

Comprehensive Annual Financial Report

City of Biloxi, Mississippi

Fiscal Year Ended September 30, 2009

Comprehensive Annual Financial Report

City of Biloxi, Mississippi

Fiscal Year Ended September 30, 2009

Prepared by:

Department of Finance and Administration

City of Biloxi, Mississippi
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2009
Table of Contents

I INTRODUCTORY SECTION

Listing of City Officials	1
Letter of Transmittal	2
Certificate of Achievement	12
Organizational Chart	13

II FINANCIAL SECTION

Independent Auditors' Report	14
------------------------------	----

A. Management's Discussion and Analysis (required supplementary information)	16
---	----

B. Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Assets	21
Statement of Activities	22

Fund Financial Statements

Governmental Fund Financial Statements

Balance Sheet	23
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	24
Statement of Revenues, Expenditures, and Changes in Fund Balances	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund balances of Governmental Funds to the Statement of Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis – General Fund	27

Proprietary Fund Financial Statements

Statement of Net Assets	29
Statement of Revenues, Expenses, and Changes in Net Assets	30
Statement of Cash Flows	31

Notes to the Financial Statements	33
--	----

C. Required Supplementary Information (other than MD&A)

Pension Schedules

Schedules of Funding Progress	66
Schedule of Employer Contributions	66

D. Combining Financial Statements

Non-Major Governmental Funds

Balance Sheet	67
Statement of Revenues, Expenditures, and Changes in Fund Balance	68

Internal Service Funds

Statement of Net Assets	69
Statement of Revenues, Expenses and Changes in Fund Net Assets	70
Statement of Cash Flows	71

Budget to Actual Comparison for Other Major and Non-Major Governmental Funds by Fund Type

Debt Service Fund	72
Special Revenue Funds	
Community Development Block Grant	73
Employees' Disability & Relief Funds	74
Employees' State Unemployment Fund	75
City Bicentennial Trust Fund	76
Capital Projects Funds	77

Budget to Actual Comparison for the Operating Accounts of the Enterprise and Internal Service Funds

Water and Sewer Fund	78
Biloxi Port Fund	79
Internal Service Funds	80

E. Supplemental Information

Schedule of Investments – All Funds	81
Schedule of Long Term Debt	82
Schedule of Surety Bonds for Municipal Officials and Other Municipal Employees	83

III. STATISTICAL SECTION

Net Assets by Component	85
Changes in Net Assets	86
Fund Balances, Governmental Funds	88
Changes in Fund Balance	89
Assessed Value and Actual Value of Taxable Property	90
Direct and Overlapping Property Tax Rates	90
Principal Property Tax Payers	91
Property Tax Levies and Collections	92
Ratios of Outstanding Debt by Type	93
Ratios of General Bonded Debt Outstanding	94
Direct and Overlapping Governmental Activities Debt	95
Legal Debt Margin Information	96
Pledged-Revenue Coverage	97
Demographic and Economic Statistics	98
Principal Employers	99

Full-time Equivalent City Government Employees by Function/Program	100
Operating Indicators by Function/Program	101
Capital Asset Statistics by Function/Program	102

IV. COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	103
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 <i>Government Auditing Standards</i>	104
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	106
Schedule of Findings and Questioned Costs	108
Summary Schedule of Prior Audit Findings	109

SECTION I

INTRODUCTORY SECTION

City of Biloxi, Mississippi

Listing of City Officials as of September 30, 2009

Elected Officials

Mayor	A. J. Holloway
Councilman Ward 1	George Lawrence
Councilman Ward 2	William Stallworth
Councilman Ward 3	Lucy Denton
Councilman Ward 4	Clark Griffith
Councilman Ward 5	Tom Wall
Councilman Ward 6	Edward Gemmill
Councilman Ward 7	David Fayard

Appointed Officials

City Clerk.....	Brenda Johnston
Clerk of Council.....	Lucy Brashier
Director of Administration.....	David Staehling
Director of Police Department	John Miller
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

May 13, 2010

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, 2009. 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, 2009 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 Piltz, Williams, LaRosa & Company, PA, an independent firm of Certified Public Accountants. The objective of the auditor's work is to provide the auditor with a basis upon which to express an opinion on the fairness of the City's financial statements. The auditor's opinion is included in The Financial Section of this report. The auditor's work involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation.

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

Managements Discussion and Analysis

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

Profile of the City of Biloxi (The Reporting Entity)

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

Long-Term Financial Planning

The City's five year projection of operating results indicates that revenue enhancements and cost control measures are required to prevent unmanageable declines in fund balances and working cash balances in the near future. For the last two years the City's General Fund balance has been used to pay recurring operating expenses. Fund balance is not a recurring resource therefore, its use to pay recurring operating expenses cannot continue indefinitely. The City has a large backlog of Federally funded capital projects that will require advance funding with inter-fund loans from the City's General Fund to the City's Capital Projects Fund. If the General Fund fund balance continues to decline, cash resources, which are a major part of General Fund fund balance, may be exhausted.

Economic Condition and Outlook

In response to the national economic contraction, City management initiated policies to restrict expenditures early in fiscal 08/09 including a policy of attrition and a hiring freeze.

The City's Water and Sewer Fund cash and fund balance has declined to a point where it may require supplementation with cash resources from the General Fund and other reserves. The City's governing authority has committed to annual reviews of its public utility fee structure with the goal of stabilizing its Water and Sewer Enterprise Fund.

Ad valorem tax revenue has continued to recover from the effects of Hurricane Katrina which impacted property tax revenue in fiscal year 06/07. The City has not changed its ad valorem tax rate since fiscal year 2001 when it decreased the rate by 34.8 percent. Ad valorem tax revenue increased by 18 percent over 2008 due to recovery in the City's tax base. As shown in Figure 1 below, the City's gaming tax and sales tax totals for 08/09 showed moderate impact by the national recession. The following charts disclose financial data for the City's governmental funds including the General Fund, Special Revenue, Capital Projects Funds, Debt Service Funds.

