Comprehensive Annual Financial Report

City of Biloxi
Biloxi, Mississippi

Fiscal Year Ended September 30, 2007

City of Biloxi, Mississippi
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2007
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Section I

Introductory Section

City of Biloxi, Mississippi

Listing of City Officials as of September 30, 2007

Elected Officials

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

Appointed Officials

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

Letter of Transmittal

Mayor
A.J. Holloway

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

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

March 26, 2008

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, 2007. 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, 2007 and results of operations for the fiscal year then ended.

Control Environment

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

Budgetary Controls

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

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

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

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

Independent Audit

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

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

Managements Discussion and Analysis

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

Profile of the City of Biloxi (The Reporting Entity)

The City of Biloxi, Mississippi was incorporated in 1838. Biloxi is located in Harrison County, and its southern corporate boundary is the Gulf of Mexico. Biloxi is part of the Biloxi, Gulfport, Pascagoula Combined Statistical Area (MSA). This area has a diverse economic base which includes tourism, casino gaming, fishing, seafood processing, shipping, shipbuilding, and petroleum and chemical processing. Keesler Air Force Base, Naval 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 a proprietary fund. During the fiscal year 03/04, the City of Biloxi assumed responsibility for the assets, liabilities and operation of the Biloxi Port Commission. This activity is presented as a business-type activity in the City's Government-wide financial statements and as a proprietary fund in the City's fund financial statements.

Economic Condition and Outlook

We understand that readers of this Comprehensive Annual Financial Report will be interested in using this report to assess the recovery of the City from Hurricane Katrina which struck the Mississippi Gulf Coast on August 29, 2005. Of the City's three largest revenues, sales tax and gaming tax have recovered to pre-Katrina levels. Due to the collection of ad valorem taxes in arrears, Katrina did not impact ad valorem tax collection until the current fiscal year 06/07. Total assessed valuation for 2006 (taxes to be collected in fiscal year 2006-2007) was down from tax year 2005 by $152,340,014, a reduction of 28.1 percent (Fig. 1).

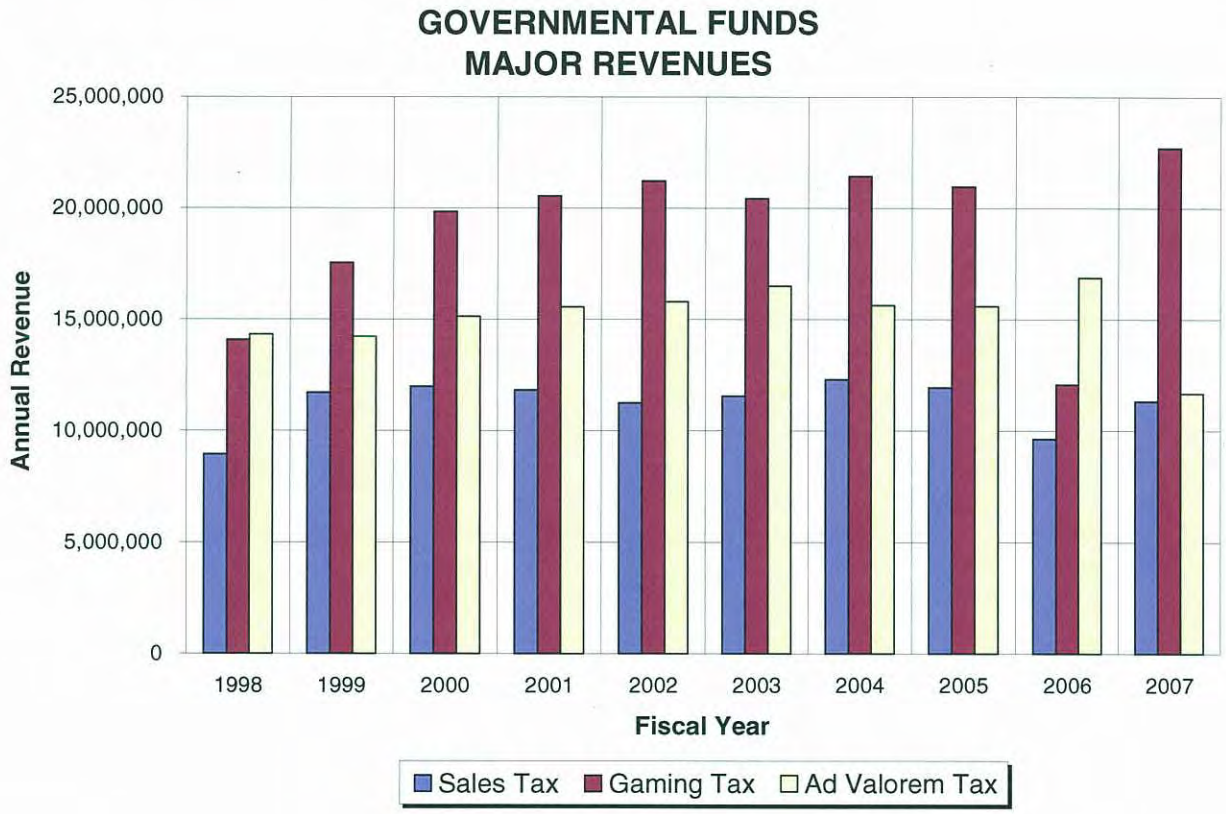


Figure 1

During fiscal year 06/07, the City issued 6,033 building permits with a total valuation of $417,319,284. The value of building permits issued decreased 12.8% and the number of permits issued increased 23.86% from the prior fiscal year (fig. 2).

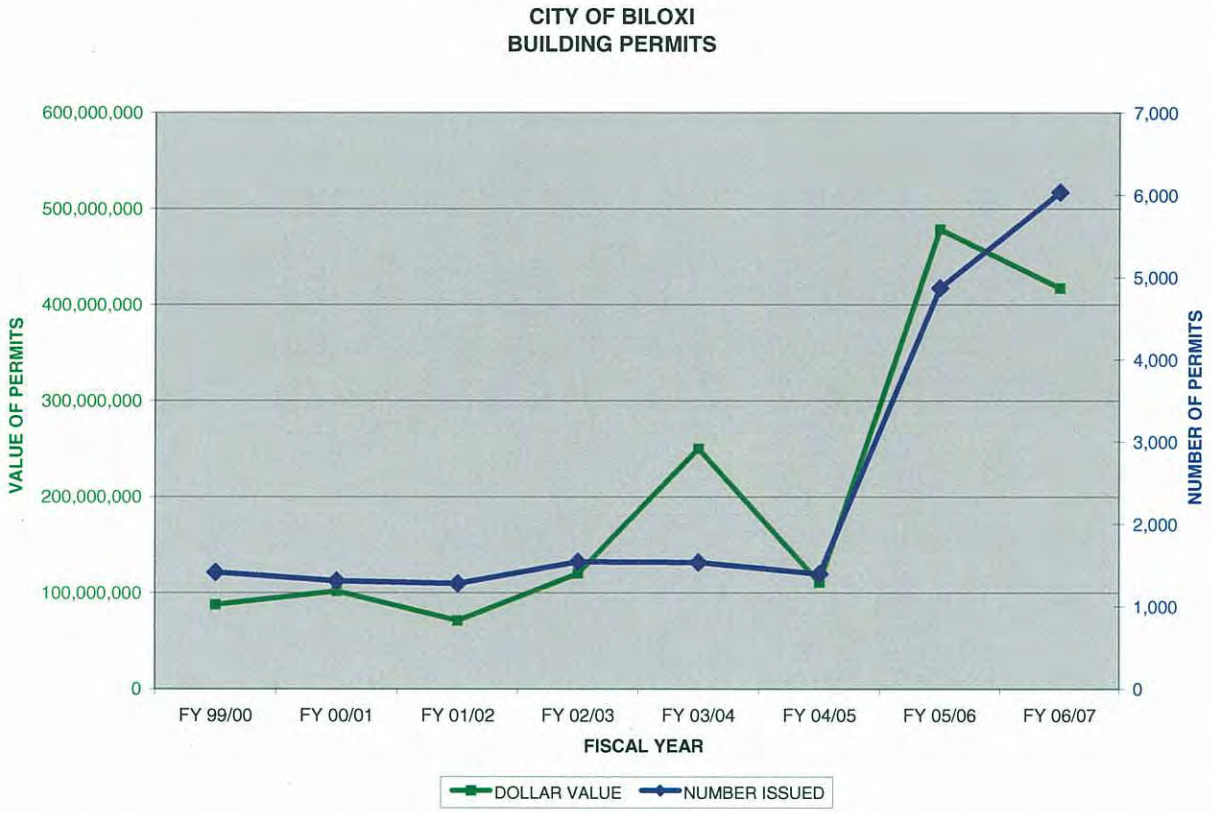


Figure 2

Governmental Fund Revenues

Governmental funds are used to account for most City functions and operations including the various City departments, the City's two old, closed retirement plans, Community Development Block Grants, capital projects, and the City's general obligation debt payments. Figure 3 illustrates the relative amounts of various general governmental revenues for the fiscal year. Normally, the City's three largest sources of revenues for general governmental functions are gaming tax, ad valorem tax and sales tax. However, FEMA grant revenue inflated the Intergovernmental Revenues class and insurance claim proceeds inflated the Other Revenue class in FY 06/07.

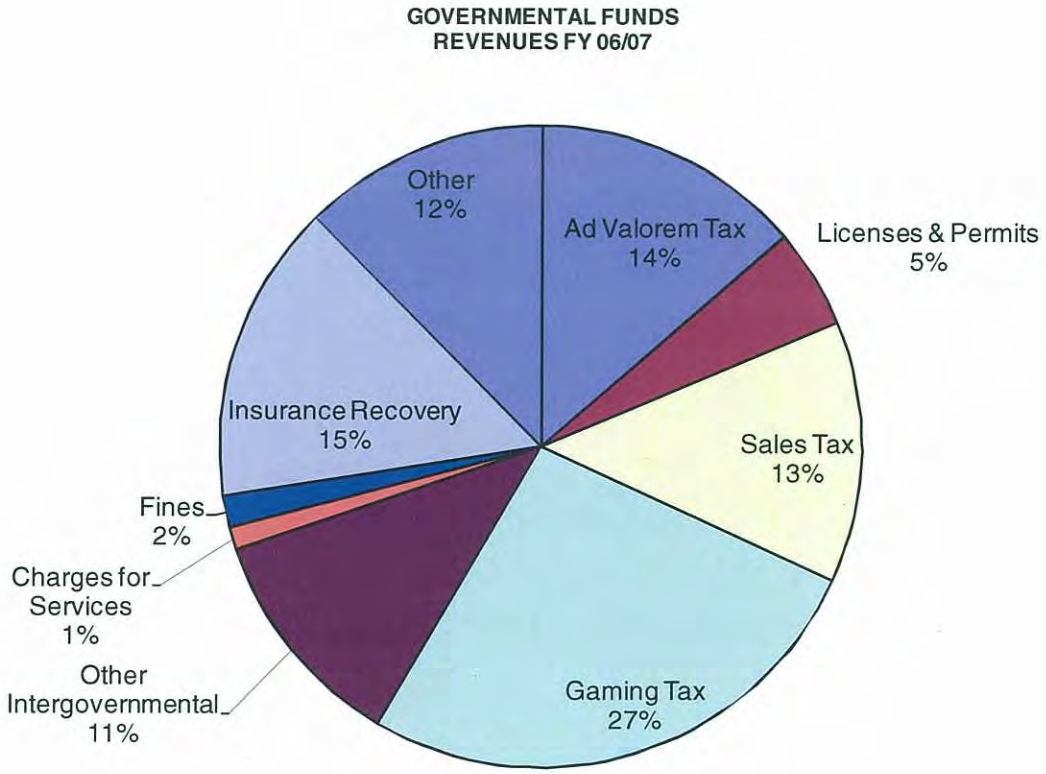


Figure 3

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

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

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

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

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

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

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

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

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

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

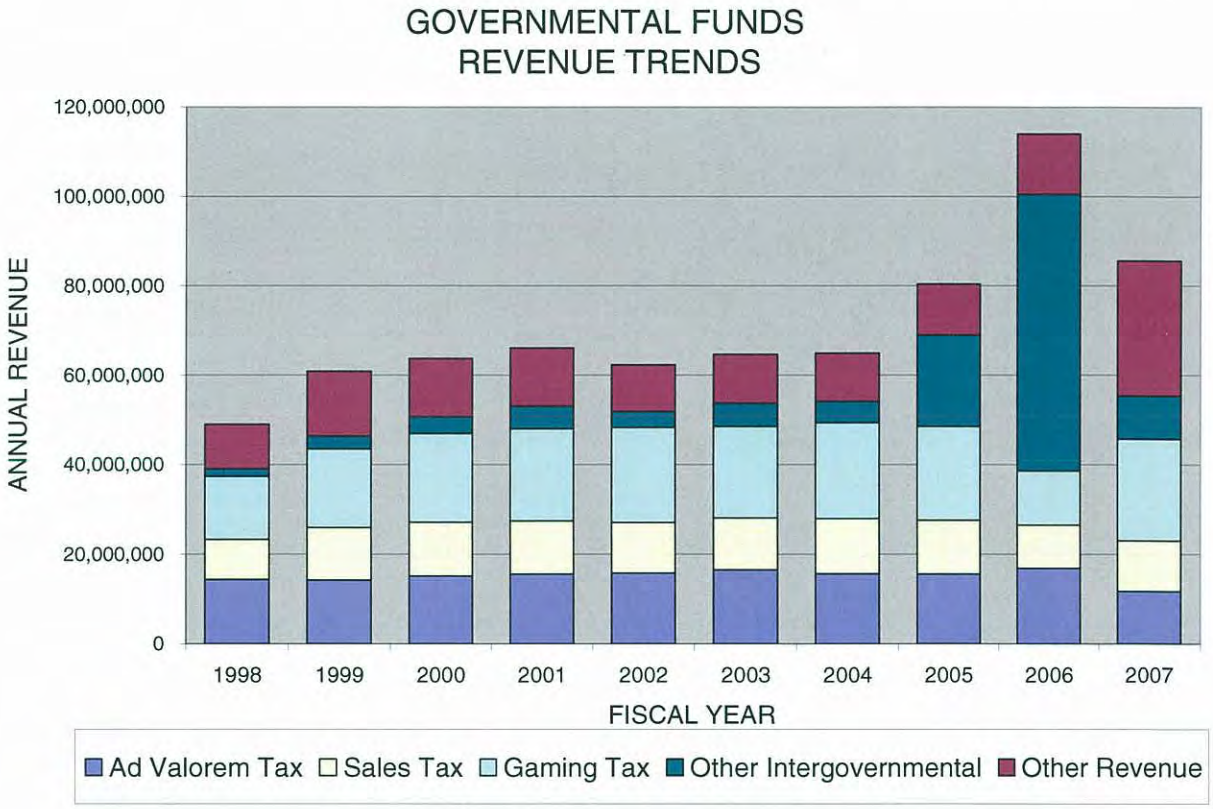


Figure 4

General Governmental Expenditures

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

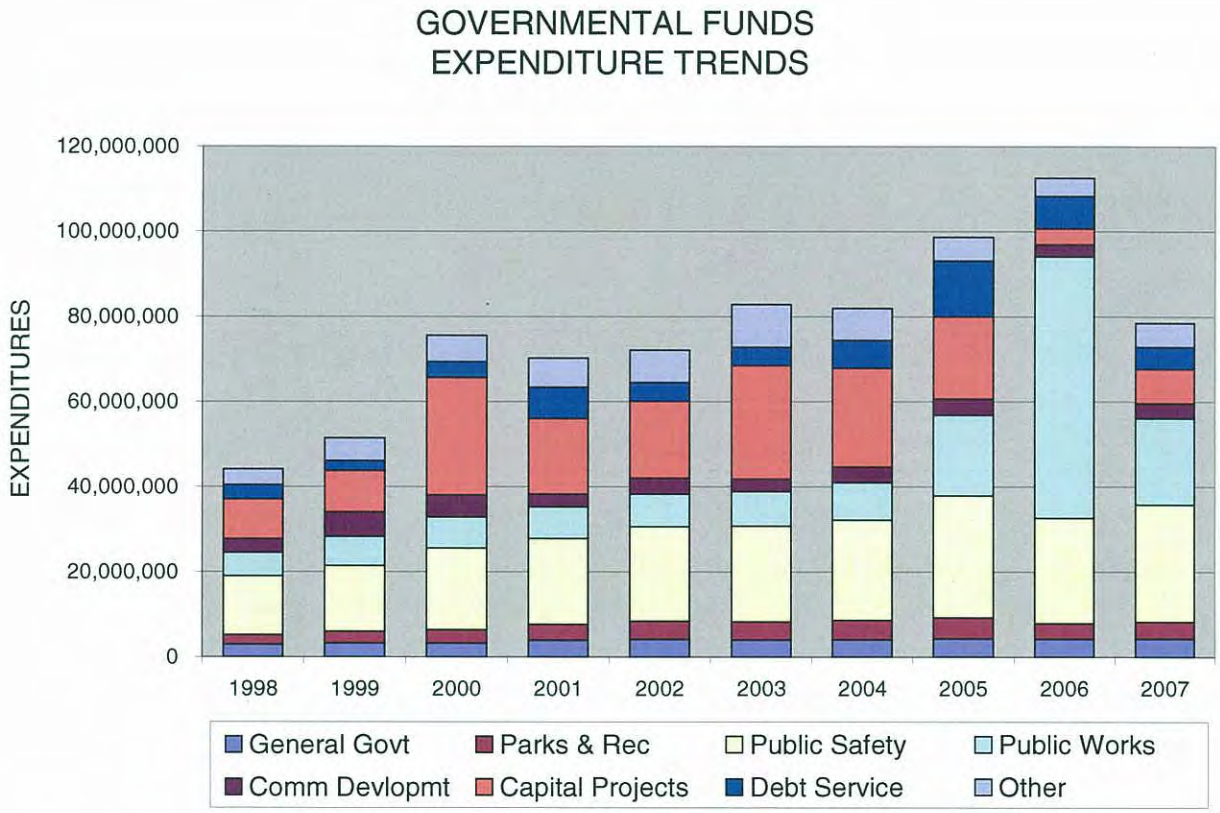


Figure 5

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 with a qualified depository or time certificates of deposit in qualified depositories. The City of Biloxi's policy is to invest surplus funds in United States Treasury Bills and bank certificates of deposit with a maturity of six months or less. Treasury Bills are purchased by a municipal depository under a Security Safekeeping Agreement. The City's checking account balances are invested automatically, overnight, under sweep agreements with the City's depositories.

