Total assets	\$ 249,748	\$ 9,050	\$ 6,553	\$ 517,465	\$ 26,176	\$ 2,069,774	\$ 1,590,463	\$ 13,936	\$ 105,729	\$ 3,714,513	\$ 8,303,407
Liabilities & Fund Balance											
Liabilities											
Accounts payable	\$ 8,842	\$ 9,050	\$ 6,553	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,445
Due to other funds						148,366	45,189			546,714	740,269
Total liabilities	\$ 8,842	\$ 9,050	\$ 6,553	\$ -	\$ -	\$ 148,366	\$ 45,189	\$ -	\$ -	\$ 546,714	\$ 764,714
Fund balance											
Reserved for:											
Endowment, expendable					26,176						26,176
Loans receivable	153,513										153,513
Land inventory	64,917										64,917
Capital projects						1,921,408	1,545,274	13,936	105,729	3,167,799	6,754,146
Unreserved reported in:											
Special revenues	22,476			517,465							539,941
Total fund balances	\$ 240,906	\$ -	\$ -	\$ 517,465	\$ 26,176	\$ 1,921,408	\$ 1,545,274	\$ 13,936	\$ 105,729	\$ 3,167,799	\$ 7,538,693
Total liabilities & fund balance	\$ 249,748	\$ 9,050	\$ 6,553	\$ 517,465	\$ 26,176	\$ 2,069,774	\$ 1,590,463	\$ 13,936	\$ 105,729	\$ 3,714,513	\$ 8,303,407

See Independent Auditors' Report.

**City of Biloxi, Mississippi**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended September 30, 2005**

	Special Revenue			Capital Projects							
	Community Development Block Grant	Fire & Police Disability & Relief Fund	Employees' Disability & Relief Fund	Employees' State Unemployment Fund		City Bicentennial Trust Fund	General Obligation Public Improvement		2002 TIF Capital Projects Bond Fund	Total	
				2003 Bond Fund	2002 Bond Fund		1998 Bond Fund	2000 Bond Fund			
Revenues											
Ad valorem taxes	\$ -	\$ 1,207,118	\$ 872,634	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,079,752
Intergovernmental	1,136,240										1,136,240
Other income	221,327			14,674		58,182	78,492	556	2,074	120,294	496,656
Total revenues	1,357,567	1,207,118	872,634	14,674	1,057	58,182	78,492	556	2,074	120,294	3,712,648
Expenditures											
Community Development	899,935										899,935
Benefit payments		1,207,118	872,634	29,237							2,108,989
Total expenditures	899,935	1,207,118	872,634	29,237	-	-	-	-	-	-	3,008,924
Excess of revenues over expenditures	457,632	-	-	(14,563)	1,057	58,182	78,492	556	2,074	120,294	703,724
Other financing sources (uses)											
Bond proceeds											-
Bond issue cost											-
Transfers out	(373,733)					(1,892,478)	(3,156,963)	(44,633)		(4,900,430)	(10,368,237)
Total other financing sources	(373,733)	-	-	-	-	(1,892,478)	(3,156,963)	(44,633)	-	(4,900,430)	(10,368,237)
Excess (deficiency) of revenues and other sources over expenditures and other uses	83,899	-	-	(14,563)	1,057	(1,834,296)	(3,078,471)	(44,077)	2,074	(4,780,136)	(9,664,513)
Fund balance, beginning of year as restated	157,007			532,028	25,119	3,755,704	4,623,745	58,013	103,655	7,947,935	17,203,206
Fund balance, end of year	\$ 240,906	\$ -	\$ -	\$ 517,465	\$ 26,176	\$ 1,921,408	\$ 1,545,274	\$ 13,936	\$ 105,729	\$ 3,167,799	\$ 7,538,693

*See Independent Auditors' Report.*

**Combining Financial Statements**

**Internal Service Funds**

**City of Biloxi, Mississippi**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
(for self-insured risks)  
September 30, 2005

<b>Assets</b>	<b>Liability, Property &amp; Workers Comp.</b>	<b>Employee Medical Claims</b>	<b>Gaming Revenue Interruption</b>	<b>Total</b>
<b>Restricted assets</b>				
Cash	\$ 144,281	\$ 3,039,461	\$ 2,100,000	\$ 5,283,742
Investments	1,066,770			1,066,770
Due from other City funds	767,613			767,613
Total restricted assets	<u>\$ 1,978,664</u>	<u>\$ 3,039,461</u>	<u>\$ 2,100,000</u>	<u>\$ 7,118,125</u>
<b>Liabilities &amp; Net Assets</b>				
<b>Liabilities payable from restricted assets</b>				
Claims contingency payable	<u>\$ 1,978,664</u>	<u>\$ 3,039,461</u>	<u>\$ -</u>	<u>\$ 5,018,125</u>
<b>Net assets</b>				
Unrestricted	<u>-</u>	<u>-</u>	<u>2,100,000</u>	<u>2,100,000</u>
Total liabilities and net assets	<u>\$ 1,978,664</u>	<u>\$ 3,039,461</u>	<u>\$ 2,100,000</u>	<u>\$ 7,118,125</u>

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Internal Service Funds**  
(for self-insured risks)  
For the Year Ended September 30, 2005