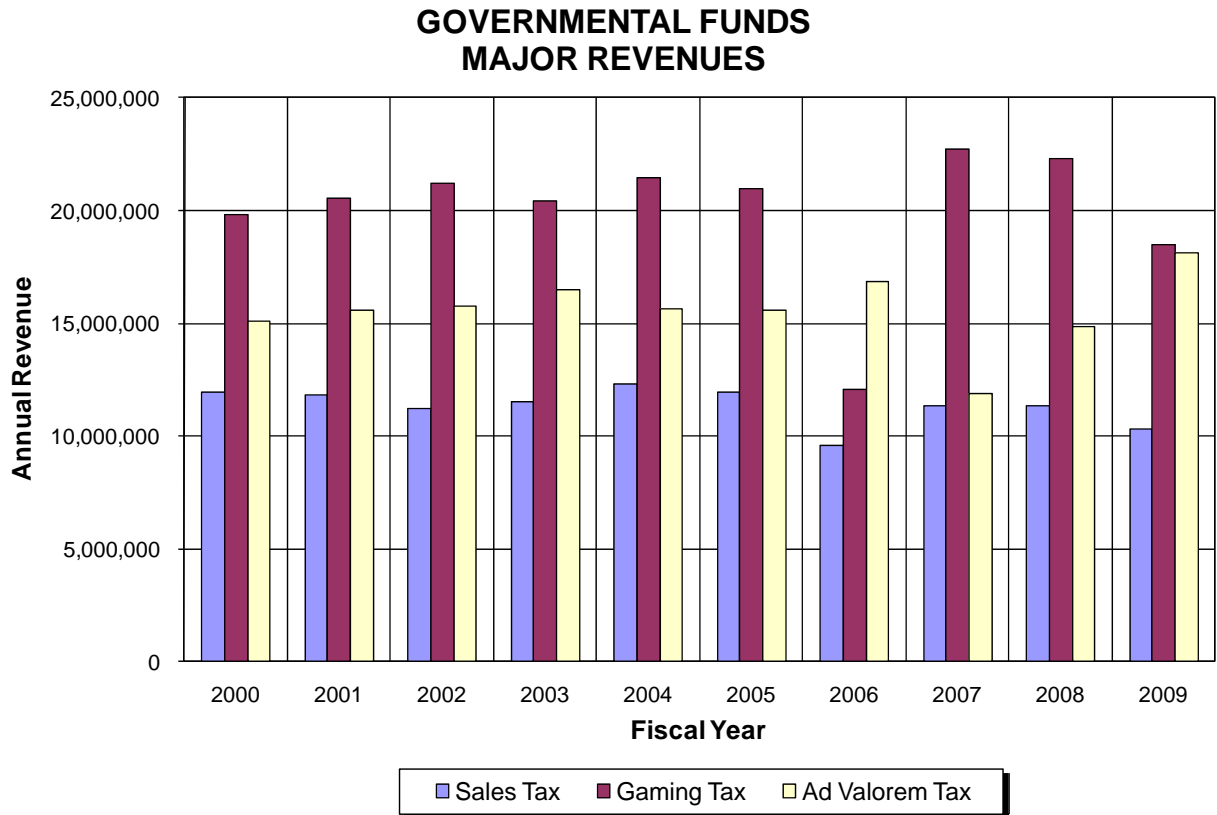


Figure 1

The amount of construction and reconstruction in fiscal 08/09 declined from a post-Katrina peak in 06/07 as measured by the number and value of building permits issued. The City issued 4,740 building permits with a total valuation of \$120,846,265. (Fig. 2). City management expects an increase in construction activity in 09/10 due to the progress of several planned developments.

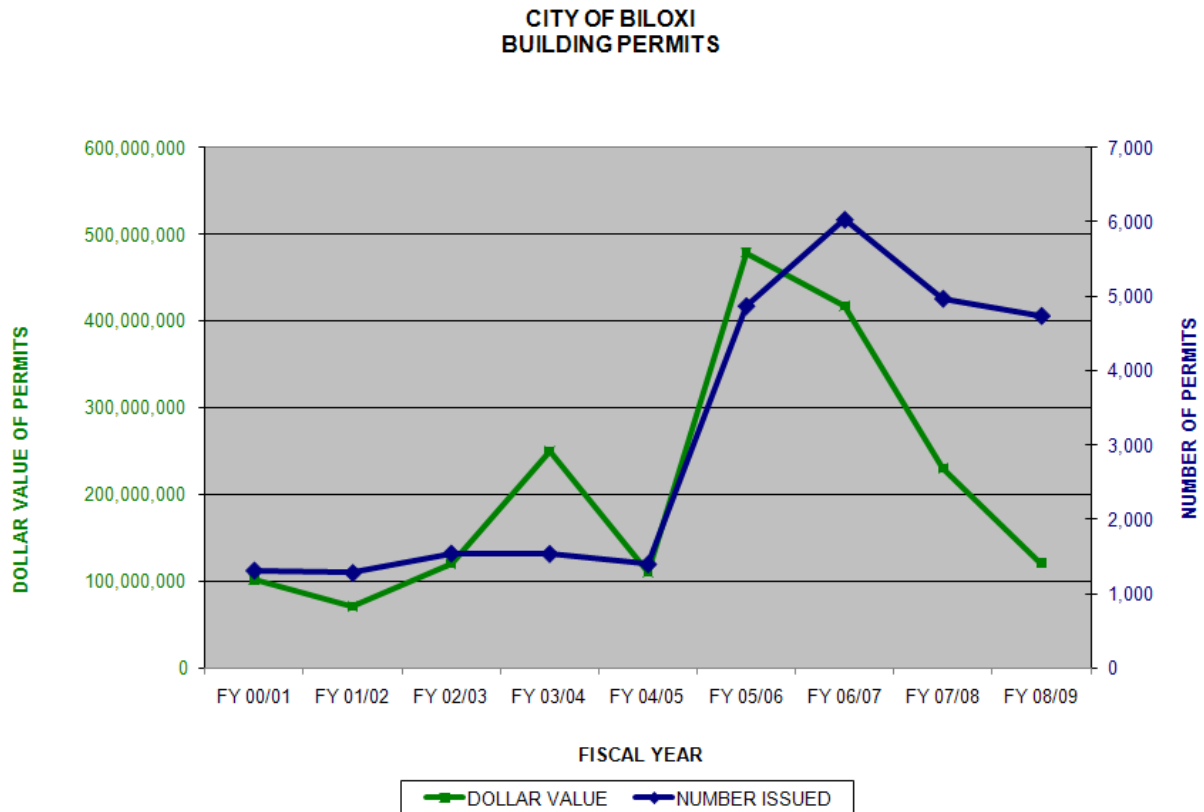


Figure 2

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. Usually, the City's three largest sources of recurring revenues for general governmental activities are gaming tax, ad valorem tax and sales tax. In FY 08/09 the City received \$4.3 million in operating grants and \$10.5 million in capital grants for its governmental activities. The largest granting Federal Departments were the Department of Homeland Security (FEMA), the Department of Transportation and the Department of Housing and Urban Development. Federal grant revenues are included in Other Intergovernmental.