Risk Management

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

Major Initiatives

During FY 06/07 the City completed removal of debris from Hurricane Katrina and expended in excess of $17,000,000 in capital asset replacement and construction. For FY 07/08, the City governing authority adopted a capital projects budget totaling $126,912,268 of which $58,905,562 is projected to be funded by FEMA grants.

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, 2006

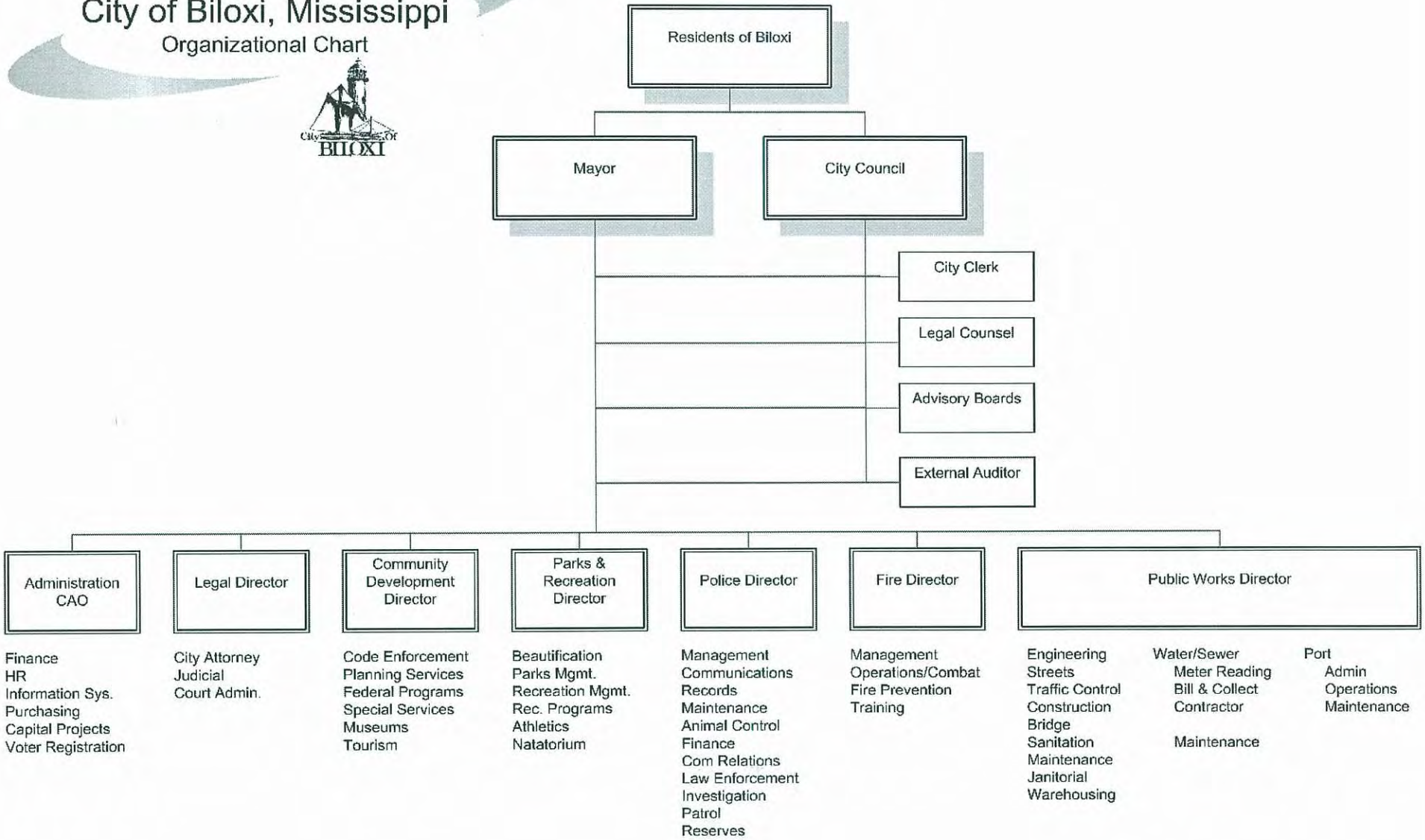
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

President

Executive Director

City of Biloxi, Mississippi

Organizational Chart



Section II

Financial Section

Culumber Fletcher Harvey & Associates, P.A.
Certified Public Accountants

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Robert L. Culumber, CPA
Dean A. Fletcher, CPA
David M. Harvey, CPA

Thomas E. Clifford, CPA

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, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 15, 2008, on our consideration of the City of Biloxi, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 24 through 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

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

Certified Public Accountants

Biloxi, Mississippi
March 15, 2008

Management's Discussion and Analysis

Brief Discussion of the Basic Financial Statements

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

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

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

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

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

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

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

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

Table 1
City of Biloxi
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	$ 110,538,500	$ 90,629,671	$ 16,258,174	$ 17,159,900	$ 126,796,674	$ 107,789,571
Capital assets	197,675,061	189,286,303	45,270,410	44,402,142	242,945,471	233,688,445
Total assets	308,213,561	279,915,974	61,528,584	61,562,042	369,742,145	341,478,016
Current & other liabilities	$ 18,250,453	$ 20,991,106	$ 2,273,123	$ 2,724,428	$ 20,523,576	$ 23,715,534
Long-term liabilities	71,821,776	65,819,302	6,241,046	4,665,825	78,062,822	70,485,127
Total liabilities	90,072,229	86,810,408	8,514,169	7,390,253	98,586,398	94,200,661
Net assets						
Investment in capital assets net of related debt	137,454,714	122,446,292	41,667,384	39,094,116	179,122,098	161,540,408
Restricted	10,146,382	11,814,028	1,726,398	1,684,296	11,872,780	13,498,324
Unrestricted	70,540,236	58,845,246	9,620,633	13,393,377	80,160,869	72,238,623
Total net assets	$ 218,141,332	$ 193,105,566	$ 53,014,415	$ 54,171,789	$ 271,155,747	$ 247,277,355

Table 2
City of Biloxi
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Charges for services	$ 7,896,225	$ 8,216,596	$ 9,553,233	$ 8,778,806	$ 17,449,458	$ 16,995,402
Operating grants	13,728,661	56,706,429	-	-	13,728,661	56,706,429
Capital grants and contributions	2,454,944	1,214,462	1,801,139	2,269,780	4,256,083	3,484,242
General revenues						
Property taxes	11,884,058	16,859,108	872,186	920,215	12,756,244	17,779,323
Sales taxes	11,355,382	10,159,154	-	-	11,355,382	10,159,154
Gaming taxes	22,518,892	15,187,146	-	-	22,518,892	15,187,146
Franchise taxes	2,742,974	2,360,722	-	-	2,742,974	2,360,722
Other revenue	20,140,455	20,597,297	699,508	389,262	20,839,963	20,986,559
Total revenues	92,721,591	131,300,914	12,926,066	12,358,063	105,647,657	143,658,977
Expenses						
General government	4,902,940	4,444,590	-	-	4,902,940	4,444,590
Parks and recreation	4,797,664	4,294,691	-	-	4,797,664	4,294,691
Public safety	29,601,484	27,540,929	-	-	29,601,484	27,540,929
Public works	22,402,881	64,616,111	-	-	22,402,881	64,616,111
Community development	4,728,570	2,364,826	-	-	4,728,570	2,364,826
Unallocated depreciation	2,254,458	2,219,360	-	-	2,254,458	2,219,360
Interest on long-term debt	1,996,618	2,786,442	-	-	1,996,618	2,786,442
Water and sewer service	-	-	9,829,590	9,925,601	9,829,590	9,925,601
Port Fund activities	-	-	1,254,929	1,415,121	1,254,929	1,415,121
PCDC activities	-	-	131	5,730	131	5,730
Total expenses	70,684,615	108,266,949	11,084,650	11,346,452	81,769,265	119,613,401
Increase (decrease) in net assets before transfers	22,036,976	23,033,965	1,841,416	1,011,611	23,878,392	24,045,576
Transfers	2,998,790	(933,637)	(2,998,790)	(497,454)	-	(1,431,091)
Net increase (decrease) in net assets	25,035,766	22,100,328	(1,157,374)	514,157	23,878,392	22,614,485
Net assets, beg of year - as restated	193,105,566	171,005,238	54,171,789	53,657,632	247,277,355	224,662,870
Net assets, end of year	$ 218,141,332	$ 193,105,566	$ 53,014,415	$ 54,171,789	$ 271,155,747	$ 247,277,355

Overall Financial Position and Results of Operations

The net assets of governmental activities increased by $25,035,766. The increase resulted, largely, from three factors: receipt of insurance claim settlement related to Hurricane Katrina; grant revenues; and draw down of $4,000,000 of Special Community Disaster Loan from FEMA.

The net assets of business-type activities (Water and Sewer and Port) declined by $1,157,374 during FY 06/07. Water and Sewer revenues are not adequate, under the existing rate structure and consumption quantities, to cover operating costs and depreciation. The system is not generating resources to fund capital improvements and pay principal and interest on debt.

Analysis of Significant Balances and Operation of Individual Funds

Fund Balances

General Fund - The General Fund is the City's primary operating fund. The City began fiscal year 06/07 with a General Fund balance of $54,806,618 and ended the year with a fund balance of $58,043,499. The increase is attributable primarily, to the receipts of insurance claims related to Hurricane Katrina damage, grants from the Federal Emergency Management Agency, and loan proceeds from the Special Community Disaster Loan. During FY 06/07, the City transferred $4,495,659 of General Fund cash to the City's Capital Projects Fund to pay project expenses. Additionally, $17,300,454 of Katrina insurance claim proceeds were transferred to the Capital Projects Fund to pay for future FEMA funded repair projects.

Debt Service Fund – During FY 06/07 the fund balance of the City's Debt Service Fund increased by $64,764, ending the year with $3.7 million in fund balance. However, approximately $2.2 million of the ending fund balance came from proceeds of the 2006 refunding bond issue capitalized interest deposit. Had the City not completed the refunding, the fund balance would have declined approximately $770,000. City management has accumulated the fund balance to provide working capital to pay principal and interest on bonded debt that matures in the early months of the fiscal year, October through January, before the bulk of ad valorem tax revenue is received by the City in January and February. Ad valorem tax revenue is the primary resource of the Debt Service Fund, therefore the amount of working capital in the fund is directly attributable to the relationship between the amount of debt service maturing during the year and the ad valorem tax millage levied for debt service.

Water and Sewer Fund – Revenues and other Water and Sewer Fund resources were not adequate to pay the cost of operations and debt service and fund capital improvements. The Water and Sewer Fund incurred an operating loss of $1.86 million when depreciation expense in considered. The City's water and sewer rates are relatively low compared to other service providers in Mississippi; however, the loss of a significant number of utility customers due to destruction of residences and businesses by Hurricane Katrina further exacerbated this problem. Although water and sewer operating revenue increased $874,917 over the prior year, revenue was still below pre-Katrina level.

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

The Water and Sewer Fund paid $264,231 of the $620,973 expended for improvements in the water and sewer system during FY 06/07. $356,742 of water and sewer capital projects spending was funded from the City's General Fund and from bond proceeds

Budget Variances in the General Fund

During FY 06/07 the City Council passed 31 resolutions amending the City's budget for all funds. These amendments increased total appropriations by $29,647,672. The budget amendments were for grant awards and related expenditures.

Capital Assets Activity

During FY 06/07 the City acquired capital assets costing $17,435,476. Of this amount $3,292,302 consisted of streets, drainage and utilities within dedicated subdivisions. The City purchased $7,193,457 of equipment and expended $6,885,998 of capitalizable costs on construction projects. See Detail Note III. F, for additional information concerning capital asset activity for the fiscal year ended September 30, 2007.

Long-term Debt

At the beginning of the fiscal year the City of Biloxi had outstanding debt consisting of general obligation bonds, notes, limited obligation bonds and notes, and four pollution control loans. These outstanding debts totaled $72,148,037 at the beginning of the fiscal year 06/07. During the fiscal year 05/06, the City paid $4,411,830 of principal and paid $1,814,027 of interest on all debt. In the Supplemental Information section of the financial report is a schedule titled Schedule of Long-Term Debt which discloses the beginning balances of each debt, new debt incurred and the principal amount paid during the year.

During fiscal year 06/07 the City of Biloxi issued $34,020,000 of tax increment limited obligation refunding bonds. These bonds were sold to the Mississippi Development Bank and placed with the trustee as security for the Mississippi Development Bank's $31,685,000 Special Obligation Refunding Bonds, Series 2006A and $2,335,000 Taxable Special Obligation Bonds, Series 2006B. The proceeds of the Mississippi Development Bank bond were used to advance refund the City of Biloxi Tax Increment Limited Obligation Bonds, Series 1999 and 2002.