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
<b>Operating revenues</b>				
Charges for services, insurance billings	\$ 2,751,757	\$ 5,209,340	\$ -	\$ 7,961,097
COBRA contributions		57,206		57,206
Total operating revenue	<u>\$ 2,751,757</u>	<u>\$ 5,266,546</u>	<u>\$ -</u>	<u>\$ 8,018,303</u>
<b>Operating expenses</b>				
Insurance and reinsurance	\$ 1,562,297	\$ 362,682		\$ 1,924,979
Claims expense	1,189,460	4,903,864		6,093,324
Total operating expenses	<u>2,751,757</u>	<u>5,266,546</u>	<u>-</u>	<u>8,018,303</u>
Excess (deficiency of revenues over expenditures	-	-	-	-
<b>Other financing sources (uses)</b>				
Transfers in	-	-	700,000	700,000
Total other financing sources (uses)	-	-	700,000	700,000
Excess (deficiency of revenues and other sources over expenditures and (uses)	-	-	700,000	700,000
Fund balance, beginning	-	-	1,400,000	1,400,000
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,100,000</u>	<u>\$ 2,100,000</u>

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
(for self-insured risks)  
For the Year Ended September 30, 2005

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 2,751,757	\$ 5,266,546	\$ -	\$ 8,018,303
Payments to suppliers	(2,815,335)	(4,747,656)		(7,562,991)
Net cash provided by (used in) operating activities	(63,578)	518,890	-	455,312
<b>Cash flows from non-capital financing activities</b>				
Transfers from other funds			700,000	700,000
Loans (to) other funds	(567,981)			(567,981)
Net cash provided by (used in) non-capital financing activities	(567,981)	-	700,000	132,019
<b>Cash flows from investing activities</b>				
Purchase of investments	(1,066,770)	-	-	(1,066,770)
Net increase (decrease) in cash and cash equivalents	(1,698,329)	518,890	700,000	(479,439)
Cash and cash equivalents, beginning of period	1,842,610	2,520,571	1,400,000	5,763,181
Cash and cash equivalents, end of period	\$ 144,281	\$ 3,039,461	\$ 2,100,000	\$ 5,283,742

*See Independent Auditors' Report.*

## **Supplemental Information**

**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual - Budget Basis**  
**Community Development Block Grant**  
For the Year Ended September 30, 2005

	Actual	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 1,129,498	\$ 2,317,372	\$ (1,187,874)
Other income	251,284	189,737	61,547
Total revenues	<u>1,380,782</u>	<u>2,507,109</u>	<u>(1,126,327)</u>
<b>Expenditures</b>			
Community Development	<u>899,935</u>	<u>1,927,109</u>	<u>1,027,174</u>
Excess (deficiency) of revenues over expenditures	480,847	580,000	(99,153)
<b>Other financial sources (uses)</b>			
Transfers out	<u>(530,335)</u>	<u>-</u>	<u>(530,335)</u>
Total other financial sources (uses)	<u>(530,335)</u>	<u>-</u>	<u>(530,335)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(49,488)	580,000	(629,488)
Fund balances, beginning of year	<u>45,582</u>	<u>45,582</u>	
Fund balances, end of year	<u>\$ (3,906)</u>	<u>\$ 625,582</u>	<u>\$ (629,488)</u>

*See Independent Auditors' Report.*



**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Budget Basis**  
**Fire and Police Disability & Relief Fund**  
For the Year Ended September 30, 2005

	Fire and Police Disability & Relief Fund	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 1,207,809	\$ 1,205,905	\$ 1,904
<b>Expenditures</b>			
Benefit payments	1,207,809	1,205,905	(1,904)
Excess of revenues over expenditures	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Budget Basis**  
**Employees' Disability & Relief Fund**  
For the Year Ended September 30, 2005

	Employees' Disability & Relief Fund	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 873,134	\$ 875,759	\$ (2,625)
<b>Expenditures</b>			
Benefit payments	873,134	875,759	2,625
Excess of revenues over expenditures	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Budget Basis**  
**Debt Service Fund**  
For the Year Ended September 30, 2005

	Actual	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Ad valorem taxes	\$ 5,144,737	\$ 5,091,910	\$ 52,827
Intergovernmental	1,763,265	1,200,001	563,264
Other income	106,818	14,900	91,918
Total revenues	<u>7,014,820</u>	<u>6,306,811</u>	<u>708,009</u>
<b>Expenditures</b>			
Principal retirement	9,813,918	9,813,907	(11)
Interest expense	3,221,242	3,275,387	54,145
Paying agents' fees	25,641	34,000	8,359
Total expenditures	<u>13,060,801</u>	<u>13,123,294</u>	<u>62,493</u>
Excess (deficiency) of revenues over expenditures	<u>(6,045,981)</u>	<u>(6,816,483)</u>	<u>770,502</u>
<b>Other financing sources (uses)</b>			
Bond proceeds	5,530,000	5,530,000	-
Bond issue costs	(80,592)	(80,592)	-
Total other financing sources (uses)	<u>5,449,408</u>	<u>5,449,408</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>(596,573)</u>	<u>(1,367,075)</u>	<u>770,502</u>
Fund balances, beginning of year	<u>4,321,259</u>	<u>4,321,259</u>	
Fund balances, end of year	<u>\$ 3,724,686</u>	<u>\$ 2,954,184</u>	<u>\$ 770,502</u>

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Budget Basis**  
**Capital Projects Funds**  
**For the Year Ended September 30, 2005**