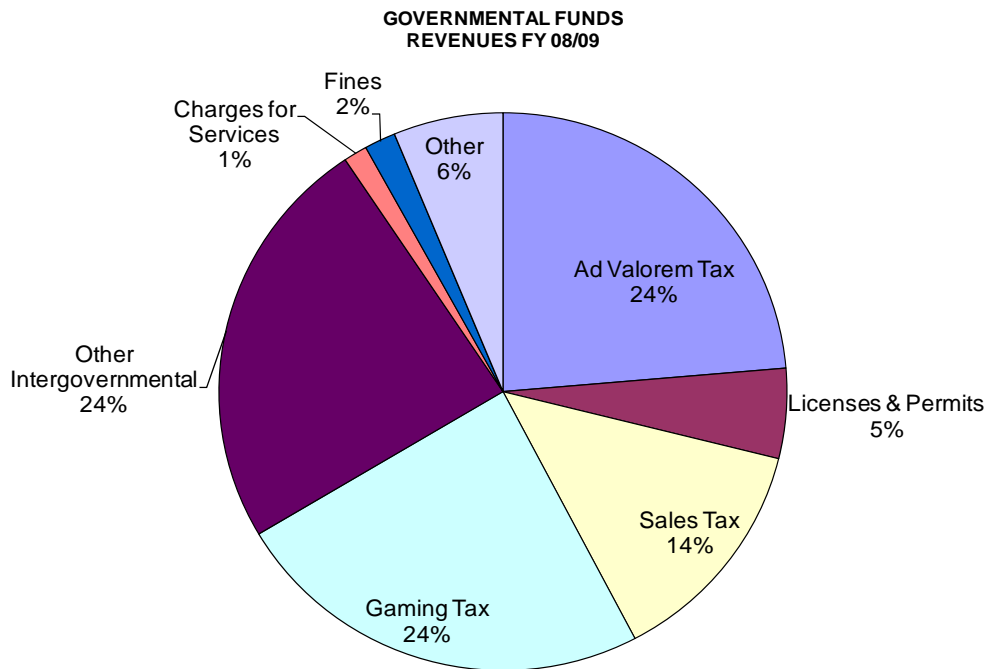


Figure 3

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

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

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

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

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

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

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

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

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

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

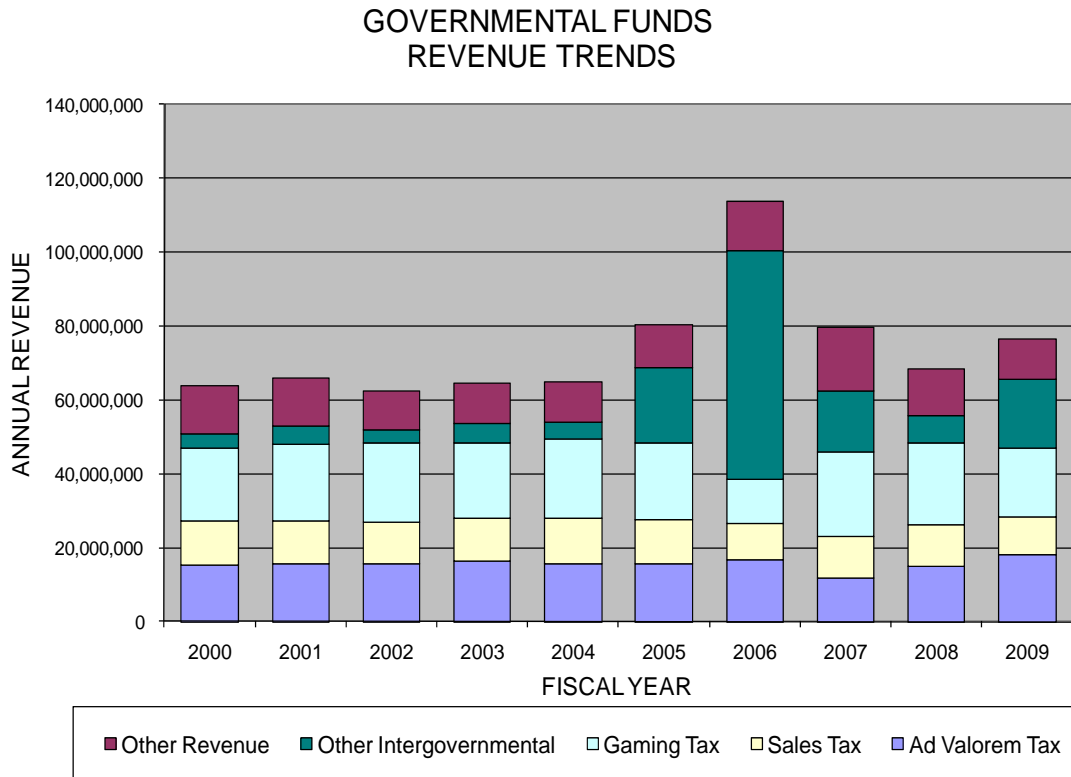


Figure 4

General Governmental Expenditures

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

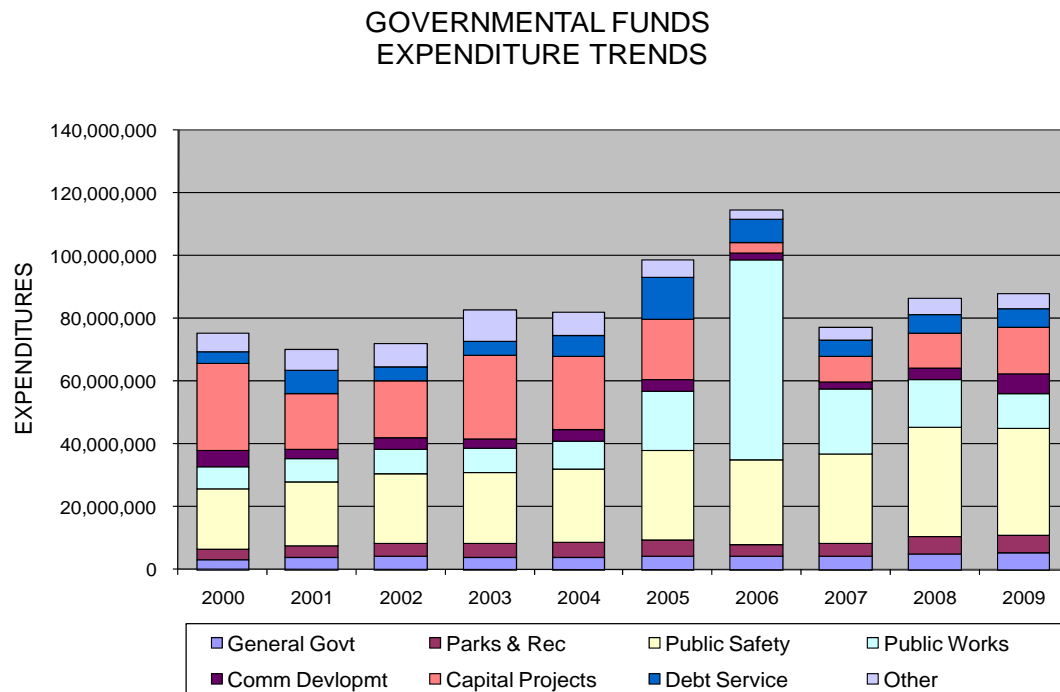


Figure 5

Water and Sewer Fund

The City of Biloxi provides water production and distribution and sewer collection and treatment services. The City accounts for the cost of these services and related revenues in an enterprise fund. The City's goal is to pay the cost of the services with the revenue generated by billing customers for their use of the service. In 2005 the City lost approximately twelve percent of its customer base to the destruction of Hurricane Katrina.

A large portion of the cost of water/sewer service is the City's share of the debt service of the Harrison County Utility Authority, which provides sewer treatment service. Because the debt service is a "fixed" cost (does not vary due to the number of customers served) the City's rates, applied to the consumption of the reduced number of customers, did not generate revenue sufficient to cover the cost