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

Credit Rating

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

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

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

Contact Information

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

Basic Financial Statements

City of Biloxi, Mississippi
Statement of Net Assets
September 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 71,718,532	$ 10,406,981	$ 82,125,513
Restricted cash and cash equivalents	-	1,420,860	1,420,860
Investments	6,382,219	1,726,399	8,108,618
Restricted investments	1,161,447	-	1,161,447
Receivables:			
Taxes	6,599,002	-	6,599,002
Customer accounts, net	68,118	1,450,536	1,518,654
Grants	14,722,519	688,876	15,411,395
Other	480,416	43,168	523,584
Prepaids	1,420,155	316,074	1,736,229
Net Pension Obligation	7,825,395	-	7,825,395
Inventories	-	205,280	205,280
Mortgage loans receivable	95,779	-	95,779
Land inventory	64,917	-	64,917
Capital assets			
Land and construction in progress	67,195,770	6,924,960	74,120,730
Other (net of accumulated depreciation)	130,479,291	38,345,450	168,824,741
Total assets	308,213,560	61,528,584	369,742,144
Liabilities and Net Assets			
Liabilities			
Accounts payable	5,505,475	596,362	6,101,837
Accounts payable from restricted assets	-	25,622	25,622
Customer deposits payable from restricted assets	-	966,776	966,776
Accrued interest	305,555	75,127	380,682
Internal balances	(291,719)	291,719	-
Unearned revenue	835,281	9,720	845,001
Noncurrent liabilities			
Due within one year			
Bonds, capital leases, and notes	3,356,996	268,121	3,625,117
Compensated absences	1,319,475	39,676	1,359,151
Claims payable from restricted assets	7,219,389	-	7,219,389
Due beyond one year			
Bonds, capital leases, and notes	67,863,351	6,122,018	73,985,369
Compensated absences	3,958,425	119,028	4,077,453
Total liabilities	90,072,228	8,514,169	98,586,397
Net assets			
Invested in capital assets, net of related debt	137,454,714	41,667,384	179,122,098
Restricted for:			
Public safety	2,864,621	-	2,864,621
Debt service	3,716,525	1,019,738	4,736,263
Capital improvements	3,536,194	706,660	4,242,854
Endowment, expendable	29,042	-	29,042
Unrestricted	70,540,236	9,620,633	80,160,869
Total net assets	$ 218,141,332	$ 53,014,415	$ 271,155,747

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, 2007

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	$ 4,902,940	$ 1,080	$ -	$ -	(4,901,860)	$ -	$ (4,901,860)
Parks and Recreation	4,797,664	442,126	-	-	(4,355,538)	-	(4,355,538)
Public Safety	29,601,484	1,136,610	146,968	26,500	(28,291,406)	-	(28,291,406)
Public Works	22,402,881	591,434	13,434,733	2,428,444	(5,948,270)	-	(5,948,270)
Community Development	4,728,570	5,724,975	146,960	-	1,143,365	-	1,143,365
Unallocated Depreciation, Infrastructure	2,254,458	-	-	-	(2,254,458)	-	(2,254,458)
Interest and Other, Long-Term Debt	1,996,618	-	-	-	(1,996,618)	-	(1,996,618)
Total Governmental Activities	70,684,615	7,896,225	13,728,661	2,454,944	(46,604,785)	-	(46,604,785)
Business-Type Activities							
Water and Sewer	9,829,590	7,864,670	-	1,665,552	-	(299,368)	(299,368)
Biloxi Port Fund	1,254,929	1,660,968	-	135,587	-	541,626	541,626
Point Cadet Development Corporation	131	27,595	-	-	-	27,464	27,464
Total Business-Type Activities	11,084,650	9,553,233	-	1,801,139	-	269,722	269,722
Total Primary Government	81,769,265	17,449,458	13,728,661	4,256,083	(46,604,785)	269,722	(46,335,063)
General revenues							
Property taxes					11,884,058	872,186	12,756,244
Sales taxes					11,355,382	-	11,355,382
Gaming taxes					22,518,892	-	22,518,892
Franchise and utility taxes					2,742,974	-	2,742,974
Other taxes					1,684,283	-	1,684,283
Unrestricted Investment Earnings					4,217,134	699,508	4,916,642
Insurance proceeds					12,794,680	-	12,794,680
Donations					561,684	-	561,684
Miscellaneous					882,674	-	882,674
Transfers					2,998,790	(2,998,790)	-
Total general revenues and transfers					71,640,551	(1,427,096)	70,213,455
Change in net assets					25,035,766	(1,157,374)	23,878,392
Net assets - beginning of period					193,105,566	54,171,789	247,277,355
Net assets - end of period					$ 218,141,332	$ 53,014,415	$ 271,155,747

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

City of Biloxi, Mississippi
Balance Sheet
Governmental Funds
September 30, 2007

	General Fund	General Capital Projects Fund	Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 41,369,155	$ 20,937,071	$ 1,359,273	$ 889,235	$ 64,554,734
Investments	-	-	2,356,408	4,025,811	6,382,219
Receivables:					
Taxes	6,532,856	-	44,419	21,727	6,599,002
Customer accounts, net	68,118	-	-	-	68,118
Grants	14,467,401	255,118	-	-	14,722,519
Other	471,011	-	-	9,405	480,416
Due from other city funds	22,863	1,368,566	-	-	1,391,429
Prepaids	1,420,155	-	-	-	1,420,155
Mortgage loans receivable	-	-	-	95,779	95,779
Land inventory	-	-	-	64,917	64,917
Total assets	$ 64,351,559	$ 22,560,755	$ 3,760,100	$ 5,106,874	$ 95,779,288
Liabilities and Fund Balance					
Liabilities					
Accounts payable and accrued liabilities	$ 3,813,889	$ 1,591,673	$ 43,575	$ 56,338	$ 5,505,475
Due to other city funds	2,494,171	-	-	512,480	3,006,651
Deferred revenue	-	835,281	-		835,281
Total liabilities	6,308,060	2,426,954	43,575	568,818	9,347,407
Fund Balances					
Reserved for					
Public safety	2,864,621	-	-	-	2,864,621
Loans receivable	-	-	-	95,779	95,779
Land inventory	-	-	-	64,917	64,917
Debt service	-	-	3,716,525	-	3,716,525
Endowment, expendable	-	-	-	29,042	29,042
Capital projects funds	-	-	-	3,536,194	3,536,194
Unreserved reported in					
General fund					
Designated for capital projects	22,977,988	20,133,801	-	-	43,111,789
Undesignated	32,200,890	-	-	-	32,200,890
Special revenue funds	-	-	-	812,124	812,124
Total fund balances	58,043,499	20,133,801	3,716,525	4,538,056	86,431,881
Total liabilities and fund balances	$ 64,351,559	$ 22,560,755	$ 3,760,100	$ 5,106,874	$ 95,779,288

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, 2007

Total fund balances of governmental funds in the balance sheet, page 32		$ 86,431,881
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.		197,675,061
Internal service funds are used by management to account for the costs of the City's risk management, including insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		3,012,797
Net pension obligation		7,825,395
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.		(305,555)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.		
Notes payable	(14,011,023)	
Bonds payable	(56,480,000)	
Capital leases payable	(729,324)	
Compensated absences	(5,277,900)	(76,498,247)
Net assets of governmental activities, page 30		$ 218,141,332

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

City of Biloxi, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2007

	General Fund	General Capital Projects Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Ad valorem taxes	$ 6,543,768	$ -	$ 3,586,193	$ 1,754,097	$ 11,884,058
Licenses and permits	4,366,535	-	-	-	4,366,535
Intergovernmental	49,769,669	706,262	33,608	-	50,509,539
Charges for services	1,000,762	-	-	-	1,000,762
Fines	1,123,537	-	-	-	1,123,537
Other	10,121,314	-	147,365	492,019	10,760,698
Total revenues	72,925,585	706,262	3,767,166	2,246,116	79,645,129
Expenditures					
Current:					
General government	4,259,737	-	-	59,559	4,319,296
Parks and recreation	3,911,033	-	-	54,684	3,965,717
Public safety	26,927,501	-	-	1,490,121	28,417,622
Public works	20,597,594	-	-	287,951	20,885,545
Community development	2,164,816	-	-	174,047	2,338,863
Non-departmental	4,031,368	-	-	-	4,031,368
Debt service					
Principal retirement	-	-	3,590,680	-	3,590,680
Interest and other	-	-	1,615,844	-	1,615,844
Bond issue cost	-	-	75,219	-	75,219
Capital outlay, projects	-	7,986,131	-	-	7,986,131
Total expenditures	61,892,049	7,986,131	5,281,743	2,066,362	77,226,285
Excess (deficiency) of revenues over expenditures	11,033,536	(7,279,869)	(1,514,577)	179,754	2,418,844
Other financing sources (uses)					
Insurance proceeds	12,794,680	-	-	-	12,794,680
Issuance of note	4,000,000	-	-	-	4,000,000
Refunding bonds issued	-	-	34,020,000	-	34,020,000
Payment to refunded bond escrow agent	-	-	(31,669,936)	-	(31,669,936)
Transfers in	604,778	27,413,670	-	165,945	28,184,393
Transfers out	(25,196,113)	-	(770,723)	(2,304,726)	(28,271,562)
Total other financing sources (uses)	(7,796,655)	27,413,670	1,579,341	(2,138,781)	19,057,575
Net change in fund balance	3,236,881	20,133,801	64,764	(1,959,027)	21,476,419
Fund balances, beginning of year	54,806,618	-	3,651,761	6,497,083	64,955,462
Fund balances, end of year	$ 58,043,499	$ 20,133,801	$ 3,716,525	$ 4,538,056	$ 86,431,881

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, 2007

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

Net change in fund balances of governmental funds, page 34		$ 21,476,419
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	11,523,751	
Less: current year depreciation	(5,498,876)	6,024,875
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	(38,020,000)	
Principal payments	33,471,289	
Lease payments	168,375	(4,380,336)
Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds		
Donated assets	2,428,444	
Seized assets	26,500	
Basis of assets sold	(446,803)	2,008,141
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Change in net pension obligation	730,025	
Change in long-term compensated absences	(1,786,342)	(1,056,317)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds.		(305,555)
Transfer of governmental capital assets to business-type activities		355,742
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 .		912,797
Change in net assets of governmental activities, page 31		$ 25,035,766

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, 2007

	Budgeted Amounts			Variance Positive
	Original	Final	Actual	(Negative)
Revenues				
Ad valorem taxes	$ 5,767,860	$ 5,767,860	$ 6,720,371	$ 952,511
Licenses and permits	4,380,700	4,380,700	4,274,051	(106,649)
Intergovernmental	34,081,895	34,081,895	36,052,145	1,970,250
Federal & state grants	-	19,019,738	6,771,588	(12,248,150)
Charges for services	930,000	930,000	1,036,753	106,753
Fines	1,330,000	1,330,000	1,123,537	(206,463)
Other	4,865,719	4,886,563	22,871,276	17,984,713
Total revenues	51,356,174	70,396,756	78,849,721	8,452,965
Expenditures				
Administration				
Personnel services	1,607,104	1,597,104	1,472,010	125,094
Supplies	48,902	36,150	29,848	6,302
Other services & charges	565,569	867,269	887,744	(20,475)
Contractual services	295,002	339,504	330,377	9,127
Capital outlay	132,680	76,680	62,560	14,120
Total	2,649,257	2,916,707	2,782,539	134,168
Executive				
Personnel services	235,850	235,850	274,394	(38,544)
Supplies	10,350	11,305	8,286	3,019
Other services & charges	67,466	66,116	36,617	29,499
Contractual services	14,344	14,739	7,212	7,527
Capital outlay	20,000	20,000	-	20,000
Total	348,010	348,010	326,509	21,501
Legislative				
Personnel services	449,352	449,352	441,393	7,959
Supplies	18,300	18,265	9,934	8,331
Other services & charges	183,880	183,380	99,847	83,533
Contractual services	17,461	17,996	10,227	7,769
Capital outlay	7,000	7,000	899	6,101
Total	675,993	675,993	562,300	113,693
Judicial				
Personnel services	261,642	261,642	233,400	28,242
Contractual services	1,000	1,000	479	521
Total	262,642	262,642	233,879	28,763
Legal				
Personnel services	396,749	397,749	355,117	42,632
Supplies	11,100	12,670	7,943	4,727
Other services & charges	12,700	14,300	13,119	1,181
Contractual services	27,750	23,580	11,092	12,488
Capital outlay	7,500	7,500	3,924	3,576
Total	455,799	455,799	391,195	64,604

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, 2007
(Continued)

	Budgeted Amounts			Variance Positive
	Original	Final	Actual	(Negative)
Community development				
Personnel services	1,654,834	1,654,834	1,511,574	143,260
Supplies	132,835	169,335	48,652	120,683
Other services & charges	947,000	998,300	446,162	552,138
Contractual services	466,122	383,322	146,921	236,401
Capital outlay	37,100	112,100	105,476	6,624
Total	3,237,891	3,317,891	2,258,785	1,059,106
Parks & recreation				
Personnel services	3,265,037	3,233,753	2,684,480	549,273
Supplies	449,500	486,656	433,865	52,791
Other services & charges	534,350	539,180	473,994	65,186
Contractual services	321,797	279,811	232,043	47,768
Capital outlay	215,900	344,683	172,645	172,038
Total	4,786,584	4,884,083	3,997,027	887,056
Public safety				
Personnel services	23,174,771	23,174,771	20,541,990	2,632,781
Supplies	1,780,729	1,710,299	1,353,004	357,295
Other services & charges	707,088	802,518	645,430	157,088
Contractual services	1,401,014	1,437,118	1,187,019	250,099
Capital outlay	2,029,747	4,164,521	3,792,973	371,548
Total	29,093,349	31,289,227	27,520,416	3,768,811
Public works				
Personnel services	4,813,994	4,813,994	3,892,404	921,590
Supplies	1,110,450	1,235,216	894,527	340,689
Other services & charges	866,075	893,367	987,015	(93,648)
Contractual services	3,230,669	18,662,210	12,998,555	5,663,655
Capital outlay	1,146,500	3,626,844	1,519,557	2,107,287
Total	11,167,688	29,231,631	20,292,058	8,939,573
Nondepartmental				
Other services & charges	1,746,495	1,746,495	2,750,183	(1,003,688)
Contractual services	2,210,921	2,119,220	2,139,145	(19,925)
Total	3,957,416	3,865,715	4,889,328	(1,023,613)
Total expenditures	56,634,629	77,247,698	63,254,036	13,993,662
Excess (deficiency) of revenues over expenditures	(5,278,455)	(6,850,942)	15,595,685	22,446,627
Other financing sources (uses)				
Issuance of note	6,000,000	6,000,000	4,000,000	(2,000,000)
Transfers in	-	-	604,778	
Transfers out	(35,806,379)	(38,059,840)	(24,362,723)	13,697,117
Total other financing sources (uses)	(29,806,379)	(32,059,840)	(19,757,945)	11,697,117
Net change in fund balances	(35,084,834)	(38,910,782)	(4,162,260)	34,143,744
Fund balances, beginning of year	42,216,571	42,216,571	42,216,571	
Fund balances, end of year	$ 7,131,737	$ 3,305,789	$ 38,054,311	$ 34,143,744

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

City of Biloxi, Mississippi
Statement of Net Assets
Proprietary Funds
September 30, 2007

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Major Funds		Non-Major Fund		
	Water And Sewer Fund	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash	$ 7,336,710	$ 2,896,863	$ 173,408	$ 10,406,981	$ 7,163,798
Restricted cash	1,365,972	54,888	-	1,420,860	-
Investments	-	1,726,399	-	1,726,399	-
Restricted investments	-	-	-	-	1,161,447
Receivables:					
Customer accounts, net	984,891	87,359	-	1,072,250	-
Customer accounts earned but not billed	378,286	-	-	378,286	-
Grants	187,264	501,612	-	688,876	-
Other	21,800	21,368	-	43,168	-
Due from other city funds	-	-	-	-	1,906,941
Supplies inventory	205,280	-	-	205,280	-
Prepaid contractual services	290,674	25,400	-	316,074	-
Total current assets	10,770,877	5,313,889	173,408	16,258,174	10,232,186
Noncurrent assets:					
Capital assets, net of accumulated depreciation	43,403,641	1,750,687	116,082	45,270,410	-
Total noncurrent assets	43,403,641	1,750,687	116,082	45,270,410	-
Total assets	54,174,518	7,064,576	289,490	61,528,584	10,232,186
Liabilities					
Current liabilities:					
Accounts payable	621,331	133,735	-	755,066	-
Accrued interest payable	75,127	-	-	75,127	-
Accounts payable from restricted assets	25,622	-	-	25,622	-
Customer deposits payable from restricted assets	911,888	54,888	-	966,776	-
Current portion of bond and notes	163,121	105,000	-	268,121	-
Unearned revenue	-	9,720	-	9,720	-
Due to other city funds	230,935	60,784	-	291,719	-
Claims contingency payable from restricted assets	-	-	-	-	7,219,389
Total current liabilities	2,028,024	364,127	-	2,392,151	7,219,389
Non-current liabilities:					
Notes payable, non-current	4,252,018	1,870,000	-	6,122,018	-
Total non-current liabilities	4,252,018	1,870,000	-	6,122,018	-
Total liabilities	6,280,042	2,234,127	-	8,514,169	7,219,389
Net assets					
Invested in capital assets, net of related debt	41,775,615	(224,313)	116,082	41,667,384	-
Restricted for capital projects	-	706,660	-	706,660	-
Restricted for debt service	-	1,019,738	-	1,019,738	-
Unrestricted	6,118,861	3,328,364	173,408	9,620,633	3,012,797
Total net assets	$ 47,894,476	$ 4,830,449	$ 289,490	$ 53,014,415	$ 3,012,797

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, 2007

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Major Funds		Non-Major Fund		
	Water And Sewer Fund	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Operating Revenues					
Charges for services:					
Water sales, sewer revenues penalties & installations, net	$ 7,311,039	$ -	$ -	$ 7,311,039	$ -
Keesler Air Force Base, sewer	336,163	-	-	336,163	-
Harbor Fees and Rents	-	1,603,331	27,595	1,630,926	-
Insurance billings	-	-	-	-	9,452,876
Total charges for service	7,647,202	1,603,331	27,595	9,278,128	9,452,876
Cobra contributions	-	-	-	-	83,135
Other income	217,468	57,637	-	275,105	-
Total operating revenues	7,864,670	1,660,968	27,595	9,553,233	9,536,011
Operating expenses					
Personal services	1,376,174	906,312	-	2,282,486	-
Contracted services	4,703,850	45,298	-	4,749,148	12,050,115
Other services and charges	1,527,235	82,205	131	1,609,571	-
Depreciation	2,123,571	79,339	-	2,202,910	-
Total operating expenses	9,730,830	1,113,154	131	10,844,115	12,050,115
Operating income (loss)	(1,866,160)	547,814	27,464	(1,290,882)	(2,514,104)
Non-operating revenues (expenses)					
Interest income	399,604	295,023	4,881	699,508	26,901
Interest expense	(75,127)	(141,775)	-	(216,902)	-
Intergovernmental tax revenues	-	872,186	-	872,186	-
Loss on capital assets	(23,633)	-	-	(23,633)	-
Grant revenue	749,084	135,587	-	884,671	-
Total non-operating revenues (expenses)	1,049,928	1,161,021	4,881	2,215,830	26,901
Income before contributions and transfers	(816,232)	1,708,835	32,345	924,948	(2,487,203)
Capital contributions	1,273,210	-	-	1,273,210	-
Transfers ins	-	-	-	-	3,400,000
Transfers out	(1,292,099)	(2,063,433)	-	(3,355,532)	
Change in net assets	(835,121)	(354,598)	32,345	(1,157,374)	912,797
Net assets, beginning of year	48,729,597	5,185,047	257,145	54,171,789	2,100,000
Net assets, end of year	$ 47,894,476	$ 4,830,449	$ 289,490	$ 53,014,415	$ 3,012,797