	General Capital Projects Fund	General Obligation Public Improvement				2002 TIF Capital Projects Bond Fund	Total	Budget	Variance Positive (Negative)
		2003 Bond Fund	2002 Bond Fund	1998 Bond Fund	2000 Bond Fund				
<b>Revenues</b>									
Intergovernmental	\$ 1,146,391	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,146,391	\$ 9,842,412	\$ (8,696,021)
Other income		58,182	78,492	556	2,074	120,294	259,598	75,900	183,698
Total revenues	<u>1,146,391</u>	<u>58,182</u>	<u>78,492</u>	<u>556</u>	<u>2,074</u>	<u>120,294</u>	<u>1,405,989</u>	<u>9,918,312</u>	<u>(8,512,323)</u>
<b>Expenditures</b>									
Capital projects	18,485,493	-	-	-	-	-	18,485,493	51,148,323	32,662,830
Excess (deficiency) of revenues over expenditures	<u>(17,339,102)</u>	<u>58,182</u>	<u>78,492</u>	<u>556</u>	<u>2,074</u>	<u>120,294</u>	<u>(17,079,504)</u>	<u>(41,230,011)</u>	<u>24,150,507</u>
<b>Other financing sources (uses)</b>									
Loan proceeds	2,000,000						2,000,000	3,800,000	(1,800,000)
Transfers in	16,486,944						16,486,944	37,440,296	(20,953,352)
Transfers out		(1,832,628)	(3,156,963)	(44,633)		(4,862,755)	(9,896,979)	(18,865,615)	8,968,636
Total other financing sources (uses)	<u>18,486,944</u>	<u>(1,832,628)</u>	<u>(3,156,963)</u>	<u>(44,633)</u>	<u>-</u>	<u>(4,862,755)</u>	<u>8,589,965</u>	<u>22,374,681</u>	<u>(13,784,716)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>1,147,842</u>	<u>(1,774,446)</u>	<u>(3,078,471)</u>	<u>(44,077)</u>	<u>2,074</u>	<u>(4,742,461)</u>	<u>(8,489,539)</u>	<u>(18,855,330)</u>	<u>10,365,791</u>
Fund balances, beginning of year	(587,027)	3,755,704	4,623,745	58,013	103,655	7,947,935	15,902,025	15,902,025	
Fund balances, end of year	<u>\$ 560,815</u>	<u>\$ 1,981,258</u>	<u>\$ 1,545,274</u>	<u>\$ 13,936</u>	<u>\$ 105,729</u>	<u>\$ 3,205,474</u>	<u>\$ 7,412,486</u>	<u>\$ (2,953,305)</u>	<u>\$ 10,365,791</u>

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Schedule of Revenues and Expenses Compared to Budget**  
**Water and Sewer Fund**  
For the Year Ended September 30, 2005

	Actual	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services:			
Water and sewer charges	\$ 8,683,258	\$ 8,980,000	\$ (296,742)
Keesler Air Force Base, sewer	517,852	560,000	(42,148)
Interest income	239,933	100,000	139,933
Other income	3,997		3,997
Total revenues	<u>9,445,040</u>	<u>9,640,000</u>	<u>(194,960)</u>
<b>Expenses</b>			
Personal services	1,209,519	1,297,282	87,763
Contracted services	6,614,135	6,706,735	92,600
Other services and charges	2,239,055	2,101,168	(137,887)
Bond principal	118,210	118,238	28
Interest expense	58,531	58,503	(28)
Transfers out	1,931,326	4,000,794	2,069,468
Total expenses	<u>12,170,776</u>	<u>14,282,720</u>	<u>2,111,944</u>
Excess (deficiency) of revenues over expenses	<u>\$ (2,725,736)</u>	<u>\$ (4,642,720)</u>	<u>\$ 1,916,984</u>

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Schedule of Revenues and Expenses Compared to Budget**  
**Biloxi Port Fund**  
For the Year Ended September 30, 2005

	Actual	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services:			
Harbor Fees and Rents	\$ 1,626,565	\$ 1,732,432	\$ (105,867)
Intergovernmental tax revenues	888,253	1,000,000	(111,747)
Other income	142,430	45,069	97,361
Total revenues	<u>2,657,248</u>	<u>2,777,501</u>	<u>(120,253)</u>
<b>Expenses</b>			
Personal services	918,677	964,683	46,006
Contracted services	98,925	203,742	104,817
Other services and charges	174,935	318,541	143,606
Bond principal	680,000	680,000	-
Interest expense	228,240	228,240	-
Capital outlay	10,612	35,500	24,888
Total expenses	<u>2,111,389</u>	<u>2,430,706</u>	<u>319,317</u>
Excess (deficiency) of revenues over expenses	<u>545,859</u>	<u>346,795</u>	<u>199,064</u>
<b>Other financial sources (uses)</b>			
Transfers out	-	(248,300)	248,300
Total other financial sources (uses)	<u>-</u>	<u>(248,300)</u>	<u>248,300</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ 545,859</u>	<u>\$ 98,495</u>	<u>\$ 447,364</u>

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Schedule of Revenues and Expenses Compared to Budget**

**Internal Service Funds**

(for self-insured risks)

For the Year Ended September 30, 2005

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total	Budget	Variance Positive (Negative)
<b>Revenues</b>						
Charges for services, insurance billings	\$ 2,751,757	\$ 5,209,340	\$ -	\$ 7,961,097	\$ 8,354,802	\$ (393,705)
COBRA contributions		57,206		57,206	60,000	(2,794)
Total revenues	<u>2,751,757</u>	<u>5,266,546</u>	<u>-</u>	<u>8,018,303</u>	<u>8,414,802</u>	<u>(396,499)</u>
<b>Expenses</b>						
Insurance and reinsurance	1,562,297	362,682		1,924,979	1,945,753	20,774
Claims expense	1,189,460	4,903,864		6,093,324	6,469,049	375,725
Total expenses	<u>2,751,757</u>	<u>5,266,546</u>	<u>-</u>	<u>8,018,303</u>	<u>8,414,802</u>	<u>396,499</u>
Excess of revenues over expenditures	-	-	-	-	-	-
<b>Other financing sources</b>						
Transfers in	-	-	700,000	700,000	700,000	-
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ -</u>