of services. This condition has caused a decline in the financial condition of the City's Water and Sewer Enterprise Fund which is demonstrated by the following chart which presents the unrestricted net assets of the fund at the end of each fiscal year. At the end of fiscal year 08/09 the city increased water/sewer rates by approximately 150 percent. The City's governing authority has committed to annual cost and rate adjustments in order to reach and maintain 100 percent cost recovery.

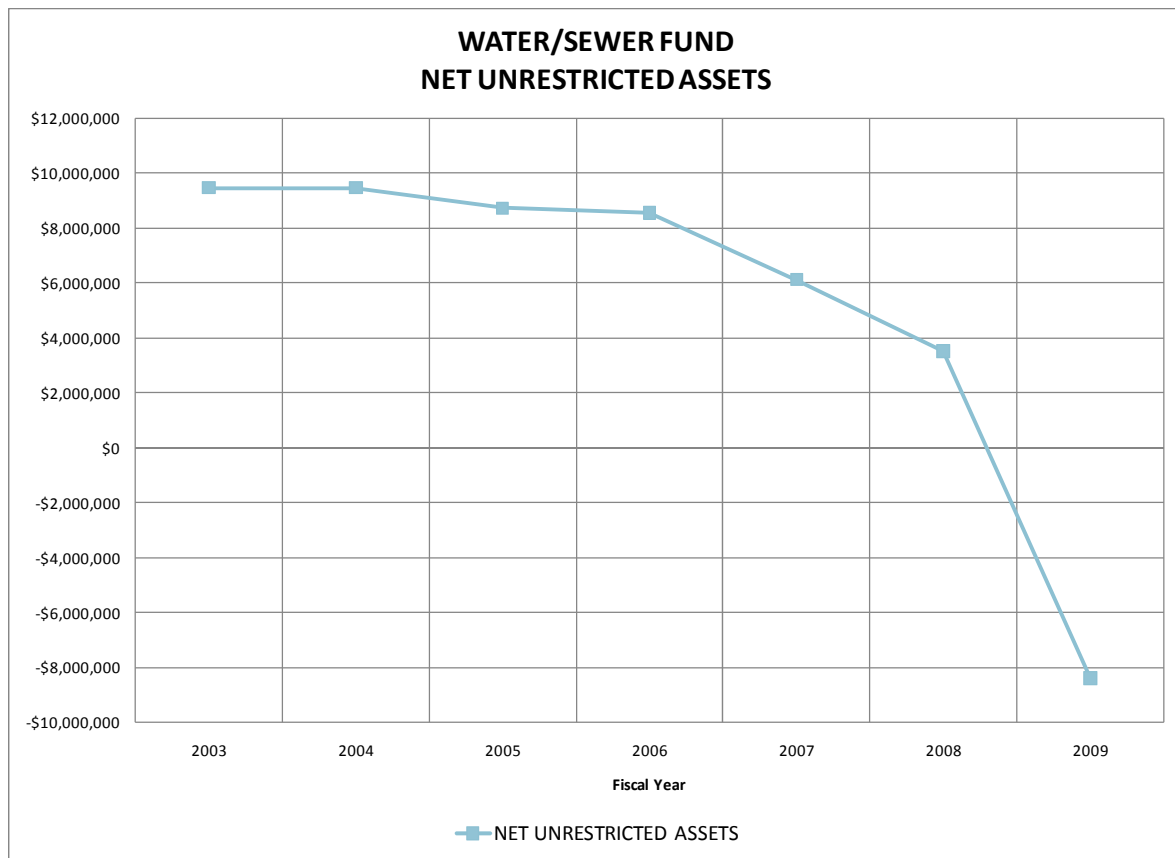


Figure 6

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.

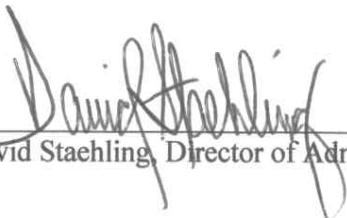
Risk Management

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

The Federal Emergency Management Agency has obligated \$490,629,066 of grant funding for Hurricane Katrina recovery in the City of Biloxi. The City has allocated \$22,955,600 of insurance proceeds toward this work which will cost an estimated \$513,584,666. Approximately \$358,680,000 of this cost is related to water, sewer and drainage infrastructure repairs. The City has hired HNTB Corporation to manage the infrastructure repair program. City management is cognizant of the fact that this amount of capital outlay, financed with federal funding, will require significant attention over the next few years. City management believes that this federally funded investment will significantly improve the City's infrastructure and provide future operating and maintenance cost savings.

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, 2008

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



A stylized, handwritten signature in black ink.