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, 2007

	Business-Type Activities-Enterprise Funds				Governmental Activities
	Major Funds		Non-Major Fund		
	Water And Sewer Fund	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities					
Receipts from customers	$ 7,839,582	$ 1,662,411	$ 27,595	$ 9,529,588	$ 9,536,011
Payments to suppliers	(4,264,020)	(72,372)	(131)	(4,336,523)	(10,954,874)
Payments for services of employees	(1,376,174)	(906,312)	-	(2,282,486)	-
Net cash provided by (used in) operating activities	2,199,388	683,727	27,464	2,910,579	(1,418,863)
Cash flows from non-capital financing activities					
Transfers (to) from other funds	-	-	-	-	3,400,000
Loans (to) from other funds	16,839	125,798	-	142,637	(931,425)
Payments of claims payable	-	(300,000)	-	(300,000)	-
Net cash provided by (used in) non-capital financing activities	16,839	(174,202)	-	(157,363)	2,468,575
Cash flows from capital and related financing activities					
Intergovernmental tax revenues	-	886,788	-	886,788	-
Grant revenues	586,881	-	-	586,881	-
Insurance proceeds	-	-	-	-	-
Transfers (to) from other funds	(1,249,398)	(2,063,433)	-	(3,312,831)	-
Loans (to) from other funds	28,595	(32,987)	-	(4,392)	-
Acquisition of capital assets	(1,515,667)	(348,634)	-	(1,864,301)	-
Proceeds from debt	1,787,113	-	-	1,787,113	-
Retirement of debt	-	(705,000)	-	(705,000)	-
Interest paid on debt	-	(141,775)	-	(141,775)	-
Net cash provided by (used in) capital and related financing activities	(362,476)	(2,405,041)	-	(2,767,517)	-
Cash flows from investing activities					
Interest and dividends on investments	399,604	295,023	4,881	699,508	26,901
Proceeds from investments	-	-	-	-	(2,292,255)
Purchase of investments	-	(42,105)	-	(42,105)	2,235,102
Net cash provided by (used in) investing activities	399,604	252,918	4,881	657,403	(30,252)
Net increase (decrease) in cash and cash equivalents	2,253,355	(1,642,598)	32,345	643,102	1,019,460
Cash and cash equivalents, beginning of period	6,449,327	4,594,349	141,063	11,184,739	6,144,338
Cash and cash equivalents, end of period	$ 8,702,682	$ 2,951,751	$ 173,408	$ 11,827,841	$ 7,163,798
Classified as:					
Current assets	$ 7,336,710	$ 2,896,863	$ 173,408	$ 10,406,981	$ 7,163,798
Restricted assets	1,365,972	54,888	-	1,420,860	-
Totals	$ 8,702,682	$ 2,951,751	$ 173,408	$ 11,827,841	$ 7,163,798
Non cash					
Contributions of capital assets	$ 1,273,210	$ -	$ -	$ 1,273,210	$ -

Continued on next page

City of Biloxi, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2007
(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)	$ (1,866,160)	$ 547,814	$ 27,464	$ (1,290,882)	$ (2,514,104)
Adjustments not affecting cash					
Depreciation	2,123,571	79,339	-	2,202,910	-
Changes in assets and liabilities:					
Accounts receivable	(47,002)	14,855	-	(32,147)	
Prepaids	1,902,267	-	-	1,902,267	-
Accounts payable and accrued expenses	64,798	55,131	-	119,929	1,095,241
Unearned revenue	-	(5,279)	-	(5,279)	-
Customer deposits	21,914	(8,133)	-	13,781	-
Net cash provided by (used in) operating activities	$ 2,199,388	$ 683,727	$ 27,464	$ 2,910,579	$ (1,418,863)

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

City of Biloxi, Mississippi
Notes to Financial Statements
September 30, 2007

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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.

(2) Biloxi Port Commission / Biloxi Port Fund

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

(C) Related Organizations

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

(D) Joint Ventures and Jointly Governed Organizations

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

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

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

(E) Basic Financial Statements- GASB Statement 34

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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.

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

(H) Assets, Liabilities and Net Assets or Equity

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

Investments
Investments are stated at fair value.

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

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

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

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

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

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

Post Employment Health Care Benefits
The City does not have costs associated with post-employment benefits for retired employees.

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

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

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

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

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

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

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

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

II. Stewardship, Compliance and Accountability:

A. Budgetary Data

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

1. Prior to October 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Not later than September 15, the budget is legally enacted through passage of a resolution.

4. The budgetary comparisons present budget figures at the legal level of control. The City legally adopts annual budgets for all funds. The City Council formally adopts the annual budget for the general fund with revenues segregated by source (ad valorem tax, licenses and permits, intergovernmental, etc.). The general fund expenditure budget is set at the character level (current, capital outlay, debt service) for each department (function) with current expenditures further detailed at the object class level (personal services, supplies, other services and charges, and contractual services).

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

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

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

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

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

	General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	$(4,162,260)
Adjustments	
To convert receivables	6,198,987
To convert prepaids	821,233
To convert liabilities	544,392
To convert deferred revenue	(165,471)
Totals, GAAP basis	$ 3,236,881

B. Excess Expenditures Over Appropriations in Individual Funds

For the year ended September 30, 2007, expenditures exceeded appropriations in the administration department (the legal level of budgetary control) of the general fund by $20,475, in the executive department of the general fund by $38,544, in the nondepartmental of the general fund by $1,023,613, in the employees' disability and relief fund by $442,299, in the water and sewer fund by $104,819, and in the port fund by $174. These overexpenditures were funded by greater than anticipated revenues of the general, employees' disability and relief fund, water and sewer fund, and port fund, respectively.

C. Deficit Fund Equity

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

III. Detail Notes - All Funds

A. Property and Gaming Tax Revenues

Property Tax

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

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

The tax levies for the calendar years 2008, 2007 and 2006(taxes collected in the fiscal years ending 9/30/08, 9/30/07, and 9/30/06 are as follows:

	9/30/08 Millage	9/30/07 Millage	9/30/06 Millage
City Funds			
General Fund	14.15	14.15	14.15
Special revenue funds:			
Disability and Relief (Pension) Funds	4.50	4.50	4.50
Debt Service Funds	9.20	9.20	9.20
Solid waste collection and disposal	2.25	2.25	2.25
Total City administered funds	30.10	30.10	30.10
School Funds			
District maintenance	30.44	30.44	30.58
School debt	7.59	7.59	7.45
Total School administered funds	38.03	38.03	38.03
Total levy	68.13	68.13	68.13

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, 2007, there were seven casinos operating within the City of Biloxi. Gaming activities are taxed in a variety of ways. The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City of Biloxi receive .4 to .8 percent. This tax is divided 73.4% to the County, and 26.6% to the City of Biloxi. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City of Biloxi, through local ordinance in accordance with state law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the General Fund, (20% of which is designated for public safety); 20% to the Biloxi Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County Schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. The following is an analysis of the gaming revenues reported in the General Fund:

Local option 3.2% tax	$ 19,155,505
Local share of state tax	2,123,066
Gaming licenses and permits	1,240,321
Total gaming revenues	$ 22,518,892

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, 2007 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:

	Reported Amount	Bank Balance
Cash	$ 83,441,981	$ 84,995,553
Certificates of deposit	104,392	104,392
Total deposits	$ 83,546,373	$ 85,099,945

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, 2007, investments consisted of the following:

	Reported Amount	Fair Value
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, 4.89%, maturing 11/8/07	$ 1,161,097	$ 1,185,023
Investments not categorized:		
Money Market Mutual Funds	8,108,968	8,108,968
Totals	$ 9,270,065	$ 9,293,991

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 Treausury Bills and Money Market Mutual Funds. These are 12.53% and 87.47%, respectively, of the City's total investments.

C. Receivables

The Statement of Net Assets of the City of Biloxi includes the following receivables at September 30, 2007:

Taxes receivable:	
Utility franchise taxes	$ 743,752
Sales taxes	1,879,807
Ad valorem taxes	148,152
Gaming taxes and fees	3,827,291
Total taxes receivable	$ 6,599,002
Customer accounts receivable:	
Garbage fees	$ 75,852
Water and sewer utility charges (billed)	1,058,842
Port berth rentals	124,046
Less allowance for doubtful accounts	(118,372)
Customer accounts receivable earned but not billed	378,286
Total customer accounts receivable, net	$ 1,518,654
Grants receivable:	
Federal and state grants	$ 15,411,395
Other receivables:	
Special assessments	$ 159,208
Less allowance for doubtful accounts	(152,318)
Liquor privilege tax	28,575
County road tax	9,324
Other	478,795
Total other receivables	$ 523,584

D. Prepaids

Prepaids at September 30, 2007 consist of the following:

Prepaid insurance premiums	$ 1,420,155
Contractual services	316,074
Total prepaids	$ 1,736,229

(Continued)

E. Interfund Receivables and Payables

Individual Interfund Balances at September 30, 2007	Due From Other Funds	Due to Other Funds
General Fund		
General Capital Projects to fund project cost	$ -	$ 875,899
CDGB	22,863	-
Claims contingency fund for claims and expenses	-	1,618,272
Total General Fund	22,863	2,494,171
General Capital Projects Fund:		
General Fund	875,899	-
GOPI 2003 Bond Fund	292,825	-
2002 TIF Capital Projects Bond Fund	196,792	-
Biloxi Port Fund	3,050	-
Total General Capital Projects Fund	1,368,566	-
Other Nonmajor Governmental Funds		
CDGB to General Fund	-	22,863
GOPI 2003 Bond Fund to General Capital Projects	-	292,825
2002 TIF Capital Projects Bond Fund to General Capital Projects	-	196,792
Total other nonmajor governmental funds	-	512,480
Enterprise Fund:		
Water and Sewer Fund for claims and expenses	-	230,935
Biloxi Port Fund for claims and expenses	-	57,734
Biloxi Port Fund to General Capital Projects Fund	-	3,050
Total Enterprise Fund	-	291,719
Internal Service Self-Insurance:		
Claims Contingency Fund from General Fund for claims and expenses	1,618,272	-
Claims Contingency Fund from Water and Sewer Fund for claims and expenses	230,935	-
Claims Contingency Fund from Biloxi Port Fund for claims and expenses	57,734	-
Total Internal Service Self-Insurance	1,906,941	-
	$ 3,298,370	$ 3,298,370

The compostition of interfund transfers for the year ended September 30, 2007:

Transfers From	Transfers Into					
	General Fund	General Capital Projects Fund	Disability & Relief Fund	SIR Fund	Gaming Revenue Fund	Total
General Fund	$ -	$ 21,796,113	$ -	$ 2,500,000	$ 900,000	$ 25,196,113
Nonmajor governmental funds						
2002 TIF Capital Projects Bond Fund	-	1,734,526	-	-	-	1,734,526
GOB 2003 Bond Fund	-	570,200	-	-	-	570,200
Total nonmajor governmental funds	-	2,304,726	-	-	-	2,304,726
Debt Service Fund	604,778	-	165,945	-	-	770,723
Enterprise Funds						
Water and Sewer Fund	-	1,249,398	-	-	-	1,249,398
Biloxi Port Fund	-	2,063,433	-	-	-	2,063,433
Total Enterprise Funds	-	3,312,831	-	-	-	3,312,831
Totals	$ 604,778	27,413,670	$ 165,945	$ 2,500,000	$ 900,000	$ 31,584,393

The City transfers funds from the General Fund, various bond funds, and various enterprise funds to pay for project cost incurred. The Water and Sewer Fund transferred capital assets with a net book value of $42,701 to the General Fund.

F. Capital Assets Activity

Capital asset activity for the year ended September 30, 2007 was as follows:

	Balance October 1, 2006	Increases	Decreases	Balance September 30, 2007
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 29,471,425	$ 362,899	$ -	$ 29,834,324
Construction in progress	31,390,118	5,971,328	-	37,361,446
Total capital assets not being depreciated	60,861,543	6,334,227	-	67,195,770
Capital assets being depreciated				
Buildings	29,028,205	63,700	-	29,091,905
Improvements other than buildings	3,791,230	-	-	3,791,230
Machinery and equipment	26,296,933	5,780,610	1,809,603	30,267,940
Infrastructure - streets and drainage	129,237,124	2,012,955	-	131,250,079
Total capital assets being depreciated	188,353,492	7,857,265	1,809,603	194,401,154
Less accumulated depreciation for:				
Buildings	7,185,728	680,687	-	7,866,415
Improvements other than buildings	2,157,026	122,270	-	2,279,296
Machinery and equipment	16,906,905	2,298,516	1,362,800	17,842,621
Infrastructure - streets and drainage	33,679,073	2,254,458	-	35,933,531
Total accumulated depreciation	59,928,732	5,355,931	1,362,800	63,921,863
Net capital assets being depreciated	128,424,760	2,501,334	446,803	130,479,291
Net governmental activities assets	$ 189,286,303	$ 8,835,561	$ 446,803	$ 197,675,061
Business type activities				
Capital assets, not being depreciated:				
Land	$ 829,243	$ -	$ -	$ 829,243
Construction in progress	5,231,383	914,670	50,336	6,095,717
Total Capital assets not being depreciated	6,060,626	914,670	50,336	6,924,960
Capital assets being depreciated				
Equipment	1,637,757	1,412,847	56,456	2,994,148
Water and sewer system	66,204,764	966,803	-	67,171,567
Port Buildings & Improvements	7,989,201	-	-	7,989,201
Total capital assets being depreciated	75,831,722	2,379,650	56,456	78,154,916
Less accumulated depreciation for:				
Equipment	750,669	570,964	26,594	1,295,039
Water and sewer system	29,488,883	1,713,803	-	31,202,686
Port Buildings and Improvements	7,250,653	61,088	-	7,311,741
Total accumulated depreciation	37,490,205	2,345,855	26,594	39,809,466
Net capital assets being depreciated	38,341,517	33,795	29,862	38,345,450
Net business type activities assets	$ 44,402,143	$ 948,465	$ 80,198	$ 45,270,410

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

Governmental activities	
General government	$ 227,797
Community development	69,851
Cultural affairs	260,040
Parks and recreation	233,518
Public safety	2,128,579
Public works	324,633
Infrastructure	2,254,458
Total depreciation expense – governmental activities	$ 5,498,876
Business-type activities	
Water and sewer	$ 2,123,571
Port Fund	79,339
Total depreciation expense – business-type activities	$ 2,202,910

Leased assets

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

	Governmental Activities	Business-Type Activities	Total
Cost	$ 2,023,642	$ 9,305,808	$ 11,329,450
Accumulated depreciation	-	(7,555,121)	(7,555,121)
Carrying amount	$ 2,023,642	$ 1,750,687	$ 3,774,329
Depreciation expense	$ -	$ 79,339	$ 79,339

G. Leases

Capital Leases

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

Fiscal Year Ended September 30	Principal	Interest	Total
2008	$ 172,912	$ 27,350	$ 200,262
2009	179,396	20,866	200,262
2010	186,124	14,138	200,262
2011	190,892	7,158	198,050
	$ 729,324	$ 69,512	$ 799,836

Assets acquired through capital leases are:

Asset	Governmental Activities	Business-Type Activities
Fire Truck	$ 897,699	$ -

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

Year Ended September 30	Governmental Activities	Business-Type Activities
2008	$ 200,262	$ -
2009	200,262	-
2010	200,262	-
2011	198,050	-
Total minimum lease payments	$ 798,836	$ -
Less: amount representing interest	(69,512)	-
Present value of minimum lease payments	$ 729,324	$ -

H. Long-Term Debt

The following is a summary of bond and other long-term debt transactions of the City for the year ended September 30, 2007:

	Beginning 10/01/06	Additions	Deletions	Ending 9/30/07	Amounts Due Within One Year
Governmental activities					
General Obligation Bonds and Notes	$ 31,995,000	$ 4,000,000	$ 2,535,000	$ 33,460,000	$ 2,660,000
Limited Obligation Bonds	33,939,478	34,020,000	30,928,455	37,031,023	524,084
Capital leases	897,699	-	168,375	729,324	172,912
Compensated absences	4,655,411	2,143,559	1,521,070	5,277,900	1,319,475
Total governmental activities	$ 71,487,588	$ 40,163,559	$ 35,152,900	$ 76,498,247	$ 4,676,471
Business-type Activities					
Water and Sewer, pollution control loans	$ 1,628,026	$ -	$ -	$ 1,628,026	$ 163,121
Limited tax port bonds	2,680,000	-	705,000	1,975,000	105,000
Special community disaster loan	1,000,000	1,787,113	-	2,787,113	-
Compensated absences	83,732	182,480	107,508	158,704	39,676
Total business-type activities	$ 5,391,758	$ 1,969,593	$ 812,508	$ 6,548,843	$ 307,797

Bonds, notes, and other long-term debt payable at September 30, 2007 are comprised of the following individual issues:

Governmental Activities	Original Issue	Range of Interest Rates	Amount Outstanding 9/30/07
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	7.60%	$ 90,000
General Obligation Bonds of 1988-D, due in annual installments of $70,000 to $75,000 through 12/1/2008	750,000	7.50%	145,000
General Obligation Bonds of 1989-A, due in annual installments of $70,000 to $75,000 through 2/15/2009	750,000	7.00%	145,000
General Obligation Bonds series 1998, due in annual installments of $685,000 to $895,000 through 12/1/2013	10,000,000	4.125%-4.2%	5,505,000
General Obligation Bonds, series 2002, due in annual installments of $220,000 to $450,000 through 12/1/2022	6,000,000	3.70%-5.25%	5,220,000
General Obligation Bonds, series 2003, due in annual installments of $545,000 to $860,000 through 12/1/18	9,800,000	3.00%-3.75%	8,300,000
Refunding Bond of 2004, due in annual installments of $980,000 to $1,060,000 through 2/1/2010	5,530,000	3.00%-3.25%	3,055,000
Special Community Disaster Loan, due in one installment with a five year available extension, due 12/29/2010	7,000,000	2.69%	11,000,000
Total General Obligation Bonds			$ 33,460,000
Limited Obligation Bonds and Notes:			
Mississippi Development Bank promissory note, due in monthly installments of $41,876 plus interest through 2/28/2015. Interest is based upon The Bond Market Association (TBMA) index plus 105 basis points	$10,000,000	TBMA plus 1.05%	$ 2,617,648
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%	393,375
Tax Increment Limited Obligation Refunding Bonds, series 2006 A, due in annual installments of due in annual installments of $200,000 to $2,700,000 through 11/1/2027	31,685,000	4.00%-5.00%	31,685,000
Tax Increment Limited Obligation Refunding Bonds, series 2006 B due in annual installments of due in annual installments of $1,100,000 to $1,235,000 through 11/1/2011	2,335,000	5.22%-5.28%	2,335,000
Total Limited Obligation Bonds and Notes			37,031,023
Other General Long-Term Debt:			
The Peoples Bank capital lease, amortized in monthly installments of $200,262 through 4/1/2011	897,699	3.75%	729,324
Compensated absences			5,277,900
Total governmental long-term debt			$ 76,498,247

	Original Issue	Range of Interest Rates	Amount Outstanding 9/30/07
Business Type Activities			
Water and Sewer Fund			
State of Mississippi Pollution Control Loans, due in varying installments through 5/01/21	2,497,903	3.0%-4.5%	$ 1,628,026
Biloxi Port Fund			
Limited Tax Port Bonds, series 1999 due in annual installments of $100,000 to $210,000 through 12/1/19	2,500,000	5.4%-6.00%	1,975,000
Special Community Disaster Loan, due in one installment with a five year available extension, due 1/2/11	2,787,113	2.67%	2,787,113
Total business-type activities bonds and notes			6,390,139
Compensated absences			158,704
Total business-type activities long-term debt			$ 6,548,843

Debt Refunding

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

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

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

The annual requirements to pay principal and interest on the bonds, notes and loans outstanding at September 30, 2007 follow and include interest on the variable rate debt.

	Governmental Activities				Business-Type Activities	
Year Ended	General Obligation		Limited Obligation		Port Bonds &Water and Sewer Notes	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 2,660,000	$ 823,191	$ 524,084	$ 1,706,402	$ 268,121	$ 164,962
2009	2,690,000	717,630	524,731	1,678,298	278,903	153,060
2010	2,645,000	618,846	525,397	1,654,716	294,896	140,797
2011	12,655,000	1,798,585	1,685,377	1,631,544	3,093,222	445,374
2012	1,735,000	477,440	1,524,283	1,554,875	296,287	114,159
2013-2017	6,955,000	1,481,589	8,101,071	6,699,797	1,293,268	386,032
2018-2022	3,670,000	422,939	9,621,080	4,666,338	865,442	69,889
2023-2027	450,000	11,025	11,825,000	2,305,290		-
2028	-	-	2,700,000	125,550	-	-
Totals	$ 33,460,000	$ 6,351,245	$ 37,031,023	$ 22,022,810	$ 6,390,139	$ 1,474,273

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

Assessed valuations 2006 (inside the City):	
Real property	$ 264,457,015
Personal property	42,427,809
Public utility	20,810,411
Autos, estimated	61,828,287
Total assessed valuations	$ 389,523,522
Fifteen percent (15%) of total assessed valuation	$ 58,428,528
Less outstanding general issues at 9/30/07	33,460,000
Legal debt margin	$ 24,968,528

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, 2007, was 9.20 mills or $9.20 per $1,000 of assessed value.

Other general long-term debt of the Enterprise Funds is $1,628,026 of pollution control/state revolving loans from the State of Mississippi. The Mississippi Department of Environmental Quality restructured the state loan repayment schedules to provide some financial relief to the Mississippi Gulf Coast while they rebuild their communities. The restructured loans provide a 24 month repayment forbearance period, during which there will be no interest accrual, with loan repayments to resume October 2007. At that time, the loans will be re-amortized based upon a final maturity date equal to the original maturity date.

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, 2007, the aggregate, outstanding principal amount of the issues was $1,975,000.

I. Retirement Plans

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

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

Under the provisions of Chapter No. 511 of the General Laws of the State of Mississippi, 1987, effective October 1, 1987, the administrative responsibility for these retirement systems was assigned to the Mississippi Municipal Retirement System, a program of the Public Employees' Retirement System of Mississippi. The City is authorized by law to require membership contributions from 1% to a maximum of 10% of the total compensation of each participating employee. City employee contributions are 9%. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the Municipal Retirement Systems' Disability and Relief Plans. That information may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 800-444-PERS. Based upon annual actuarial data provided by PERS, the City levies a tax millage sufficient to fund the current obligations for retirement payments and also provide the recommended amount to reduce the balance of the unfunded employer liability. For the year ended September 30, 2007 the combined millage was 4.5 mills. The City has no control over the administration of the plans. The City is required by statute to set a tax levy sufficient to fund the annual required contribution. The plan administrator, the Mississippi Public Employees Retirement System, provides actuarial data for the two plans combined. The City accounts for these closed plans as a single, agent multiple-employer defined benefit plan.

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

Active members	2
Retirees and beneficiaries	140
Total	142

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, 2007)

Normal	$ 13,446
Accrued liability	1,093,989
Total	$ 1,107,435

Additional information as of September 30, 2007 follows.

Valuation date	9/30/07
Actuarial cost method	entry age
Amortization method	level dollar closed
Remaining amortization period	27 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases**	4.50 – 6.00%
* Includes price inflation at	3.75%
** Includes wage inflation at	4.00%
Cost of living adjustments	3% per year, not to exceed 30%, for each year of retirement after 6/30/00, in addition to any previously granted COLAs

During the year ended September 30, 2007, contributions totaling $2,043,846 ($2,029,793 employer and $14,053 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the system as of September 30, 2006. The employer contributions consisted of $19,555 for normal cost and administrative expenses and $2,010,238 for amortization of the unfunded actuarial accrued liability.

Schedule of employer contributions:

Fiscal Year Ended	Annual Required Contribution	Interest on the NPO	Adjustment to Remove Amortization of Past Under/Over Contribution	Annual Pension Cost	Employer Pension Contribution	Percentage	Change in the NPO	NPO at Year End
9/30/2005	1,407,163	(449,174)	(493,942)	1,451,931	2,084,652	148.1	(632,721)	(6,247,399)
9/30/2006	1,334,850	(499,792)	(554,943)	1,390,001	2,237,972	167.7	(847,971)	(7,095,370)
9/30/2007	1,230,451	(567,630)	(636,947)	1,299,769	2,029,793	165.0	(730,024)	(7,825,395)

The City's negative Net Pension Obligation (NPO) as of September 30, 2007 was $7,825,395.

Actuarial Accrued Liability (AAL)	(in thousands)
Retirees and beneficiaries currently receiving benefits	$ 22,123
Active members	776
Vested terminated members not yet receiving benefits	-
Total actuarial accrued liability	22,899
Less: Actuarial value of assets	10,766
Unfunded Actuarial Accrued Liability	$ 12,133

During the year ended September 30, 2007, the plan experienced a net change of $(586) thousand in the AAL. The net change 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.

Funding Policy: PERS' members are required to contribute 7.25% of their annual covered salary and City of Biloxi is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. PERS increased the employer contribution rate from 11.30% to 11.85% effective July 1, 2007. 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, 2007, 2006, and 2005 were $2,651,201, $2,483,072, and $2,565,040, respectively. These amounts were 100% of the required contributions.

Deferred Compensation Plan

The City also offers to its employees voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, Group Flexible Fund Retirement Contracts, administered by Nationwide Retirement Solutions, Inc., permits employees to defer a portion of their salary until future years. All plan assets are held in trust by Nationwide for the exclusive benefit of the participants and their beneficiaries and not subject to the claims of the City's general creditors. Accordingly, the assets and liabilities for the compensation deferred by plan participants is not reflected in the City's financial statements. During the year ended September 30, 2007, contributions by participants employed by the City totaled $ 308,615.

J. Community Development Block Grant Program

Status of Grants

The City of Biloxi is awarded an entitlement grant every year by the Department of Housing and Urban Development Community Block Grant Program. The following represents the status of the award of grant funds as of September 30, 2007:

	Award	Drawn Prior to FYE 9/30/07	Drawn During FYE 9/30/07	Balance
CDBG B-04-MC-28-0001	$ 580,000	$ 410,784	$ -	$ 169,216
CDBG B-05-MC-28-0001	565,683	-	-	565,683
CDBG B-06-MC-28-0001	495,375	-	-	495,375
CDBG B-07-MC-28-0001	496,637	-	-	496,637
Totals	$ 2,137,695	$ 410,784	$ -	$ 1,726,911

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.

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, 2007, consisted of the following:

Nixon Street home acquisition mortgages	$ 12,423
Revolving Loan Program	83,356
Total deferred mortgage loans receivable	$ 95,779

K. Self-Insured Risk, Claims and Other Contingencies

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

Property damage	
Per occurrence deductible (SIR)	$ 50,000
Specific excess coverage in force	30,000,000
Workers' compensation	
Per occurrence deductible (SIR)	350,000
Specific excess coverage in force	Statutory
General and other liability coverage	
Per occurrence deductible (SIR)	$ 100,000
Specific excess coverage in force	500,000
Annual aggregate coverage to:	
General liability	1,000,000
Law enforcement liability	1,000,000
Automobile liability	No Limit
Health	
Per individual deductible (SIR)	125,000
Annual aggregate risk of loss through deductibles	6,849,199
Specific excess coverage in force	1,000,000

The following is a summary of the City's self-insurance reserves at September 30, 2007:

	Employee Medical Claims	Property, Liability & Workers' Compen-sation	Total
Total estimated liability and reserves – October 1, 2005	$ 3,039,461	$ 1,978,664	$ 5,018,125
Claims incurred and changes in estimates	4,880,502	1,195,870	6,076,372
Claims paid	(4,282,175)	(688,175)	(4,970,350)
Total estimated liability and reserves – September 30, 2006	$ 3,637,788	$ 2,486,359	$ 6,124,147
Claims incurred and changes in estimates	4,606,670	2,241,783	6,848,453
Claims paid	(5,039,999)	(713,212)	(5,753,211)
Total estimated liability and reserves – September 30, 2007	$ 3,204,459	$ 4,014,930	$ 7,219,389

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.

Before the City acquired the assets and liabilities of the Biloxi Port Commission, the Biloxi Port Commission recognized a contingent liability in the amount of $300,000 related to ongoing litigation.

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

L. Related Party Commitments

Joint Venture

The City of Biloxi is a member of the Harrison County Utility Authority (Authority) which was established by an act of the Mississippi Legislature to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Harrison County, Mississippi. The governing board is comprised of one member from each of the cities and two members from each of the counties who are members of the Authority. Through a fifty-year contract, the City of Biloxi is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the Authority. Additionally, the City is jointly and severally liable for all of the liabilities of the Authority. The Authority is classified as a joint venture between the City of Biloxi and the other members. The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2007, a complete copy of which is on file at the administrative offices of the Authority.

Harrison County Utility Authority Synopsis

Balance Sheet

Assets	
Current assets	$ 8,698,242
Restricted assets	31,150,095
Property, plant and equipment	79,197,925
Deferred charges	2,011,465
Total assets	$ 121,057,727
Liabilities & Fund Equity	
Liabilities	
Current, unrestricted	$ 5,911,901
Current, restricted	8,013,718
Long-term liabilities	125,513,058
Total liabilities	139,438,677
Net assets	(18,380,950)
Total liabilities and net assets	$ 121,057,727

Statement of Revenues and Expenses

Operating revenues	$ 15,993,805
Operating expenses	(17,384,611)
Depreciation and amortization	(5,230,806)
Non-operating revenues (expenses)	(3,024,267)
Changes in net assets	$(9,645,879)

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

General Fund

Statement of revenues, expenditures and changes in fund balance:

Public works expenditures:

Other services and charges (solid waste charges)	$ 1,886,552

Water and Sewer Enterprise Fund

Balance sheet:

Prepaid Contractual Services	$ 290,674

Statement of revenues, expenses and changes in retained earnings:

Operating expenses:

Contracted services (wastewater treatment)	$ 1,240,816

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 $650,000 for the year ended September 30, 2007. The amount budgeted for the City of Biloxi for the fiscal year ended September 30, 2008 is $675,000. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City of Biloxi does not have an ongoing financial responsibility.

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

the City of Gulfport, the City of Biloxi, and Harrison County. These governmental units have agreed to subsidize the Airport annually. During the past fiscal year, the City of Biloxi provided $115,000 to the Gulfport-Biloxi Regional Airport in order to assist in the operation of the facility. The City has budgeted $115,000 for the 2007-2008 fiscal year. The City of Biloxi has no equity interest in the organization.