*See Independent Auditors' Report.*

**City of Biloxi, Mississippi**  
**Schedule of Investments – All Funds**  
September 30, 2005

	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Reported Amount</u>	<u>Fair Value</u>
<b>Governmental Funds</b>					
<b>General Fund</b>					
Treasury Bill	3.03%	4/7/2005	10/6/2005	1,247,592	1,266,709
Money Market Fund	3.17%	various	N/A	1,424	1,424
<b>Debt Service Funds</b>					
Money Market Fund	3.17%	various	N/A	2,134,297	2,134,297
<b>Capital Projects Funds</b>					
2003 GO Bond Fund					
Money Market Fund	3.17%	various	N/A	2,069,774	2,069,774
GOPI 2002 Bond Fund					
Money Market Fund	3.17%	various	N/A	1,590,463	1,590,463
GOPI 1998 Bond Fund					
Money Market Fund	3.17%	various	N/A	13,936	13,936
GOPI 2000 Bond Fund					
Money Market Fund	3.17%	various	N/A	105,729	105,729
2002 TIF Capital Projects Bond Fund					
Money Market Fund	3.17%	various	N/A	<u>3,714,513</u>	<u>3,714,513</u>
Total investments, governmental funds				10,877,728	10,896,845
<b>Proprietary funds</b>					
<b>Biloxi Port Fund</b>					
Money Market Fund	3.17%	various	N/A	896,594	896,594
Money Market Fund	3.47%	various	N/A	<u>1,000,576</u>	<u>1,000,576</u>
Total investments, proprietary funds				1,897,170	1,897,170
<b>Internal service funds</b>					
Treasury Bill	3.14%	4/28/2005	10/27/2005	1,063,362	1,077,818
Money Market Fund	4.48%	various	N/A	<u>3,408</u>	<u>3,408</u>
Total investments, internal service funds				1,066,770	1,081,226
Total investments				<u>13,841,668</u>	<u>13,875,241</u>

*See Independent Auditors' Report.*



**City of Biloxi, Mississippi**  
**Schedule of Long-Term Debt**  
September 30, 2005

	Date Issued	Original Issue	Balance		New Issues	Retirements	September 30, 2005	Requirements Year Ended September 30, 2006	
			October 1, 2004					Principal	Interest
<b>General Obligation Bonds and Notes</b>									
General Obligation Bonds of 1988 - A	06/01/88	\$ 1,200,000	\$ 360,000	\$	\$ 90,000	270,000	\$ 90,000	\$ 20,520	
General Obligation Bonds of 1988 - D	12/01/88	750,000	320,000		55,000	265,000	60,000	17,535	
General Obligation Bonds of 1989 - A	02/15/89	750,000	320,000		55,000	265,000	60,000	16,450	
Refunding Bond of 1995	11/01/95	4,135,000	1,725,000		1,725,000	-	-	-	
GOPI 1998	12/01/98	10,000,000	7,385,000		600,000	6,785,000	625,000	270,051	
GOPI 2000	05/01/00	6,500,000	4,325,000		4,325,000	-	-	-	
Airport General Obligation Bonds, 2000	05/01/00	1,000,000	670,000		670,000	-	-	-	
Mississippi Development Bank promissory note	01/04/01	5,025,000	2,041,849	2,000,000	419,177	3,622,672	502,500	144,277	
General Obligation Bonds of 2002	12/01/02	6,000,000	5,820,000		190,000	5,630,000	200,000	256,668	
General Obligation Bonds of 2003	12/01/03	9,800,000	9,800,000		480,000	9,320,000	500,000	306,956	
Refunding Bond of 2004	12/30/04	5,530,000		5,530,000	25,000	5,505,000	1,510,000	145,150	
Total General Obligation Bonds and Notes			32,766,849	7,530,000	8,634,177	31,662,672	3,547,500	1,177,607	
<b>Limited Obligation Bonds and Notes</b>									
Tax Increment Financing, 1999	10/01/99	12,000,000	10,480,000		430,000	10,050,000	455,000	604,315	
Mississippi Development Authority Loan	11/01/01	500,000	462,226		19,741	442,485	20,333	13,275	
Tax Increment Financing, 2002	11/01/02	23,000,000	22,305,000		730,000	21,575,000	765,000	969,460	
Total Limited Obligation Bonds and Notes			33,247,226	-	1,179,741	32,067,485	1,240,333	1,587,050	
Total general long-term debt			66,014,075	7,530,000	9,813,918	63,730,157	4,787,833	2,764,657	
<b>Proprietary Funds Debt</b>									
Water and sewer pollution control loans	1981-2001	2,685,427	1,746,170		118,210	1,627,960	122,420	54,321	
Limited Tax Port Bonds, Series 1998	04/01/98	4,325,000	1,790,000		590,000	1,200,000	595,000	56,257	
Limited Tax Port Bonds, Series 1999	12/01/99	2,500,000	2,260,000		90,000	2,170,000	95,000	124,145	
Total Proprietary Funds Debt			5,796,170	-	798,210	4,997,960	812,420	234,723	
Totals			\$ 71,810,245	\$ 7,530,000	\$ 10,612,128	\$ 68,728,117	\$ 5,600,253	\$ 2,999,380	

*See Independent Auditors' Report.*

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

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

**Section III**  
**Statistical Section**

**City of Biloxi, Mississippi**  
**General Governmental Expenditures by Function – Last Ten Fiscal Years**  
(All Governmental Funds)