President

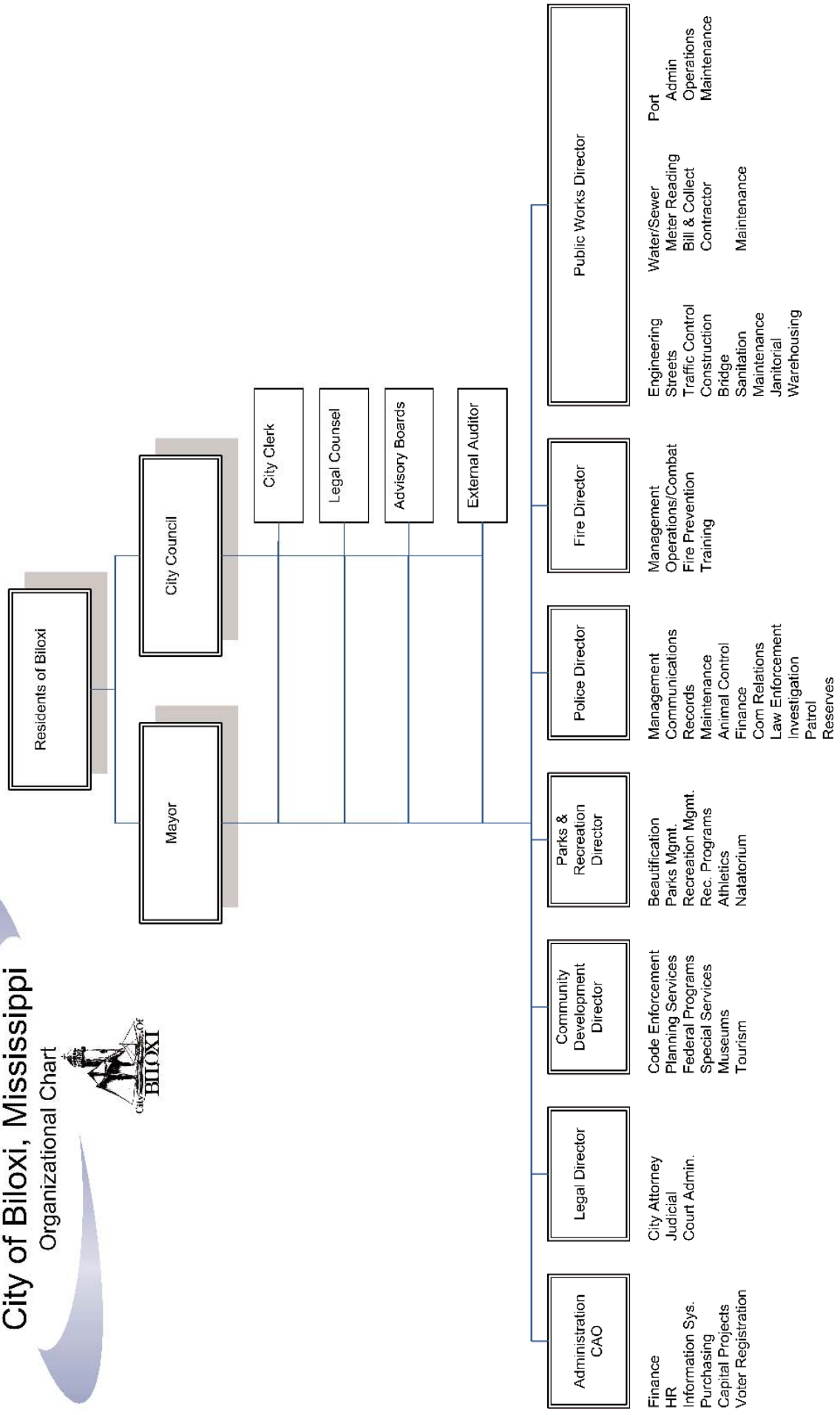
A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

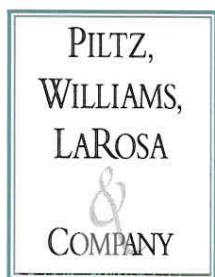


City of Biloxi, Mississippi

Organizational Chart



SECTION II
FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS
A Professional Association

MEMBERS
American Institute of CPAs
AICPA Division of CPA firms
Private Companies Practice Section
Mississippi Society of CPAs

Stephen P. Theobald, CPA, CVA
Margaret D. Closson, CPA
Darrell L. Galey, CPA
Michael D. O'Neill, CPA
John D. Prentiss, CPA
Eric B. Bland, CPA

Gerald Piltz, CPA (Retired)
Stanford A. Williams, Jr., CPA (Retired)
Sam J. LaRosa, Jr., CPA (Retired)
William S. Thompson, CPA (Retired)
Gene M. Clark, Jr., CPA (Retired)

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, 2009 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.

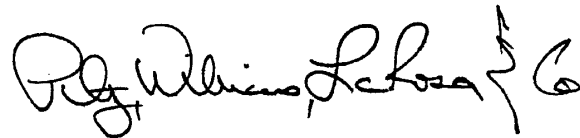
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of September 30, 2009 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 May 13, 2010, on our consideration of the City of Biloxi, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

A handwritten signature in black ink, appearing to read "R. J. Williams & Co.", with a stylized flourish at the end.

Certified Public Accountants

Biloxi, Mississippi
May 13, 2010

Management's Discussion and Analysis

City of Biloxi, Mississippi Management's Discussion and Analysis

Brief Discussion of the Basic Financial Statements

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

Government-wide financial statements 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. The government-wide financial statements present information for both governmental funds and proprietary funds on the accrual basis of accounting.

Fund financial statements follow the government-wide statements. These statements present the balance sheets and the statement of revenues, expenditures and changes in fund balance of the City's funds. The fund financial statements present governmental funds on the modified accrual basis of accounting. Some examples of the differences between the government-wide financial statements and the governmental fund financial statements, inherent in the differences in the basis of accounting are:

Under the modified accrual basis of accounting, capital outlays are expenditures of resources with no offsetting capital asset increase because capital assets are not shown on the balance sheet.

Principal payments on long-term debt are reported as expenditures with no offsetting reduction of liabilities because long-term liabilities are not shown on the balance sheet.

The proceeds of debt borrowing is reported as an increase (inflow) of expendable resources with no offsetting increase in liabilities.