M. Other Commitments

Property Leases

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

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

Capital Projects

In connection with the Capital Projects Funds, the City has budgeted certain commitments for engineering services, construction and other capital project costs. The projects are to be funded, in part, with State and Federal grants. The remainder of the required funds will be generated by local sources. The following is a summary of the budgeted commitment for capital projects at September 30, 2007:

Total commitment for general Capital Projects	$ 110,504,001
Funding sources:	
Federal and State Grants	$ 58,905,562
Bond Funds	25,475,637
Enterprise Funds	3,144,814
General Fund surplus and other future sources of funds to be provided	22,977,988
Total fund sources	$ 110,504,001

Matching Funds – USM Advanced Education Center

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

Required Supplementary Information

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

Schedule of Funding Progress
($ Thousands)

Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Accrued 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)
9/30/98	$ 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
9/30/06	9,926	23,485	42.3	13,559	150	9,039.3
9/30/07	10,766	22,899	47.0	12,133	110	11,030.0

Schedule of Employer Contributions

Fiscal Year 10-1 / 9-30	Valuation Date 9-30	Annual Required Contribution	Percentage Contributed
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	167.7
2006-07	2006	1,230,451	165.0
2007-08	2007	1,107,435	

Combining Financial Statements

Governmental Funds

City of Biloxi, Mississippi
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2007

	Special Revenue				Capital Projects					
					General Obligation Public Improvement					
Assets	Community Development Block Grant	Employees' Disability & Relief Funds	Employees' State Unemployment Fund	City Bicentennial Trust Fund	2003 Bond Fund	2002 Bond Fund	1998 Bond Fund	2000 Bond Fund	2002 TIF Capital Projects Bond Fund	Total
Cash	$ 322,896	$ 76	$ 537,221	$ 29,042	$ -	$ -	$ -	$ -	$ -	$ 889,235
Investments	-	-	-	-	1,340,158	892,607	15,198	115,307	1,662,541	4,025,811
Receivables:										
Taxes	-	21,727	-	-	-		-	-	-	21,727
Other	9,405	-	-	-	-		-	-	-	9,405
Mortgage loans receivable	95,779	-	-	-	-		-	-	-	95,779
Land inventory	64,917	-	-	-	-		-	-	-	64,917
Total assets	$ 492,997	$ 21,803	$ 537,221	$ 29,042	1,340,158	$ 892,607	$ 15,198	$ 115,307	$ 1,662,541	$ 5,106,874
Liabilities & Fund Balance										
Liabilities										
Accounts payable	$ 34,535	$ 21,803	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 56,338
Due to other funds	22,863	-	-	-	292,825	-	-	-	196,792	512,480
Total liabilities	57,398	21,803	-	-	292,825	-	-	-	196,792	568,818
Fund balance										
Reserved for:										
Endowment, expendable	-	-	-	-	-	-	-	-	-	-
Loans receivable	95,779	-	-	-	-	-	-	-	-	95,779
Land inventory	64,917	-	-	-	-	-	-	-	-	64,917
Capital projects	-	-	-	-	1,047,333	892,607	15,198	115,307	1,465,749	3,536,194
Unreserved reported in:		-								
Special revenues	274,903	-	537,221	29,042	-		-	-	-	841,166
Total fund balances	435,599	-	537,221	29,042	1,047,333	892,607	15,198	115,307	1,465,749	4,538,056
Total liabilities & fund balance	$ 492,997	$ 21,803	$ 537,221	$ 29,042	$ 1,340,158	$ 892,607	$ 15,198	$ 115,307	$ 1,662,541	$ 5,106,874

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, 2007

	Special Revenue				Capital Projects					
					General Obligation Public Improvement					
	Community Development Block Grant	Employees' Disability & Relief Funds	Employees' State Unemployment Fund	City Bicentennial Trust Fund	2003 Bond Fund	2002 Bond Fund	1998 Bond Fund	2000 Bond Fund	2002 TIF Capital Projects Bond Fund	Total
Revenues										
Ad valorem taxes	$ -	$ 1,754,097	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,754,097
Other income	232,220	-	26,489	1,584	72,670	41,266	697	5,293	111,800	492,019
Total revenues	232,220	1,754,097	26,489	1,584	72,670	41,266	697	5,293	111,800	2,246,116
Expenditures										
Community Development	143,779	-	-	-	-	-	-	-	-	143,779
Benefit payments	-	1,920,042	2,541	-	-	-	-	-	-	1,922,583
Total expenditures	143,779	1,920,042	2,541	-	-	-	-	-	-	2,066,362
Excess of revenues over expenditures	88,441	(165,945)	23,948	1,584	72,670	41,266	697	5,293	111,800	179,754
Other financing sources (uses)										
Transfers in	-	165,945	-	-	-	-	-	-	-	165,945
Transfers out	-	-	-	-	(570,200)	-	-	-	(1,734,526)	(2,304,726)
Total other financing sources uses	-	165,945	-	-	(570,200)	-	-	-	(1,734,526)	(2,138,781)
Net change in fund balances	88,441	-	23,948	1,584	(497,530)	41,266	697	5,293	(1,622,726)	(1,959,027)
Fund balance, beginning of year	347,158	-	513,273	27,458	1,544,863	851,341	14,501	110,014	3,088,475	6,497,083
Fund balance, end of year	$ 435,599	$ -	$ 537,221	$ 29,042	$ 1,047,333	$ 892,607	$ 15,198	$ 115,307	$ 1,465,749	$ 4,538,056

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, 2007

Assets	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Restricted assets				
Cash	$ 946,542	$ 3,204,459	$ 3,012,797	$ 7,163,798
Investments	1,161,447	-	-	1,161,447
Due from other City funds	1,906,941	-	-	1,906,941
Total restricted assets	$ 4,014,930	$ 3,204,459	$ 3,012,797	$ 10,232,186
Liabilities & Net Assets				
Liabilities payable from restricted assets				
Claims contingency payable	$ 4,014,930	$ 3,204,459	$ -	$ 7,219,389
Net assets				
Unrestricted	-	-	3,012,797	3,012,797
Total liabilities and net assets	$ 4,014,930	$ 3,204,459	$ 3,012,797	$ 10,232,186

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, 2007

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Operating revenues				
Charges for services, insurance billings	$ 3,980,081	$ 5,472,795	$ -	$ 9,452,876
COBRA contributions	-	83,135	-	83,135
Total operating revenue	$ 3,980,081	$ 5,555,930	$ -	$ 9,536,011
Operating expenses				
Insurance and reinsurance	$ 2,378,387	$ 276,097	$ -	$ 2,654,484
Claims expense	4,101,694	5,293,937	-	9,395,631
Total operating expenses	6,480,081	5,570,034	-	12,050,115
Excess (deficiency) of revenues over expenditures	(2,500,000)	(14,104)	-	(2,514,104)
Other financing sources (uses)				
Interest income	-	14,104	12,797	26,901
Transfers in	2,500,000	-	900,000	3,400,000
Total other financing sources (uses)	2,500,000	14,104	912,797	3,426,901
Net change in fund balances	-	-	912,797	912,797
Net assets, beginning	-	-	2,100,000	2,100,000
Net assets, ending	$ -	$ -	$ 3,012,797	$ 3,012,797

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, 2007

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Cash flows from operating activities				
Receipts from customers	$ 3,980,081	$ 5,555,930	$ -	$ 9,536,011
Payments to suppliers	(4,951,511)	(6,003,363)	-	(10,954,874)
Net cash provided by (used in) operating activities	(971,430)	(447,433)	-	(1,418,863)
Cash flows from non-capital financing activities				
Transfer from other funds	2,500,000	-	900,000	3,400,000
Loans (to) other funds	(931,425)	-	-	(931,425)
Net cash provided by (used in) non-capital financing activities	1,568,575	-	900,000	2,468,575
Cash flows from investing activities				
Interest and dividends on investments	-	14,104	12,797	26,901
Purchase of investments	(2,292,255)	-	-	(2,292,255)
Proceeds from investments	2,235,102	-	-	2,235,102
Net cash provided by (used in) investing activities	(57,153)	14,104	12,797	(30,252)
Net increase (decrease) in cash and cash equivalents	539,992	(433,329)	912,797	1,019,460
Cash and cash equivalents, beginning of period	406,550	3,637,788	2,100,000	6,144,338
Cash and cash equivalents, end of period	$ 946,542	$ 3,204,459	$ 3,012,797	$ 7,163,798

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, 2007

	Actual	Budget	Variance Positive (Negative)
Revenues			
Ad valorem taxes	$ 3,661,487	$ 4,669,402	$ (1,007,915)
Intergovernmental	33,608	1,233,609	(1,200,001)
Other income	147,364	69,000	78,364
Total revenues	3,842,459	5,972,011	(2,129,552)
Expenditures			
Principal retirement	3,590,680	4,343,455	752,775
Interest expense	1,593,319	2,572,500	979,181
Paying agents' fees	22,525	34,000	11,475
Total expenditures	5,206,524	6,949,955	1,743,431
Excess (deficiency) of revenues over expenditures	(1,364,065)	(977,944)	(386,121)
Other financing sources (uses)			
Transfers in	344,053	-	344,053
Transfers out	(1,114,775)	-	(1,114,775)
Refunding bonds issued	33,944,781	-	33,944,781
Payment to refunded bond escrow agent	(31,669,936)	-	(31,669,936)
Total other financing sources (uses)	1,504,123	-	1,504,123
Excess (deficiency) of revenues and other sources over expenditures and other uses	140,058	(977,944)	1,118,002
Fund balances, beginning of year	3,724,686	3,724,686	-
Fund balances, end of year	$ 3,864,744	$ 2,746,742	$ 1,118,002

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budget Basis
Community Development Block Grant
For the Year Ended September 30, 2007

	Actual	Budget	Variance Positive (Negative)
Revenues			
Intergovernmental	$ -	$ 1,726,911	$ (1,726,911)
Other income	233,950	165,070	68,880
Total revenues	233,950	1,891,981	(1,658,031)
Expenditures			
Community Development	87,316	2,029,350	1,942,034
Excess (deficiency) of revenues over expenditures	146,634	(137,369)	284,003
Fund balances, beginning of year	175,326	175,326	-
Fund balances, end of year	$ 321,960	$ 37,957	$ 284,003

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget Basis
Employees' Disability & Relief Funds
For the Year Ended September 30, 2007

	Fire and Police Disability & Relief Fund	Employees' Disability & Relief Fund	Total	Budget	Variance Positive (Negative)
Revenues					
Ad valorem taxes	$ 1,038,737	$ 752,188	$ 1,790,925	$ 1,514,571	$ 276,354
Expenditures					
Benefit payments	1,134,985	821,885	1,956,870	1,514,571	(442,299)
Excess of revenues over expenditures	(96,248)	(69,697)	(165,945)	-	(165,945)
Other financing sources (uses)					
Transfers in	96,248	69,697	165,945	-	165,945
Total other financing sources (uses)	96,248	69,697	165,945	-	165,945
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-
Fund balances, end of year	$ -	$ -	$ -	$ -	$ -

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budget Basis
Employees' State Unemployment Fund
For the Year Ended September 30, 2007

	Actual	Budget	Variance Positive (Negative)
Revenues			
Other income	$ 26,489	$ 9,300	$ 17,189
Total revenues	26,489	9,300	17,189
Expenditures			
Benefit payments	2,541	9,300	6,759
Excess (deficiency) of revenues over expenditures	23,948	-	23,948
Fund balances, beginning of year	513,273	513,273	-
Fund balances, end of year	$ 537,221	$ 513,273	$ 23,948

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budget Basis
City Bicentennial Trust Fund
For the Year Ended September 30, 2007

	Actual	Budget	Variance Positive (Negative)
Revenues			
Other income	$ 1,584	$ 500	$ 1,084
Total revenues	1,584	500	1,084
Expenditures			
Benefit payments	-	-	-
Excess (deficiency) of revenues over expenditures	1,584	500	1,084
Fund balances, beginning of year	27,458	27,458	-
Fund balances, end of year	$ 29,042	$ 27,958	$ 1,084

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, 2007

	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				
Revenues									
Intergovernmental	$ 706,263	$ -	$ -	$ -	$ -	$ -	$ 706,263	$ 5,302,935	$ (4,596,672)
Other income	-	72,670	41,266	697	5,293	111,800	231,726	202,300	29,426
Total revenues	706,263	72,670	41,266	697	5,293	111,800	937,989	5,505,235	(4,567,246)
Expenditures									
Capital projects	7,934,186	-	-	-	-	-	7,934,186	58,176,691	50,242,505
Excess (deficiency) of revenues over expenditures	(7,227,923)	72,670	41,266	697	5,293	111,800	(6,996,197)	(52,671,456)	45,675,259
Other financing sources (uses)									
Issuance of note	-	-	-	-	-	-	-	2,119,803	(2,119,803)
Transfers in	27,033,834	-	-	-	-	-	27,033,834	48,533,953	(21,500,119)
Transfers out	-	(626,982)	-	-	-	(1,573,370)	(2,200,352)	(5,018,441)	2,818,089
Total other financing sources (uses)	27,033,834	(626,982)	-	-	-	(1,573,370)	24,833,482	45,635,315	(20,801,833)
Excess (deficiency) of revenues and other sources over expenditures and other uses	19,805,911	(554,312)	41,266	697	5,293	(1,461,570)	17,837,285	(7,036,141)	24,873,426
Fund balances, beginning of year	-	1,544,863	851,341	14,501	110,014	3,088,475	5,609,194	5,271,905	
Fund balances, end of year	$ 19,805,911	$ 990,551	$ 892,607	$ 15,198	$ 115,307	$ 1,626,905	$ 23,446,479	$ (1,764,236)	$ 24,873,426

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, 2007

	Actual	Budget	Variance Positive (Negative)
Revenues			
Charges for services:			
Water and sewer charges	$ 7,393,434	$ 6,912,000	$ 481,434
Keesler Air Force Base, sewer	347,955	546,000	(198,045)
Intergovernmental revenues	586,881	1,653,850	(1,066,969)
Interest income	399,604	200,000	199,604
Other income	10,639	-	10,639
Total revenues	8,738,513	9,311,850	(573,337)
Expenses			
Personal services	1,255,764	1,326,886	71,122
Contracted services	2,828,482	5,965,474	3,136,992
Other services and charges	1,527,235	1,422,416	(104,819)
Bond principal	-	126,754	126,754
Interest expense	-	49,987	49,987
Capital outlay	1,044,608	2,675,551	1,630,943
Total expenses	6,656,089	11,567,068	4,910,979
Excess (deficiency) of revenues over expenses	2,082,424	(2,255,218)	4,337,642
Other financial sources (uses)			
Issuance of note	1,787,113	787,113	1,000,000
Transfers out	(1,513,629)	(5,633,087)	4,119,458
Total other financial sources (uses)	273,484	(4,845,974)	5,119,458
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ 2,355,908	$ (7,101,192)	$ 9,457,100

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, 2007

	Actual	Budget	Variance Positive (Negative)
Revenues			
Charges for services:			
Harbor Fees and Rents	$ 1,597,185	$ 1,731,732	$ (134,547)
Intergovernmental revenues	886,788	1,726,482	(839,694)
Other income	352,660	80,000	272,660
Total revenues	2,836,633	3,538,214	(701,581)
Expenses			
Personal services	873,125	983,461	110,336
Contracted services	45,298	1,314,828	1,269,530
Other services and charges	146,555	310,360	163,805
Bond principal	705,000	705,000	-
Interest expense	141,775	141,601	(174)
Capital outlay	54,938	114,354	59,416
Total expenses	1,966,691	3,569,604	1,602,913
Excess (deficiency) of revenues over expenses	869,942	(31,390)	901,332
Other financial sources (uses)			
Transfers out	(2,357,130)	(3,222,585)	865,455
Total other financial sources (uses)	(2,357,130)	(3,222,585)	865,455
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ (1,487,188)	$ (3,253,975)	$ 1,766,787

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, 2007

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total	Budget	Variance Positive (Negative)
Revenues						
Charges for services, insurance billings	$ 3,980,081	$ 5,472,795	$ -	$ 9,452,876	$ 7,998,700	$ 1,454,176
COBRA contributions	-	83,135	-	83,135	45,000	38,135
Interest income	-	14,104	12,797	26,901	-	26,901
Total revenues	3,980,081	5,570,034	12,797	9,562,912	8,043,700	1,519,212
Expenses						
Insurance and reinsurance	2,378,387	276,097	-	2,654,484	1,928,000	(726,484)
Claims expense	1,601,694	5,293,937	-	6,895,631	6,171,700	(723,931)
Total expenses	3,980,081	5,570,034	-	9,550,115	8,099,700	(1,450,415)
Excess of revenues over expenditures	-	-	12,797	12,797	(56,000)	68,797
Other financial sources (uses)						
Transfers in	2,500,000	-	900,000	3,400,000	3,400,000	-
Total other financial sources (uses)	2,500,000	-	900,000	3,400,000	3,400,000	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ 2,500,000	$ -	$ 912,797	$ 3,412,797	$ 3,344,000	$ 68,797

See Independent Auditors' Report.