	FYE 09/30/05	FYE 09/30/04	FYE 09/30/03	FYE 09/30/02
<b>Expenditure function</b>				
General government	\$ 4,225,009	\$ 4,066,268	\$ 4,021,258	\$ 4,159,184
Parks and recreation	4,926,209	4,564,356	4,323,630	4,254,332
Public safety	26,922,427	23,522,963	22,412,569	22,203,686
Public works	18,802,996	8,829,393	8,114,028	7,639,287
Community development	3,702,265	3,702,108	4,128,317	3,777,394
Non-departmental	5,535,248	5,380,002	6,180,177	4,816,858
Retirement contribution	2,108,989	2,085,382	2,691,822	2,728,111
Capital outlay	19,299,416	23,236,972	26,681,858	18,041,127
Debt service:				
Principal	9,813,918	3,661,674	2,641,116	2,627,508
Interest	3,246,883	2,863,804	1,689,836	1,821,497
<b>Totals</b>	<b>\$ 98,583,360</b>	<b>\$ 81,912,922</b>	<b>\$ 82,884,611</b>	<b>\$ 72,068,984</b>

**City of Biloxi, Mississippi**  
**General Revenues by Source – Last Ten Fiscal Years**  
(All Governmental Funds)

	FYE 09/30/05	FYE 09/30/04	FYE 09/30/03	FYE 09/30/02
<b>Revenue Source</b>				
Taxes	\$ 15,599,678	\$ 15,621,385	\$ 16,494,797	\$ 15,788,474
Licenses and permits	3,667,843	3,597,812	3,661,074	3,320,782
Intergovernmental	53,337,778	38,546,261	37,250,012	36,101,336
Charges for services	1,081,843	982,416	1,129,740	1,213,723
Fines	1,241,663	1,156,867	1,180,109	1,133,113
Other	5,442,861	4,988,822	4,908,527	4,780,680
<b>Totals</b>	<b>\$ 80,371,666</b>	<b>\$ 64,893,563</b>	<b>\$ 64,624,259</b>	<b>\$ 62,338,108</b>

FYE 09/30/01	FYE 09/30/00	FYE 09/30/99	FYE 09/30/98	FYE 09/30/97	FYE 09/30/96
\$ 3,886,516	\$ 3,236,454	\$ 3,240,314	\$ 2,973,058	\$ 3,087,628	\$ 3,123,473
3,839,485	3,161,109	2,762,056	2,267,951	2,177,271	2,027,528
20,080,649	19,160,996	15,399,824	13,822,490	12,358,991	12,345,098
7,506,841	7,292,767	6,876,835	5,464,126	5,240,023	4,711,159
2,944,613	5,234,303	5,785,890	5,779,560	4,540,654	4,753,255
4,155,396	4,100,494	3,424,797	1,768,632	1,409,370	1,074,229
2,690,011	2,003,334	1,935,661	1,975,410	1,963,354	1,724,506
17,726,160	27,508,751	9,706,179	6,804,730	5,978,367	4,627,764
5,389,627	2,679,648	1,654,079	2,480,119	2,485,045	2,521,305
2,026,245	1,151,844	647,055	816,293	985,567	1,212,325
<u>\$ 70,245,543</u>	<u>\$ 75,529,700</u>	<u>\$ 51,432,690</u>	<u>\$ 44,152,369</u>	<u>\$ 40,226,270</u>	<u>\$ 38,120,642</u>

FYE 09/30/01	FYE 09/30/00	FYE 09/30/99	FYE 09/30/98	FYE 09/30/97	FYE 09/30/96
\$ 15,570,922	\$ 15,129,168	\$ 14,235,254	\$ 14,319,944	\$ 14,416,033	\$ 13,452,688
3,403,789	3,116,426	2,848,885	2,589,044	2,942,327	2,333,102
37,451,946	35,644,640	32,124,722	24,767,498	22,894,848	21,965,225
1,174,942	962,833	944,151	891,662	724,323	748,409
1,387,709	1,367,677	1,227,526	989,477	1,212,835	1,322,732
7,069,911	7,603,962	9,467,551	5,405,523	4,138,035	4,286,213
<u>\$ 66,059,219</u>	<u>\$ 63,824,706</u>	<u>\$ 60,848,089</u>	<u>\$ 48,963,148</u>	<u>\$ 46,328,401</u>	<u>\$ 44,108,369</u>

**City of Biloxi, Mississippi**  
**Property Tax Levies and Collections – Last Ten Fiscal years**

	FYE 09/30/05	FYE 09/30/04	FYE 09/30/03	FYE 09/30/02
Gross tax levy before exemptions	\$ 34,006,749	\$ 32,844,208	\$ 33,079,067	\$ 31,039,994
Add special H/S exemption reimbursement	539,918	534,560	519,821	512,002
Add penalties and interest	117,189	307,380	391,212	344,764
Deduct special homestead exemption	(1,310,965)	(1,285,545)	(1,234,171)	(1,143,558)
Deduct regular homestead exemption	(511,747)	(497,471)	(492,523)	(483,527)
Deduct other credits	(1,565)	(2,398)	(363)	
<b>Total Tax Levy</b>	<b>32,839,579</b>	<b>31,900,734</b>	<b>32,263,406</b>	<b>30,269,675</b>
Current tax collections	32,332,482	31,894,516	32,095,387	29,505,708
Percent of current taxes collected	98.46%	99.98%	99.48%	97.48%
Delinquent tax collections	415,459	434,597	1,043,193	446,975
Total tax collected	32,747,941	32,329,113	33,138,580	29,952,683
Ratio of tax collected to tax levied	99.72%	101.34%	102.71%	98.95%
Outstanding delinquent taxes	507,098	6,218	168,019	763,967
Ratio of delinquent tax to total levy	1.54%	0.02%	0.52%	2.52%