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

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

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

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

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

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

Table 1
City of Biloxi
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 80,131,738	\$ 91,121,476	\$ 8,083,454	\$ 15,827,611	\$ 88,215,192	\$ 106,949,087
Capital assets	220,489,214	207,718,992	64,772,510	50,737,160	285,261,724	258,456,152
Total assets	<u>\$ 300,620,952</u>	<u>\$ 298,840,468</u>	<u>\$ 72,855,964</u>	<u>\$ 66,564,771</u>	<u>\$ 373,476,916</u>	<u>\$ 365,405,239</u>
Current & other liabilities	\$ 13,131,034	\$ 16,868,825	\$ 15,820,337	\$ 4,556,599	\$ 28,951,371	\$ 21,425,424
Long-term liabilities	70,220,094	71,030,540	5,717,484	5,979,353	75,937,578	77,009,893
Total liabilities	<u>83,351,128</u>	<u>87,899,365</u>	<u>21,537,821</u>	<u>10,535,952</u>	<u>104,888,949</u>	<u>98,435,317</u>
Net assets						
Investment in capital assets						
net of related debt	162,209,803	148,298,408	61,716,508	47,402,255	223,926,311	195,700,663
Restricted	35,399,734	30,633,195	1,105,935	1,121,037	36,505,669	31,754,232
Unrestricted	19,660,287	32,009,500	(11,504,300)	7,505,527	8,155,987	39,515,027
Total net assets	<u>\$ 217,269,824</u>	<u>\$ 210,941,103</u>	<u>\$ 51,318,143</u>	<u>\$ 56,028,819</u>	<u>\$ 268,587,967</u>	<u>\$ 266,969,922</u>

Table 2
City of Biloxi
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues						
Charges for services	\$ 7,571,286	\$ 7,444,960	\$ 9,015,436	\$ 9,044,051	\$ 16,586,722	\$ 16,489,011
Operating grants	4,311,030	2,453,282	-	-	4,311,030	2,453,282
Capital grants and contributions	9,135,507	2,476,562	1,379,466	7,222,126	10,514,973	9,698,688
General revenues						
Property taxes	18,125,894	14,850,437	209,134	229,178	18,335,028	15,079,615
Sales taxes	10,309,316	11,162,329	-	-	10,309,316	11,162,329
Gaming taxes	19,631,434	22,030,475	-	-	19,631,434	22,030,475
Franchise taxes	3,095,826	2,968,811	-	-	3,095,826	2,968,811
Other revenue	7,380,116	3,664,778	46,799	344,644	7,426,915	4,009,422
Total revenues	<u>79,560,409</u>	<u>67,051,634</u>	<u>10,650,835</u>	<u>16,839,999</u>	<u>90,211,244</u>	<u>83,891,633</u>
Expenses						
General government	6,289,441	5,545,240	-	-	6,289,441	5,545,240
Parks and recreation	5,892,707	5,720,051	-	-	5,892,707	5,720,051
Public safety	39,554,918	36,120,835	-	-	39,554,918	36,120,835
Public works	12,174,671	18,051,184	-	-	12,174,671	18,051,184
Community development	7,633,964	4,332,445	-	-	7,633,964	4,332,445
Unallocated depreciation	2,355,172	2,292,270	-	-	2,355,172	2,292,270
Interest on long-term debt	2,750,274	2,866,857	-	-	2,750,274	2,866,857
Water and sewer service	-	-	13,064,571	11,475,922	13,064,571	11,475,922
Port Fund activities	-	-	1,594,012	1,653,803	1,594,012	1,653,803
PCDC activities	-	-	471	18,851	471	18,851
Total expenses	<u>76,651,147</u>	<u>74,928,882</u>	<u>14,659,054</u>	<u>13,148,576</u>	<u>91,310,201</u>	<u>88,077,458</u>
Increase (decrease) in net assets						
before transfers	2,909,262	(7,877,248)	(4,008,219)	3,691,423	(1,098,957)	(4,185,825)
Transfers	3,419,459	677,019	(702,459)	(677,019)	2,717,000	-
Net increase (decrease) in net assets	6,328,721	(7,200,229)	(4,710,678)	3,014,404	1,618,043	(4,185,825)
Net assets, beg of year - as restated	210,941,103	218,141,332	56,028,819	53,014,415	266,969,922	271,155,747
Net assets, end of year	<u>\$ 217,269,824</u>	<u>\$ 210,941,103</u>	<u>\$ 51,318,141</u>	<u>\$ 56,028,819</u>	<u>\$ 268,587,965</u>	<u>\$ 266,969,922</u>

Overall Financial Position and Results of Operations

The net assets of governmental activities increased by \$6.3 million even though fund balances of governmental funds declined by \$7.9 million. The positive change in net assets is reconciled to the negative change in fund balances of governmental funds in the schedule titled Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities. One major reconciling item is capital expenditures which decrease fund balance in the governmental fund financial statements. These capital expenditures are reported as increases in capital assets in the Statement of Net Assets rather than as an expense on the statement of Changes in Net Assets.

The net assets of business-type activities (Water and Sewer Fund and Port Fund) declined by \$4,710,678 during FY 08/09. Water and Sewer revenues were not adequate, under the existing rate structure and with the realized consumption quantities, to cover operating costs and depreciation. At the end of fiscal 08/09, the City of Biloxi governing authority increased water and sewer billing rates. The rate increase will be effective for fiscal 09/10.

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 08/09 with a General Fund balance of \$39 million and ended the year with a fund balance of \$27.4 million. The decrease of \$11.6 million is attributable to deficit spending, capital project and debt service funding. For the last two fiscal years, 07/08 and 08/09, the governing authority budgeted spending that

exceeded projected revenues. In these two years, the City has drawn down the General Fund balance by \$30 million. Approximately \$19 million of the two year draw down is attributable to deficit spending in the City's General Fund.

Debt Service Fund – During FY 08/09 the City increased the fund balance of the City's Debt Service Fund by \$4.3 million, ending the year with \$10.8 million in fund balance. \$3.5 million of the increase resulted from transfers to the Special Community Disaster Loan Sinking Fund. The Special Community Disaster Loans are operating loans the City received from the Federal Emergency Management Agency, Department of Homeland Security. The loans totaled \$13.7 million. The money was borrowed in 2006 and 2007 to pay operating costs following Hurricane Katrina. The loans were for a period of 5 years and may be extended another five years. The City has accumulated \$6.9 million to re-pay the loans. The remaining fund balance in the City's debt service funds is required to pay principal and interest maturities due at the beginning of each fiscal year before ad valorem tax revenues collections for the year are sufficient to cover debt service for the year. Ad valorem tax revenue is the primary resource of the Debt Service Fund for payment of interest and principal.

Water and Sewer Fund – Revenues and other Water and Sewer Fund resources were not adequate to pay the cost of operations. The Water and Sewer Fund incurred an operating loss of \$5.4 million including depreciation expense of \$2.2 million. The City's water and sewer rates were 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. At the end of fiscal 08/09 the Governing Authority increased water and sewer rates by approximately 150 percent. The new rates are to be effective for fiscal 09/10. The City's governing authority is aware that further increases in rates may be necessary in order to stabilize the Water/Sewer Enterprise fund.