Combining Financial Statements

Internal Service Funds

City of Biloxi, Mississippi
Schedule of Investments – All Funds
September 30, 2007

	Yield	Purchase Date	Maturity Date	Reported Amount	Fair Value
Governmental Funds					
Debt Service Funds					
Money Market Fund	4.30%	various	N/A	2,356,408	2,356,408
Capital Projects Funds					
2003 GO Bond Fund					
Money Market Fund	4.30%	various	N/A	1,340,158	1,340,158
GOPI 2002 Bond Fund					
Money Market Fund	4.30%	various	N/A	892,607	892,607
GOPI 1998 Bond Fund					
Money Market Fund	4.30%	various	N/A	15,198	15,198
GOPI 2000 Bond Fund					
Money Market Fund	4.30%	various	N/A	115,307	115,307
2002 TIF Capital Projects Bond Fund					
Money Market Fund	4.30%	various	N/A	1,662,541	1,662,541
Total investments, governmental funds				6,382,219	6,382,219
Proprietary funds					
Biloxi Port Fund					
Money Market Fund	4.30%	various	N/A	706,660	706,660
Money Market Fund	4.30%	various	N/A	1,019,739	1,019,739
Total investments, proprietary funds				1,726,399	1,726,399
Internal service funds					
Treasury Bill	4.89%	5/11/2007	11/8/2007	1,161,097	1,185,023
Money Market Fund	4.25%	various	N/A	350	350
Total investments, internal service funds				1,161,447	1,185,373
Total investments				9,270,065	9,293,991

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Long-Term Debt
September 30, 2007

	Date Issued	Original Issue	Balance October 1, 2006	New Issues	Retirements	Balance September 30, 2007	Requirements Year Ended September 30, 2008 Principal	Interest
General Obligation Bonds and Notes								
General Obligation Bonds of 1988 - A	06/01/88	$ 1,200,000	$ 180,000	$ -	$ 90,000	90,000	$ 90,000	$ 6,840
General Obligation Bonds of 1988 - D	12/01/88	750,000	205,000	-	60,000	145,000	70,000	8,250
General Obligation Bonds of 1989 - A	02/15/89	750,000	205,000	-	60,000	145,000	70,000	7,700
GOPI 1998	12/01/98	10,000,000	6,160,000	-	655,000	5,505,000	685,000	216,568
General Obligation Bonds of 2002	12/01/02	6,000,000	5,430,000	-	210,000	5,220,000	220,000	234,617
General Obligation Bonds of 2003	12/01/03	9,800,000	8,820,000	-	520,000	8,300,000	545,000	269,616
Refunding Bond of 2004	12/30/04	5,530,000	3,995,000	-	940,000	3,055,000	980,000	79,600
Special Community Disaster Loan	12/20/05	7,000,000	7,000,000	4,000,000	-	11,000,000	-	-
Total General Obligation Bonds and Notes			31,995,000	4,000,000	2,535,000	33,460,000	2,660,000	823,191
Limited Obligation Bonds and Notes								
Tax Increment Financing, 1999	10/01/99	12,000,000	9,595,000	-	9,595,000	-	-	-
Mississippi Development Bank Promissory Note	01/04/01	10,000,000	3,120,160	-	502,512	2,617,648	502,512	98,556
Mississippi Development Authority Loan	11/01/01	500,000	414,318	-	20,943	393,375	21,572	12,036
Tax Increment Financing, 2002	11/01/02	23,000,000	20,810,000	-	20,810,000	-	-	-
Tax Increment Limited Obligation Refunding Bonds, Series 2006 A	10/31/06	31,685,000	-	31,685,000	-	31,685,000	-	1,472,923
Tax Increment Limited Obligation Refunding Bonds, Series 2006 B	10/31/06	2,335,000	-	2,335,000	-	2,335,000	-	122,887
Total Limited Obligation Bonds and Notes			33,939,478	34,020,000	30,928,455	37,031,023	524,084	1,706,402
Other General Long-Term Debt								
Lease/Purchase , The Peoples Bank	04/01/06	897,699	897,699	-	168,375	729,324	172,912	27,350
Total General Long-Term Debt			66,832,177	38,020,000	33,631,830	71,220,347	3,356,996	2,556,943
Proprietary Funds Debt								
Water and sewer pollution control loans	1981-2001	2,685,427	1,628,026	-	-	1,628,026	163,121	53,673
Limited Tax Port Bonds, Series 1998	04/01/98	4,325,000	605,000	-	605,000	-	-	-
Limited Tax Port Bonds, Series 1999	12/01/99	2,500,000	2,075,000	-	100,000	1,975,000	105,000	111,289
Special Community Disaster Loan	01/03/06	1,000,000	1,000,000	1,787,113	-	2,787,113	-	-
			5,308,026	1,787,113	705,000	6,390,139	268,121	164,962
Total Proprietary Funds Debt								
Totals			$ 72,140,203	$ 39,807,113	$ 34,336,830	$ 77,610,486	$ 3,625,117	$ 2,721,905

See Independent Auditors' Report.

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

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

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

See Independent Auditors' Report.

Section III

Statistical Section

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

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These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 98

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 102

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. 105

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 110

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. 112

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

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

	Fiscal Year				
	2007	2006	2005	2004	2003
Governmental activities					
Invested in capital assets, net of related debt	$ 137,454,714	$ 122,446,292	$ 125,208,731	$ 115,566,223	$ 104,918,348
Restricted	10,146,382	11,814,028	13,202,408	22,015,077	21,906,281
Unrestricted	70,540,236	58,845,246	26,346,700	20,354,065	27,138,061
Total governmental activities net assets	$ 218,141,332	$ 193,105,566	$ 164,757,839	$ 157,935,365	$ 153,962,690
Business-type activities					
Invested in capital assets, net of related debt	$ 41,667,384	$ 39,094,116	$ 39,210,473	$ 40,657,098	$ 38,554,905
Restricted	1,726,398	1,684,296	1,897,170	2,127,659	181,334
Unrestricted	9,620,633	13,393,377	12,549,989	9,922,771	9,560,438
Total business-type activities net assets	$ 53,014,415	$ 54,171,789	$ 53,657,632	$ 52,707,528	$ 48,296,677
Primary government					
Invested in capital assets, net of related debt	$ 179,122,098	$ 161,540,408	$ 164,419,204	$ 156,223,321	$ 143,473,253
Restricted	11,872,780	13,498,324	15,099,578	24,142,736	22,087,615
Unrestricted	80,160,869	72,238,623	38,896,689	30,276,836	36,698,499
Total primary government net assets	$ 271,155,747	$ 247,277,355	$ 218,415,471	$ 210,642,893	$ 202,259,367

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

	Fiscal Year				
	2007	**2006**	**2005**	**2004**	**2003**
Expenses					
Governmental activities:					
General government	$ 4,902,940	$ 4,444,590	$ 4,505,044	$ 4,494,668	$ 4,998,883
Parks and recreation	4,797,664	4,294,691	5,528,890	5,718,522	6,315,711
Public safety	29,601,484	27,540,929	29,591,921	26,638,158	25,810,017
Public works	22,402,881	64,616,111	19,942,138	9,706,107	9,525,166
Community development	4,728,570	2,364,826	7,186,148	8,326,850	6,413,034
Unallocated depreciation, infrastructure	2,254,458	2,219,360	1,869,584	1,664,522	1,664,522
Interest and other, long-term debt	1,996,618	2,786,442	3,327,475	2,898,309	2,450,726
Total governmental activities expenses	70,684,615	108,266,949	71,951,200	59,447,136	57,178,059
Business-type activities:					
Water & Sewer	9,829,590	9,925,601	12,515,510	10,662,616	10,224,620
Biloxi Port Fund	1,254,929	1,415,121	1,666,327	2,024,677	-
Point Cadet Development Corporation	131	5,730	372,659	22,394	46,885
Total business-type activities expenses	11,084,650	11,346,452	14,554,496	12,709,687	10,271,505
Total primary government expenses	$ 81,769,265	$ 119,613,401	$ 86,505,696	$ 72,156,823	$ 67,449,564
Program Revenues					
Governmental activities:					
Charges for services:					
General government	$ 1,080	$ 34,656	$ 36,776	$ 37,828	$ 223,257
Parks and recreation	442,126	522,282	596,247	477,684	404,137
Public safety	1,136,610	1,352,917	1,249,630	1,166,560	1,268,426
Public works	591,434	544,772	702,655	614,340	935,568
Community development	5,724,975	5,761,969	4,151,971	4,295,159	4,293,780
Operating grants and contributions	13,728,661	56,706,429	1,196,313	1,254,752	1,649,026
Capital grants and contributions	2,454,944	1,214,462	17,373,396	1,969,950	1,622,550
Total governmental activities program reviews	24,079,830	66,137,487	25,306,988	9,816,273	10,396,744
Business-type activities:					
Charges for services:					
Water & Sewer	7,864,670	6,989,753	8,762,117	9,566,541	9,416,309
Biloxi Port Fund	1,660,968	1,768,179	1,752,748	1,723,490	-
Point Cadet Development Corporation	27,595	20,874	17,594	21,175	18,352
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	1,801,139	2,269,780	978,930	406,216	-
Total business-type activities program revenues	11,354,372	11,048,586	11,511,389	11,717,422	9,434,661
Total primary government program revenues	$ 35,434,202	$ 77,186,073	$ 36,818,377	$ 21,533,695	$ 19,831,405

Net (Expense)/Revenue					
Governmental activities	$ (46,604,785)	$ (42,129,462)	$ (46,644,212)	$ (49,630,863)	$ (46,781,315)
Business-type activities	269,722	(297,866)	(3,043,107)	(992,265)	(836,844)
Total primary government net expense	$ (46,335,063)	$ (42,427,328)	$ (49,687,319)	$ (50,623,128)	$ (47,618,159)
General Revenues and Other Changes In Net Assets					
Governmental activities:					
Taxes					
Property taxes	$ 11,884,058	$ 16,859,108	$ 15,599,678	$ 15,621,385	$ 16,494,797
Franchise taxes	11,355,382	10,159,154	2,653,549	2,555,738	2,619,001
Sales taxes	22,518,892	15,187,146	11,944,584	12,294,618	11,551,426
Gaming taxes	2,742,974	2,360,722	20,968,845	21,441,126	20,428,337
Other taxes	1,684,283	706,999	654,641	722,315	862,366
Unrestricted grants and contributions	-	527,815	1,200,000	1,200,000	1,200,000
Unrestricted investment earnings	4,217,134	2,298,869	1,136,693	415,483	735,195
Insurance proceeds	12,794,680	16,306,863	1,436,097	-	-
Miscellaneous	1,444,358	756,751	906,688	1,447,516	401,842
Transfers	2,998,790	(933,637)	(3,034,089)	(2,992,157)	(3,861,291)
Total governmental activities	71,640,551	64,229,790	53,466,686	52,706,024	50,431,673
Business-type activities:					
Property taxes	872,186	920,215	657,426	987,051	-
Investment earnings	699,508	389,262	301,696	128,965	129,585
Transfers	(2,998,790)	(497,454)	3,034,089	2,992,157	3,861,291
Total business-type activities	(1,427,096)	812,023	3,993,211	4,108,173	3,990,876
Total primary government	$ 70,213,455	$ 65,041,813	$ 57,459,897	$ 56,814,197	$ 54,422,549
Change in Net Assets					
Governmental activities	$ 25,035,766	$ 22,100,328	$ 6,822,474	$ 3,075,161	$ 3,650,388
Business-type activities	(1,157,374)	514,157	950,104	3,115,908	3,154,032
Total primary government	$ 23,878,392	$ 22,614,485	$ 7,772,578	$ 6,191,069	$ 6,804,420

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

	Fiscal Year			
	2007	**2006**	**2005**	**2004**
General Fund				
Reserved	$ 2,864,621	$ 2,525,615	$ 2,000,359	$ 49,058
Unreserved	55,178,878	52,281,003	26,975,995	21,420,184
Total general fund	$ 58,043,499	$ 54,806,618	$ 28,976,354	$ 21,469,242
All Other Governmental Funds				
Reserved	$ 7,442,457	$ 9,453,276	$ 11,420,479	$ 5,841,560
Unreserved, reported in:				
General Capital Projects Fund	20,133,801	-	-	-
2002 TIF Capital Projects Fund		-	-	7,947,935
Debt Service Fund		-	-	-
Other Non-Major Governmental Funds	812,124	695,568	539,941	8,963,706
Total all other governmental funds	$ 28,388,382	$ 10,148,844	$ 11,960,420	$ 22,753,201

Fiscal Year					
2003	2002	2001	2000	1999	1998
$ 55,345	$ 815,112	$ 571,659	$ 401,060	$ 363,546	$ 350,633
28,581,807	34,822,162	37,043,806	29,800,018	28,690,871	22,356,766
$ 28,637,152	$ 35,637,274	$ 37,615,465	$ 30,201,078	$ 29,054,417	$ 22,707,399
$ 5,891,439	$ 5,043,537	$ 11,495,624	$ 17,726,246	$ 12,876,234	$ 3,210,540
-	-	-	-	-	-
11,130,049	-	-	-	-	-
-	-	-	-	-	-
5,749,106	4,033	184,912	4,335,854	3,070,971	-
$ 22,770,594	$ 5,047,570	$ 11,680,536	$ 22,062,100	$ 15,947,205	$ 3,210,540

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

	Fiscal Year			
	2007	2006	2005	2004
Revenues				
Taxes	$ 11,884,058	$ 16,859,108	$ 15,599,678	$ 15,621,385
Licenses and permits	4,366,535	4,059,907	3,667,843	3,597,812
Intergovernmental	50,509,539	83,596,269	53,337,778	38,546,261
Charges for services	1,000,762	1,124,939	1,081,843	982,416
Fines	1,123,537	1,346,888	1,241,663	1,156,867
Other	10,760,698	6,956,788	5,442,861	4,988,822
Total revenues	79,645,129	113,943,899	80,371,666	64,893,563
Expenditures				
General government	4,319,296	4,221,591	4,225,009	4,066,268
Parks and recreation	3,965,717	3,766,106	4,926,209	4,564,356
Public safety	28,417,622	27,139,584	26,922,427	23,522,963
Public works	20,885,545	63,498,853	18,802,996	8,829,393
Community development	2,338,863	2,248,326	3,702,265	3,702,108
Non-departmental	4,031,368	2,919,036	5,535,248	5,380,002
Retirement contribution			2,108,989	2,085,382
Capital outlay	7,986,131	3,259,444	19,299,416	23,236,972
Debt service:				
Principal	3,590,680	4,787,845	9,813,918	3,661,674
Interest	1,615,844	2,786,442	3,246,883	2,863,804
Bond issue costs	75,219	-	80,592	120,031
Total expenditures	77,226,285	114,627,227	98,663,952	82,032,953
Excess of revenues over (under) expenditures	2,418,844	(683,328)	(18,292,286)	(17,139,390)
Other Financing Sources (Uses)				
Insurance proceeds	12,794,680	16,306,863	5,528,315	-
Issuance of bonds	34,020,000	-	5,530,000	9,801,416
Payment to refunded bond escrow agent	(31,669,936)			
Issuance of notes	4,000,000	7,000,000	2,000,000	-
Capital lease	-	897,699	-	-
Transfers in	28,184,393	3,255,948	17,378,176	21,421,773
Transfers out	(28,271,562)	(2,758,494)	(15,429,874)	(21,269,102)
Total other financing sources (uses)	19,057,575	24,702,016	15,006,617	9,954,087
Net change in fund balances	$ 21,476,419	$ 24,018,688	$ (3,285,669)	$ (7,185,303)
Debt services as a percentage of noncapital expenditures	7.6%	6.8%	16.6%	11.3%

Fiscal Year					
2003	2002	2001	2000	1999	1998
$ 16,494,797	$ 15,788,474	$ 15,570,922	$ 15,129,168	$ 14,235,254	$ 14,319,944
3,661,074	3,320,782	3,403,789	3,116,426	2,848,885	2,589,044
37,250,012	36,101,336	37,451,946	35,548,793	32,124,722	24,767,498
1,129,740	1,213,723	1,174,942	962,833	944,151	891,662
1,180,109	1,133,113	1,387,709	1,367,677	1,227,526	989,477
4,908,527	4,780,681	7,069,911	7,603,962	9,467,551	5,405,523
64,624,259	62,338,109	66,059,219	63,728,859	60,848,089	48,963,148
4,021,258	4,159,184	3,886,516	3,236,454	3,240,314	2,973,058
4,323,630	4,254,332	3,839,485	3,161,109	2,762,056	2,267,951
22,412,569	22,203,686	20,080,649	19,160,996	15,399,824	13,822,490
8,114,028	7,639,287	7,506,841	7,292,767	6,876,835	5,464,126
4,128,317	3,777,394	2,944,613	5,234,303	5,785,890	5,779,560
6,180,177	4,816,858	4,155,396	4,100,494	3,424,797	1,768,632
2,691,822	2,728,111	2,690,011	2,003,334	1,935,661	1,975,410
26,681,858	18,041,127	17,726,160	27,508,751	9,706,179	6,804,730
2,641,116	2,627,508	5,389,627	2,679,648	1,654,079	2,480,119
1,689,836	1,821,497	2,026,245	1,151,844	647,055	816,293
760,890	-	-	-	-	-
83,645,501	72,068,984	70,245,543	75,529,700	51,432,690	44,152,369
(19,021,242)	(9,730,875)	(4,186,324)	(11,800,841)	9,415,399	4,810,779
-	-	-	-	-	-
29,000,000	500,000	3,025,000	22,454,000	10,000,000	-
-	-	-	-	-	-
-	-	-	-	-	-
25,256,872	16,878,390	12,853,018	9,846,456	8,914,198	6,822,082
(24,846,156)	(16,259,161)	(15,702,744)	(13,238,995)	(9,246,845)	(8,740,964)
29,410,716	1,119,229	175,274	19,061,461	9,667,353	(1,918,882)
$ 10,389,474	$ (8,611,646)	$ (4,011,050)	$ 7,260,620	$ 19,082,752	$ 2,891,897
8.9%	8.2%	14.1%	8.0%	5.5%	8.8%

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

	Real Property (1)		Personal Property	
Fiscal Year Ended	**Assessed Value**	**Actual Value**	**Assessed Value**	**Actual Value**
2007	264,457,015	1,933,165,314	42,427,809	282,852,060
2006	367,933,781	2,689,574,423	97,968,890	653,125,933
2005	358,029,587	2,617,175,344	90,986,491	606,576,607
2004	349,059,331	2,551,603,297	87,534,512	583,563,413
2003	363,850,114	2,659,723,056	89,559,850	597,065,667
2002	364,674,681	2,665,750,592	86,133,392	574,222,613
2001	357,382,870	2,612,447,880	84,626,942	564,179,613
2000	171,458,879	1,253,354,379	70,078,864	467,192,427
1999	156,364,784	1,143,017,427	65,850,585	439,003,900
1998	145,958,532	1,066,948,333	62,375,669	415,837,793

(1) Class 1 – residential, owner occupied is assessed at 10% of true value.
Class 2 – commercial is assessed at 15% of true value
Above schedule uses estimated combined assessment ratio of 13.68% for real property.
(2) Fiscal year 2001 real property figures reflect completion of real property reappraisal by Harrison County.