	FYE 09/30/05	FYE 09/30/04	FYE 09/30/03	FYE 09/30/02
<b>Tax Levy Millage</b>				
Tax year	2004	2003	2002	2001
<b>City Funds</b>				
General Fund	15.65	15.65	15.65	15.65
Garbage collection/disposal	2.25	2.25	2.25	2.25
Pension Funds	4.50	4.50	5.50	5.50
Debt Service Fund	7.70	7.70	6.70	6.70
Totals for City purposes	30.10	30.10	30.10	30.10
<b>School Funds</b>				
District maintenance	29.01	32.34	30.84	26.00
Minimum program				1.09
School debt	9.02	4.34	4.34	4.34
Totals for School purposes	38.03	36.68	35.18	31.43
<b>Totals City and School</b>	<b>68.13</b>	<b>66.78</b>	<b>65.28</b>	<b>61.53</b>

FYE 09/30/01	FYE 09/30/00	FYE 09/30/99	FYE 09/30/98	FYE 09/30/97	FYE 09/30/96
\$ 30,181,505	\$ 25,909,370	\$ 23,665,151	\$ 23,444,114	\$ 23,121,088	\$ 23,355,884
525,651	524,557	524,455	527,765	523,981	524,087
277,091	293,964	226,451	247,405	167,093	156,729
(979,035)	(1,150,864)	(1,131,455)	(1,178,118)	(1,186,046)	(1,207,603)
(409,214)	(362,694)	(360,220)	(359,653)	(359,850)	(359,091)
<b>29,595,998</b>	<b>25,214,333</b>	<b>22,924,382</b>	<b>22,681,513</b>	<b>22,266,266</b>	<b>22,470,006</b>
28,845,271	25,192,231	22,911,971	22,256,417	21,722,026	20,313,231
97.46%	99.91%	99.95%	98.13%	97.56%	90.40%
522,664	221,892	386,089	218,831	784,493	87,713
29,367,935	25,414,123	23,298,060	22,475,248	22,506,519	20,400,944
99.23%	100.79%	101.63%	99.09%	101.08%	90.79%
750,727	22,102	12,411	425,096	544,240	2,156,775
2.54%	0.09%	0.05%	1.87%	2.44%	9.60%

FYE 09/30/01	FYE 09/30/00	FYE 09/30/99	FYE 09/30/98	FYE 09/30/97	FYE 09/30/96
2000	1999	1998	1997	1996	1995
15.35	26.61	27.61	30.86	30.86	33.66
2.55	4.00	4.00	4.00	4.00	4.00
5.50	7.00	7.00	8.00	8.00	8.00
6.70	8.60	9.10	10.10	11.85	12.65
30.10	46.21	47.71	52.96	54.71	58.31
25.50	35.00	33.50	33.00	33.00	33.00
1.09	1.50	1.50	2.00	2.00	2.00
4.34	2.60	2.60	2.60	2.35	2.75
30.93	39.10	37.60	37.60	37.35	37.75
61.03	85.31	85.31	90.56	92.06	96.06

**City of Biloxi, Mississippi**  
**Assessed and Actual Value of Taxable Property – Last Ten Fiscal years**

<b>Fiscal Year Ended</b>	<b>Real Property (1)</b>		<b>Personal Property</b>	
	<b>Assessed Value</b>	<b>Actual Value</b>	<b>Assessed Value</b>	<b>Actual Value</b>
2005	358,029,587	2,617,175,344	90,986,491	606,576,607
2004	349,059,331	2,551,603,297	87,534,512	583,563,413
2003	363,850,114	2,659,723,056	89,559,850	597,065,667
2002	364,674,681	2,665,750,592	86,133,392	574,222,613
2001 (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

**City of Biloxi, Mississippi**  
**Property Tax Rates – All Overlapping Governments – Last Ten Fiscal Years**

<b>Fiscal Year Ended</b>	<b>Tax Year</b>	<b>City of Biloxi</b>			<b>Harrison</b>
		<b>Operating Millage</b>	<b>Debt Service</b>	<b>Total</b>	<b>Operating Millage</b>
2005	2004	22.40	7.70	30.10	33.39
2004	2003	22.40	7.70	30.10	33.51
2003	2002	23.40	6.70	30.10	32.90
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



Utilities		Automobiles		Total		Ratio of Assessed to Actual
Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	
23,589,400	157,262,667	46,875,398	156,251,327	519,480,876	3,537,265,945	14.69%
23,673,558	157,823,720	49,958,644	166,528,813	510,226,045	3,459,519,243	14.75%
22,826,980	152,179,867	48,284,298	160,947,660	524,521,242	3,569,916,250	14.69%
23,614,559	157,430,393	46,417,107	154,723,690	520,839,739	3,552,127,288	14.66%
21,071,009	140,473,393	47,431,840	158,106,133	510,512,661	3,475,207,019	14.69%
18,344,995	122,299,967	43,529,432	145,098,107	303,412,170	1,987,944,880	15.26%
18,796,527	125,310,180	36,826,879	122,756,263	277,838,775	1,830,087,770	15.18%
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%

(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.