General Capital Projects Fund – The General Capital Projects Fund holds insurance claim proceeds which will be expended as projects progress. The decline in fund balance of the General Capital Projects Fund resulted from expenditure of this resource.

Budget Variances in the General Fund

The Basic Financial Statements include a budget to actual comparison for the City's General Fund revenues and expenditures. The comparison is made on the cash basis which differs from modified accrual because receivables and payables are not recognized. An explanation of the budget basis is provided in Note II.A. For FY 08/09 the City's governing authority budgeted a reduction in the City's General Fund, budget basis fund balance of \$23.7 million. At year-end, the actual reduction was only \$6.2 million. The City's General Fund, budget basis fund balance fell from \$27 million to \$20.7 million. Revenues of the City's General Fund were below expectations by \$3.1 million. However, management was able to keep actual expenditures below the budgeted expenditures by \$14.7 million. Net transfers-out were below budget by \$5.9 million. During the year the City Council amended the budget, primarily, for grant awards and related expenditures.

Capital Assets Activity

During FY 08/09 the City increased its investment in capital assets for governmental activities by \$12.7 million, net of dispositions and depreciation. For business type activities (Water/Sewer and Port) the City increased its investment in capital assets by \$14,035,350 after dispositions and depreciation of \$4 million. Most of the additions were for construction of facilities and infrastructure. Much of the City's capital outlay was financed by FEMA grants. See Detail Note III. F, for additional information concerning capital asset activity for the fiscal year ended September 30, 2009.

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 pollution control loans. These outstanding debts totaled \$76,542,602 at the beginning of the fiscal year 08/09. During the fiscal year 08/09, the City paid \$4,145,792 of principal and paid \$2,603,009 of interest on all debt. The City borrowed \$2,717,000 from the Mississippi Development Bank to fund capital project spending. So, total outstanding debt was reduced by \$1.4 million. In the Supplemental Information section of the financial report is a schedule titled Schedule of Long-Term Debt which discloses the beginning balances of each debt, new debt incurred and the principal amount paid during the year.

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

Standard & Poor's Rating Services raised its standard long-term rating and Standard & rating has been BBB+/Stable since 2006.

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

Contact Information

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

Basic Financial Statements

City of Biloxi
Statement of Net Assets
September 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 56,128,491	\$ 3,629,466	\$ 59,757,957
Restricted cash and cash equivalents	-	1,483,873	1,483,873
Investments	3,399,166	1,105,935	4,505,101
Receivables			
Taxes	5,480,540	-	5,480,540
Customer accounts, net	74,248	963,850	1,038,098
Grants	1,618,110	764,426	2,382,536
Other	1,894,036	21,800	1,915,836
Prepays	1,184,608	-	1,184,608
Net pension obligation	10,208,932	-	10,208,932
Inventories	-	114,104	114,104
Mortgage loans receivable	78,690	-	78,690
Land inventory	64,917	-	64,917
Capital assets			
Land and construction in progress	78,965,239	23,576,707	102,541,946
Other (net of accumulated depreciation)	141,523,975	41,195,803	182,719,778
Total assets	<u>\$ 300,620,952</u>	<u>\$ 72,855,964</u>	<u>\$ 373,476,916</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 11,963,140	\$ 490,101	\$ 12,453,241
Accounts payable from restricted assets	-	25,622	25,622
Customer deposits payable from restricted assets	-	990,211	990,211
Accrued interest	897,355	223,958	1,121,313
Internal balances	(13,739,127)	13,739,127	-
Unearned revenue	858,684	-	858,684
Noncurrent liabilities			
Due within one year:			
Bonds and notes	3,913,550	294,896	4,208,446
Compensated absences	1,618,078	56,422	1,674,500
Claims payable from restricted assets	7,619,354	-	7,619,354
Due beyond one year:			
Bonds and notes	65,365,861	5,548,219	70,914,080
Compensated absences	4,854,233	169,265	5,023,499
Total liabilities	<u>83,351,128</u>	<u>21,537,821</u>	<u>104,888,949</u>
Net assets			
Invested in capital assets, net of related debt	162,209,803	61,716,508	223,926,311
Restricted for			
Public safety	2,637,491	-	2,637,491
Debt service	10,826,182	380,391	11,206,573
Capital improvements	21,905,923	725,544	22,631,467
Endowment, expendable	30,138	-	30,138
Unrestricted	19,660,287	(11,504,300)	8,155,987
Total net assets	<u>\$ 217,269,824</u>	<u>\$ 51,318,143</u>	<u>\$ 268,587,967</u>

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

City of Biloxi, Mississippi
Statement of Activities
For the Fiscal Year Ended September 30, 2009

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Governmental Activities						
General Government	\$ 6,289,441	\$ 1,506	\$ 883,211	\$ -	\$ (5,404,724)	\$ -
Parks and Recreation	5,892,707	407,165	-	1,993,682	(3,491,860)	-
Public Safety	39,554,918	1,462,173	921,156	-	(37,171,589)	-
Public Works	12,174,671	585,385	822,085	6,165,640	(4,601,561)	-
Community Development	7,633,964	5,115,057	1,684,578	976,185	141,856	-
Unallocated depreciation, infrastructure	2,355,172	-	-	-	(2,355,172)	-
Interest and other, long-term debt	2,750,274	-	-	-	(2,750,274)	-
Total Governmental Activities	76,651,147	7,571,286	4,311,030	9,135,507	(55,633,324)	-
Business-Type Activities						
Water and Sewer	13,064,569	7,519,605	-	1,379,094	-	(4,165,870)
Biloxi Port Fund	1,594,012	1,470,994	-	372	-	(122,646)
Point Cadet Development Corporation	471	24,837	-	-	-	24,366
Total business-type activities	14,659,052	9,015,436	-	1,379,466	-	(4,264,150)
Total Primary Government	\$ 91,310,199	\$ 16,586,722	\$ 4,311,030	\$ 10,514,973	(55,633,324)	(59,897,474)
General revenues						
Property taxes					18,125,894	209,134
Sales taxes					10,309,316	-
Gaming taxes					19,631,434	-
Franchise and utility taxes					3,095,826	-
Other taxes					711,062	-
Grants and contributions not restricted to specific programs					6,018,256	-
Unrestricted Investment Earnings					399,787	46,799
Miscellaneous					251,011	-
Transfers					3,419,459	(702,459)
Total general revenues and transfers					61,962,045	(446,526)
Change in net assets					6,328,721	(4,710,676)
Net Assets - beginning of period					210,941,103	56,028,819
Net assets - end of period					\$ 217,269,824	\$ 51,318,143