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

		City of Biloxi		
Fiscal Year Ended	**Tax Year**	**Operating Millage**	**Debt Service**	**Total**
2007	2006	20.90	9.20	30.10
2006	2005	20.90	9.20	30.10
2005	2004	22.40	7.70	30.10
2004	2003	22.40	7.70	30.10
2003	2002	23.40	6.70	30.10
2002	2001	23.40	6.70	30.10
2001	2000	23.40	6.70	30.10
2000	1999	37.61	8.60	46.21
1999	1998	38.61	9.10	47.71
1998	1997	42.86	10.10	52.96

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.

Utilities		Automobiles		Total		
Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Ratio of Assessed to Actual
20,810,411	138,736,073	61,828,287	206,094,290	389,523,522	2,560,847,738	15.21%
21,956,503	146,376,687	54,004,362	180,014,540	541,863,536	3,669,091,583	14.77%
23,589,400	157,262,667	46,875,398	156,251,327	519,480,876	3,537,265,945	14.69%
23,673,558	157,823,720	49,958,644	166,528,813	510,226,045	3,459,519,243	14.75%
22,826,980	152,179,867	48,284,298	160,947,660	524,521,242	3,569,916,250	14.69%
23,614,559	157,430,393	46,417,107	154,723,690	520,839,739	3,552,127,288	14.66%
21,071,009	140,473,393	47,431,840	158,106,133	510,512,661	3,475,207,019	14.69%
18,344,995	122,299,967	43,529,432	145,098,107	303,412,170	1,987,944,880	15.26%
18,796,527	125,310,180	36,826,879	122,756,263	277,838,775	1,830,087,770	15.18%
18,389,461	122,596,407	32,473,483	108,244,943	259,197,145	1,713,627,476	15.13%

Harrison County			Biloxi School District				
Operating Millage	Debt Service	Total	Operating Millage	Debt Service	Total	Total Millage	Total City and School
34.35	2.14	36.49	30.44	7.59	38.03	104.62	68.13
34.14	2.35	36.49	30.58	7.45	38.03	104.62	68.13
33.39	2.31	35.70	29.01	9.02	38.03	103.83	68.13
33.51	2.19	35.70	32.34	4.34	36.68	102.48	66.78
32.90	2.80	35.70	30.84	4.34	35.18	100.98	65.28
32.45	3.25	35.70	27.09	4.34	31.43	97.23	61.53
32.80	3.40	36.20	26.59	4.34	30.93	97.23	61.03
40.06	3.36	43.42	36.50	2.60	39.10	128.73	85.31
41.32	2.10	43.42	35.00	2.60	37.60	128.73	85.31
41.42	2.00	43.42	35.00	2.60	37.60	133.98	90.56

Schedule 7
City of Biloxi
Principal Property Tax Payers
Current Year

	2007		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Assessed Valuation**
Beau Rivage	$ 31,748,528	1	8.15%
Imperial Palace	20,461,998	2	5.25%
Isle of Capri Casino	17,262,634	3	4.43%
Mississippi Power	11,439,334	4	2.94%
Bell South	7,325,814	5	1.88%
Grand Casino	7,086,868	6	1.82%
The New Palace Casino	5,901,676	7	1.52%
Casino Magic	3,761,241	8	0.97%
Mastar	2,834,956	9	0.73%
Boomtown Casino	1,330,737	10	0.34%
Total	$ 109,153,786		28.03%

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	23,611,125	23,088,759	97.79%	1,176,800	24,265,559	102.77%
2006	33,817,049	33,670,317	99.57%	1,094,228	34,764,545	102.80%
2005	32,839,579	32,332,482	98.46%	415,459	32,747,941	99.72%
2004	31,900,734	31,894,516	99.98%	434,597	32,329,113	101.34%
2003	32,263,406	32,095,387	99.48%	1,043,193	33,138,580	102.71%
2002	30,269,675	29,505,708	97.48%	446,975	29,952,683	98.95%
2001	29,595,998	28,845,271	97.46%	522,664	29,367,935	99.23%
2000	25,214,333	25,192,231	99.91%	221,892	25,414,123	100.79%
1999	22,924,382	22,911,971	99.95%	386,089	23,298,060	101.63%
1998	22,681,513	22,256,417	98.13%	218,831	22,475,248	99.09%

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

	Governmental Activities				Business-Type Activities	
Fiscal Year	General Obligation Bonds	Limited Obligation Bonds	Capital Leases	Other General Long-Term Debt	Water/ Sewer Revenue Bonds	SRF Loans
2007	$ 22,460,000	$ 34,020,000	$729,324	$ 14,011,023	$ -	$ 1,628,026
2006	24,995,000	30,405,000	897,699	10,542,312	-	1,628,026
2005	28,040,000	31,625,000	-	4,065,157	-	1,628,026
2004	26,946,849	32,785,000	-	6,282,226	-	1,746,170
2003	23,160,000	33,890,000	-	2,825,749	-	1,860,468
2002	19,090,000	11,280,000	-	3,146,865	-	1,970,978
2001	21,045,000	11,650,000	-	2,949,373	-	2,069,085
2000	26,009,000	12,000,000	-	-	160,000	1,158,604
1999	17,395,000	830,000	-	11,295	305,000	79,324
1998	8,960,000	910,000	-	20,374	440,000	1,316,669

Business-Type Activities				
Port Bonds	Other Loans	Total Primary Government	Percentage of Personal Income	Per Capita
$ 1,975,000	$ 2,787,113	77,610,486	Not Available	$ 1,750
2,680,000	1,000,000	72,148,037	Not Available	1,627
3,370,000	-	68,728,183	0.04%	1,377
4,050,000	-	71,810,245	0.04%	1,431
-	-	61,736,217	0.04%	1,245
-	-	35,487,843	0.07%	716
-	-	37,713,458	0.07%	757
-	-	39,327,604	0.06%	777
-	-	18,620,619	0.12%	390
-	-	11,647,043	0.19%	245

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

Fiscal Year Ended 9/30	Estimated Population	Acutal Value (3)	Gross General Obligation Debt (4)	Less Debt Service Fund	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Net Bonded Debt Per Capita
2007	44,342	2,560,847,737	36,077,648	3,716,525	32,361,123	1.26%	783
2006	44,342	3,669,091,583	35,115,160	3,651,761	31,463,399	0.86%	710
2005	49,904	3,537,265,945	31,662,672	4,421,727	27,240,945	0.77%	546
2004	50,185	3,459,519,243	32,766,849	5,549,995	27,216,854	0.79%	542
2003	49,604	3,569,916,250	25,504,357	5,588,664	19,915,693	0.56%	401
2002	49,551	3,552,127,288	21,736,865	3,926,622	17,810,243	0.50%	359
2001	49,803	3,475,207,019	23,994,373	3,920,177	20,074,196	0.58%	403
2000	50,644	1,987,944,880	26,169,000	3,817,572	22,351,428	1.12%	441
1999	47,759	1,830,087,770	17,395,000	3,914,477	13,480,523	0.74%	282
1998	47,448	1,713,627,476	8,960,000	2,607,639	6,352,361	0.37%	134

(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

Schedule 11
City of Biloxi
Direct and Overlapping
General Obligation Debt
As of September 30, 2007

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Applicable Percentage	Amount Applicable to City of Biloxi
Direct:			
City of Biloxi	$ 34,736,328	100.00%	$ 34,736,328
Overlapping:			
Biloxi School District	30,026,270	100.00%	30,026,270
Harrison County	138,551,641	27.52%	38,129,412
City of Biloxi Limited Tax Port Bonds (2)	1,975,000	27.52%	543,520
Total overlapping	170,552,911		68,699,202
Totals	$ 205,289,239		$ 103,435,530

(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.

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

	2007	2006	2005	2004
Debt Limit	$ 58,428,528	$ 81,279,530	$ 77,922,131	$ 78,301,512
Total net debt applicable to limit	33,460,000	31,995,000	31,662,672	32,766,849
Legal debt margin	$ 24,968,528	$ 49,284,530	$ 46,259,459	$ 45,534,663
Total net debt applicable to the limit as a percentage of the debt limit	57.27%	39.36%	40.63%	41.85%

Fiscal Year					
2003	2002	2001	2000	1999	1998
$ 76,764,019	$ 79,622,455	$ 78,393,382	$ 79,954,366	$ 42,331,542	$ 41,133,750
25,504,357	21,736,865	23,994,373	26,009,000	16,820,000	7,860,000
$ 51,259,662	$ 57,885,590	$ 54,399,009	$ 53,945,366	$ 25,511,542	$ 33,273,750
33.22%	27.30%	30.61%	32.53%	39.73%	19.11%

Legal Debt Margin Calculated
for Fiscal Year 2007

Assessed Value	$ 389,523,522
Debt Limit (15% of assessed value)	58,428,528
Debt applicable to limit:	
General obligation bonds	33,460,000
Total debt applicable to limit	33,460,000
Legal debt margin	$ 24,968,528

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

Fiscal Year Ended 9/30	Gross Revenues	Operating Expenses	Net Revenues Available for Debt Service	Debt Service Requirements (1)			
				Principal	Interest	Total	Coverage
2007	8,264,274	9,730,830	(1,466,556)	-	-	-	N/A
2006	7,212,180	9,925,146	(2,712,966)	-	-	-	N/A
2005	9,002,050	12,450,570	(3,448,520)	118,210	58,531	176,741	-1951.17%
2004	9,672,172	10,600,079	(927,907)	114,298	62,537	176,835	-524.73%
2003	9,545,558	10,158,286	(612,728)	110,510	66,335	176,845	-346.48%
2002	9,484,598	9,986,717	(502,119)	98,108	62,742	160,850	-312.17%
2001	8,857,508	9,630,775	(773,267)	235,698	55,346	291,044	-265.69%
2000	8,925,287	9,579,252	(653,965)	218,282	68,492	286,774	-228.04%
1999	8,676,964	8,031,633	645,331	207,474	52,958	260,432	247.79%
1998	7,581,089	6,987,718	593,371	178,164	68,965	247,129	240.11%

(1) State Pollution Control loans. Debt service deferred for 2006 and 2007.

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

Year	Estimated Population (1)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2007	44,342	Not available	4,816	6.0
2006	44,342	Not available	4,711	8.8
2005	50,209	$ 27,014	6,051	8.9
2004	50,279	26,531	6,132	5.4
2003	49,673	26,413	6,009	4.4
2002	49,576	25,383	5,854	5.1
2001	49,811	24,586	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

(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

Schedule 15
City of Biloxi
Principal Employers
Current Year

	2007	
Employer	**Employees**	**Rank**
Keesler Air Force Base	11,200	1
Beau Rivage Casino & Resort	2,891	2
Imperial Palace Casino Resort Spa	2,359	3
Hard Rock Hotel & Casino Biloxi	1,302	4
Grand Casino Biloxi	1,010	5
Biloxi Regional Medical Center	846	6
Biloxi Public School District	750	7
Isle of Capri Casino	710	8
City of Biloxi	689	9
Boomtown Biloxi Casino	681	10
Palace Casino Resort		
Total	22,438	

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

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

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

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

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

	Fiscal Year							
Function/Program	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**
Police								
Physical arrests	8,421	10,171	16,351	10,772	10,087	10,120	9,151	11,533
Parking violations	98	245	441	308	269	351	687	507
Traffic violations	3,197	5,622	7,838	10,274	15,729	12,319	19,682	19,997
Fire								
Emergency responses	5,873	5,729	5,117	3,939	3,427	3,427	3,093	2,821
Inspections	4,076	4,056	3,270	3,500	3,106	3,106	986	2,125
Water								
Average daily consumption (thousands of gallons)	5,414	5,910	5,739	7,713	8,002	8,002	8,242	8,333
Wastewater								
Average daily sewage treatment (thousands of gallons)	7,909	7,398	10,859	11,111	11,870	11,485	12,651	9,806

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

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

	Fiscal Year							
Function/Program	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**
Police								
Stations	1	1	1	1	1	1	1	1
Patrol Units	144	135	136	165	150	135	134	174
Fire Stations	9	9	9	9	8	8	8	7
Other public works								
Streets (miles)	215	215						
Traffic signals	40	40						
Parks and recreation								
Acreage	258	258	161	170	170	170	170	170
Playgrounds	17	17						
Ballfields	25	25						
Community centers	2	2	2	4	5	5	5	5
Water								
Water mains	234	234	234	234	231	231	230	225
Fire Hydrants	1,729	1,729						
Storage Capacity (thousands of gallons)	14,793	14,793	14,793	14,793	13,066	13,066	13,066	12,000
Wastewater								
Sanitary sewers	235	235	235	235	235	235	200	200
Treatment capacity (thousands of gallons)	21,582	21,582	21,582	21,582	21,582	18,924	18,924	18,924

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

Section IV

Compliance Section

City of Biloxi
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2007

Grantor Federal Agency/Pass-Through Agency/Program Title	Federal CFDA Number	Grant No. / Pass-Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Pass-through Mississippi Development Authority	14.219	R101-06-002-1	63,328
Department of Justice			
Direct Programs:			
Public Safety Partnership and Community Policing Grants	16.710	2003-CKWX-0406	315
Gang Resistance Education and Training (G.R.E.A.T)	16.737	2004JVFX0216	6,672
Pass-through Mississippi Department of Justice			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2005-DJ-BX-0253	31,663
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2006-DJ-BX-0307	25,797
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2007-F3237-MS DJ	510
Assistance Discretionary Grants Programs:			
Enforcing Underage Drinking Laws Program	16.727	05UA2041	7,105
Community Capacity Development Office	16.595	2005-WS-Q50199	39,452
Community Capacity Development Office	16.595	2006-WS-Q6-0038	23,892
HIDTA Tri-County Surveillance Grant	16.580	I6PGCP514Z	15,462
Total			150,868
Department of Agriculture			
Pass-through Natural Resources Conservation Service			
Stream Debris Removal	10.UNK	68-4423-6-1670	35,000
Department of Commerce			
Pass-through Mississippi Department of Environmental Quality			
Coastal Zone Management Administration Awards	11.419	MS.24.05	70,578
Department of Homeland Security			
Direct Programs:			
Community Disaster Loans	97.031		5,787,113
Pass-through Mississippi Emergency Management Agency			
Homeland Security Cooperative Agreement	97.067		139,894
Public Assistance Grants	97.036		32,476
Public Assistance Grants	97.036		6,900,469
Total			12,859,952
Department of Transportation			
Pass-through Mississippi Department of Transportation			
Highway Planning and Construction	20.205		9,333
Total Federal Financial Assistance			$ 13,189,059

See Independent Auditors' Report.

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

Culumber Fletcher Harvey & Associates, P.A.
Certified Public Accountants

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Robert L. Culumber, CPA
Dean A. Fletcher, CPA
David M. Harvey, CPA

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, 2007, which collectively comprise the City of Biloxi, Mississippi's basic financial statements and have issued our report thereon dated March 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation or a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

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

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

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

Biloxi, Mississippi
March 15, 2008

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

Culumber Fletcher Harvey & Associates, P.A.
Certified Public Accountants

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Robert L. Culumber, CPA
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David M. Harvey, CPA

Thomas E. Clifford, CPA

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, 2007. The City of Biloxi, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Biloxi, Mississippi's management. Our responsibility is to express an opinion on the City of Biloxi, Mississippi's compliance based on our audit.

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

In our opinion, the City of Biloxi, Mississippi complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

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

Certified Public Accountants

Biloxi, Mississippi
March 15, 2008

The City of Biloxi, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

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 disclosed an audit findings which is required to be reported under Section __.510(a) of OMB Circular A-133.

7. The major programs were:

Community Disaster Loans	97.031
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.

Mayor
A.J. Holloway

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

City Of BILOXI

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

The City of Biloxi, Mississippi
Summary Schedule of Prior Audit Findings
For the Year ended September 30, 2007

In response to your audit findings the following corrective action has been taken:

Audit Finding 06-1

Interest has been remitted to the granting agencies.