County		Biloxi School District			Total Millage	Total City and School
Debt Service	Total	Operating Millage	Debt Service	Total		
2.31	35.70	29.01	9.02	38.03	103.83	68.13
2.19	35.70	32.34	4.34	36.68	102.48	66.78
2.80	35.70	30.84	4.34	35.18	100.98	65.28
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

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

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

Fiscal Year Ended 9/30	Estimated Population	Assessed Value (3)	Gross General Obligation Debt (4)	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capital
2005	50,209 (2)	519,480,876	31,662,672	4,421,727	27,240,945	5.24%	543
2004	50,279 (2)	510,226,045	32,766,849	5,549,995	27,216,854	5.33%	541
2003	49,673 (2)	524,521,242	25,504,357	5,588,664	19,915,693	3.80%	401
2002	49,576 (2)	520,839,739	21,736,865	3,926,622	17,810,243	3.42%	359
2001	49,811 (2)	510,512,661	23,994,373	3,920,177	20,074,196	3.93%	403
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

(1) 2000 Census

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

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

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

**City of Biloxi, Mississippi  
Computation of Direct and Overlapping Bonded Debt – General Obligation Bonds**

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Applicable Percentage	Amount Applicable to City of Biloxi
Direct:			
City of Biloxi	\$ 27,240,945	100.00%	\$ 27,240,945
Overlapping:			
Biloxi School District	25,250,000	100.00%	25,250,000
Harrison County	115,633,927	31.86%	36,840,969
City of Biloxi Limited Tax Port Bonds (2)	3,370,000	31.86%	1,073,682
Total overlapping	<u>144,253,927</u>		<u>63,164,651</u>
Totals	<u>\$ 171,494,872</u>		<u>\$ 90,405,596</u>

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

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

**City of Biloxi, Mississippi**  
**Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt**  
**to Total General Governmental Expenditures – Last Ten Fiscal Years**

Fiscal Year Ended 9/30	Principal	Interest and Paying Agent Fees	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2005	8,634,177	1,611,402	10,245,579	82,069,522	12.48%
2004	2,537,508	1,239,965	3,777,473	81,912,922	4.61%
2003	2,232,508	957,870	3,190,378	82,884,611	3.85%
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%

**City of Biloxi, Mississippi**  
**Revenue Bond Coverage – Last Ten Fiscal Years**

Fiscal Year Ended 9/30	Gross Revenues	Operating Expenses	Net Revenues Available for Debt Service	Debt Service Requirements (1)			
				Principal	Interest	Total	Coverage
2005	9,002,050	12,450,570	(3,448,520)	118,210	58,531	176,741	-1951.17%
2004	9,672,172	10,600,079	(927,907)	114,298	62,537	176,835	-524.73%
2003	9,545,558	10,158,286	(612,728)	110,510	66,335	176,845	-346.48%
2002	9,484,598	9,986,717	(502,119)	98,108	62,742	160,850	-312.17%
2001	8,857,508	9,630,775	(773,267)	235,698	55,346	291,044	-265.69%
2000	8,925,287	9,579,252	(653,965)	218,282	68,492	286,774	-228.04%
1999	8,676,964	8,031,633	645,331	207,474	52,958	260,432	247.79%
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%

(1) State Pollution Control loans.

**City of Biloxi, Mississippi**  
**Demographic Statistics – Last Ten Fiscal Years**

Fiscal Year Ended 9/30	Estimated Population (1)	Per Capita Income (2)	School Enroll- ment (3)	Unemployment Rate (4)
2005	50,209	not available	6,051	8.9
2004	50,279	27,300	6,132	5.4
2003	49,673	26,580	6,009	4.4
2002	49,576	25,370	5,854	5.1
2001	49,811	24,581	5,791	3.7
2000	50,644	24,418	5,895	4.2
1999	47,759	23,087	5,991	3.5
1998	47,448	21,836	6,053	3.9
1997	47,199	20,123	6,143	4.6
1996	47,373	19,370	6,219	4.9

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

**City of Biloxi, Mississippi**  
**Real Property Value, Construction and Bank Deposits – Last Ten Fiscal Years**

Fiscal Year Ended 9/30	Real Property Appraised Value (1)	Commercial Construction		Residential Construction		Bank Deposits		
		Number of Units	Value	Number of Units	Value	Bank and Thrifts (2)	Credit Unions (3)	Total (1,000's)
2005	2,617,175,344	297	68,600,824	1,100	42,206,491	653,460	1,067,177	1,720,637
2004	2,551,603,297	386	210,154,061	1,150	39,727,572	711,428	881,223	1,592,651
2003	2,659,723,056	402	85,138,038	1,139	35,023,581	695,811	804,920	1,500,731
2002	2,665,750,592	296	31,871,067	984	39,028,299	711,099	677,365	1,388,464
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

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

**City of Biloxi, Mississippi**  
**Principal Taxpayers**  
September 30, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Value</u>	<u>Percentage of Total Assessed Valuation</u>
Beau Rivage	Casino resort	\$ 68,068,899	13.34%
Grand Casino	Casino resort	32,348,080	6.34%
Imperial Palace	Casino resort	21,480,465	4.21%
Casino Magic	Casino resort	17,896,829	3.51%
Isle of Capri Casino	Casino resort	16,617,032	3.26%
Mastar	Pet food manufacturing	11,110,396	2.18%
Mississippi Power	Electrical utility	8,674,057	1.70%
Bell South	Telecommunications	8,603,031	1.69%
The New Palace Casino	Casino resort	8,596,374	1.68%
President Casino	Casino resort	5,604,828	1.10%
Totals		<u>\$ 198,999,991</u>	<u>39.01%</u>

Based on assessment rolls for tax year 2004 (taxes to be collected in 2005)

**City of Biloxi, Mississippi**  
**Miscellaneous Statistics For the Year Ended September 30, 2005**

Date of Incorporation .....	February 8, 1838
Form of Government .....	Mayor / Council
Number of Employees (excluding police and fire)	
classified.....	274
exempt.....	63
Area in Square Miles.....	62
Government Facilities and Services	
Culture and Recreation	
Community Centers .....	2
Parks .....	24
Park Acreage .....	161
Golf Courses.....	0
Swimming Pools .....	2
Tennis Courts.....	14
Fire Protection	
Number of Stations .....	9
Number of Fire Personnel.....	178
Number of Calls Answered.....	5,117
Number of Inspections Conducted.....	3,270
Police Protection	
Number of Stations .....	1
Number of Police Personnel and Officers .....	194
Number of Patrol Units.....	136
Number of law violations	
Physical Arrests.....	16,351
Traffic Violations.....	7,838
Parking Violations.....	441
Sewerage System	
Miles of Sanitary Sewers .....	235
Number of Treatment Plants.....	3
Number of Service Connections .....	9,500
Daily Average Treatment in Gallons .....	10,858,684
Maximum Daily Capacity of Treatment Plants in Gallons .....	18,925,800
Water System	
Miles of Water Mains .....	234
Number of Service Connections .....	10,300
Number of Fire Hydrants.....	3,005
Daily Average Consumption in Gallons .....	5,739,400
Maximum Daily Capacity of Plant in Gallons .....	14,793,000
Facilities and Services not Included in the Reporting Entity	
Education	
Number of Elementary Schools .....	7
Number of Elementary School Instructors .....	253
Number of Secondary Schools.....	3
Number of Secondary School Instructors.....	162
Number of Community Colleges.....	1
Number of Universities .....	0
Hospitals	
Number of Hospitals .....	4
Number of Patient Beds .....	1,238

**Section IV**  
**Compliance Section**

**City of Biloxi**  
**Schedule of Expenditures of Federal Awards**  
Year Ended September 30, 2005

Grantor Federal Agency/Pass-Through Agency/Program Title	Federal CFDA Number	Grant No. / Pass-Through Number	Federal Expenditures
Direct :			
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grant	14.218	B-02-MC-28-001	\$ 152,064
Community Development Block Grant	14.218	B-03-MC-28-001	598,000
Community Development Block Grant	14.218	B-04-MC-28-001	386,176
Sub-total			<u>1,136,240</u>
Direct:			
<b>Department of Justice</b>			
Bureau of Justice Assistance	16.592	2004-LB-BX-1605	17,660
Secure our Schools	16.710	2003-CKWX-0406	12,736
Gang Resistance Education and Training	16.737	2004-JVFX-0216	7,191
Sub-total			<u>37,587</u>
Pass-Through State of Mississippi			
HIDTA Tri-County Surveillance Grant	16.580	I1PGCP514	7,339
HIDTA Tri-County Surveillance Grant	16.580	I2PGCP514	12,378
HIDTA Tri-County Surveillance Grant	16.580	I5PGCP514Z	5,967
Sub-total			<u>25,684</u>
Total Department of Justice			<u>63,271</u>
Pass-Through State of Mississippi:			
<b>Department of Homeland Security</b>			
Domestic Preparedness Grant	97.UNK		90,835
Homeland Security Cooperative Agreement	97.067		49,152
Public Assistance Grants	97.036		214,118
Public Assistance Grants	97.036	#047-06220-00	588,390
Public Assistance Grants	97.036		11,006,417
Hazard Mitigation Grant	97.039	HMGP-1398-003	598,461
Sub-total			<u>12,547,373</u>
Pass-Through Mississippi Department of Transportation			
<b>Department of Transportation</b>			
Highway Planning and Construction	20.205		110,281
Highway Planning and Construction	20.205		15,915
Sub-total			<u>126,196</u>
Total Federal Financial Assistance			<u>\$ 13,873,080</u>



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

**Culumber  
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Hooker  
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Burge, PLLC**

*Certified Public Accountants*

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**Thomas E. Clifford, CPA**

To the City Council  
City of Biloxi  
Biloxi, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the City of Biloxi, Mississippi's basic financial statements and have issued our report thereon dated May 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

In planning and performing our audit, we considered the City of Biloxi, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the 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.

### **Compliance and Other Matters**

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

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This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Columbo, Fletcher, Hooker, Harvey & Bunge PLLC*

Biloxi, Mississippi  
May 21, 2006

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

**Culumber  
Fletcher  
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To the City Council  
City of Biloxi  
Biloxi, Mississippi

## **Compliance**

We have audited the compliance of the City of Biloxi, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The City of Biloxi, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Biloxi, Mississippi's management. Our responsibility is to express an opinion on the City of Biloxi, Mississippi's compliance based on our audit.

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

In our opinion, the City of Biloxi, Mississippi complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

## **Internal Control Over Compliance**

The management of the City of Biloxi, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Biloxi, Mississippi's internal control over compliance with 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 the internal control over compliance in accordance with OMB Circular A-133.

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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 reportable 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 cause by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Culumbay, Fletcher, Hooker, Harvey & Bunge P.L.L.C.*

Certified Public Accountants

Biloxi, Mississippi  
May 21, 2006

**The City of Biloxi, Mississippi**  
**Schedule of Findings and Questioned Costs**  
For the Year Ended September 30, 2005

**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
Public Assistance Grants	97.036
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

**The City of Biloxi, Mississippi**  
**Summary Schedule of Prior Audit Findings**  
For the Year ended September 30, 2005

There were no prior audit findings relative to federal awards.