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

City of Biloxi, Mississippi
Balance Sheet
Governmental Funds
September 30, 2009

	General Fund	General Capital Projects Fund	Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 15,786,046	\$ 20,431,104	\$ 10,027,982	\$ 585,264	\$ 46,830,396
Investments	-	-	1,132	2,156,326	2,157,458
Receivables:					
Taxes	5,407,974	-	48,791	23,865	5,480,630
Customer accounts, net	50,935	-	-	-	50,935
Grants	39,829	1,353,977	-	224,304	1,618,110
Other	1,121,565	-	795,695	-	1,917,260
Due from other city funds	6,175,624	13,821,382	-	-	19,997,006
Prepays	1,184,608	-	-	-	1,184,608
Mortgage loans receivable	-	-	-	78,690	78,690
Land inventory	-	-	-	64,917	64,917
Total assets	<u>\$ 29,766,581</u>	<u>\$ 35,606,463</u>	<u>\$ 10,873,600</u>	<u>\$ 3,133,366</u>	<u>\$ 79,380,010</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable and accrued liabilities	\$ 2,285,130	\$ 8,557,799	\$ 47,418	\$ 1,072,793	\$ 11,963,140
Due to other city funds	-	6,350,086	-	113,700	6,463,786
Deferred revenue	23,404	835,281	-	-	858,685
Total liabilities	<u>2,308,534</u>	<u>15,743,166</u>	<u>47,418</u>	<u>1,186,493</u>	<u>19,285,611</u>
Fund Balances					
Reserved for					
Public safety	2,637,491	-	-	-	2,637,491
Prepaid expenses	1,184,608	-	-	-	1,184,608
Loans receivable	-	-	-	78,690	78,690
Land inventory	-	-	-	64,917	64,917
Debt service	-	-	10,826,182	-	10,826,182
Endowment, expendable	-	-	-	30,138	30,138
Capital projects funds	-	19,863,297	-	2,042,626	21,905,923
Unreserved reported in					
General fund					
Designated for capital projects	8,927,335	-	-	-	8,927,335
Undesignated	14,708,613	-	-	-	14,708,613
Special revenue funds	-	-	-	(269,498)	(269,498)
Total fund balances	<u>27,458,047</u>	<u>19,863,297</u>	<u>10,826,182</u>	<u>1,946,873</u>	<u>60,094,399</u>
Total liabilities and fund balances	<u>\$ 29,766,581</u>	<u>\$ 35,606,463</u>	<u>\$ 10,873,600</u>	<u>\$ 3,133,366</u>	<u>\$ 79,380,010</u>

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

City of Biloxi, Mississippi
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
September 30, 2009

Total fund balances of governmental funds in the balance sheet, page 23		\$ 60,094,399
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.		220,489,214
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.		3,126,356
Net pension obligation		10,208,932
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.		(897,355)
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	(17,436,183)	
Bonds payable	(51,130,000)	
Capital leases payable	(713,228)	
Compensated absences	(6,472,311)	(75,751,722)
Net assets of governmental activities, page 21		<u><u>\$ 217,269,824</u></u>

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

City of Biloxi, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2009

	General Fund	General Capital Projects Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Ad valorem taxes	\$ 9,534,067	\$ -	\$ 6,015,998	\$ 2,575,829	\$ 18,125,894
Licenses and permits	4,006,293	-	-	-	4,006,293
Intergovernmental	34,463,283	10,361,458	829,302	1,680,878	47,334,921
Charges for services	1,035,225	-	-	-	1,035,225
Fines	1,361,195	-	-	-	1,361,195
Other	4,571,000	-	56,219	151,674	4,778,893
Total revenues	<u>54,971,063</u>	<u>10,361,458</u>	<u>6,901,519</u>	<u>4,408,381</u>	<u>76,642,421</u>
Expenditures					
Current					
General government	5,525,073	-	-	24,748	5,549,821
Parks and recreation	5,316,864	-	-	-	5,316,864
Public safety	31,377,806	-	-	2,575,829	33,953,635
Public works	11,340,820	-	-	-	11,340,820
Community development	3,627,400	-	-	2,796,595	6,423,995
Non-departmental	4,826,960	-	-	-	4,826,960
Debt service					
Principal retirement	-	-	3,621,661	-	3,621,661
Interest and other	-	-	2,454,374	-	2,454,374
Capital outlay, projects	-	14,560,072	-	-	14,560,072
Total expenditures	<u>62,014,923</u>	<u>14,560,072</u>	<u>6,076,035</u>	<u>5,397,172</u>	<u>88,048,202</u>
Excess (deficiency) of revenues over expenditures	<u>(7,043,860)</u>	<u>(4,198,614)</u>	<u>825,484</u>	<u>(988,791)</u>	<u>(11,405,781)</u>
Other financing sources (uses)					
Issuance of note	-	2,717,000	-	-	2,717,000
Transfers in	200,262	2,642,640	3,476,005	357,024	6,675,931
Transfers out	<u>(4,780,423)</u>	<u>-</u>	<u>-</u>	<u>(1,193,048)</u>	<u>(5,973,471)</u>
Total other financing sources (uses)	<u>(4,580,161)</u>	<u>5,359,640</u>	<u>3,476,005</u>	<u>(836,024)</u>	<u>3,419,460</u>
Net change in fund balance	<u>(11,624,021)</u>	<u>1,161,026</u>	<u>4,301,489</u>	<u>(1,824,815)</u>	<u>(7,986,321)</u>
Fund balances, beginning of year	<u>39,082,068</u>	<u>18,702,271</u>	<u>6,524,693</u>	<u>3,771,688</u>	<u>68,080,720</u>
Fund balances, end of year	<u>\$ 27,458,047</u>	<u>\$ 19,863,297</u>	<u>\$ 10,826,182</u>	<u>\$ 1,946,873</u>	<u>\$ 60,094,399</u>

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

City of Biloxi, Mississippi
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended September 30, 2009

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

Net change in fund balances of governmental funds, page 25	\$ (7,986,321)
--	----------------

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

Expenditures for capital assets	16,304,997	
Less current year depreciation	<u>(6,354,276)</u>	9,950,721

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 repayments exceed proceeds.

Bond, capital lease, and loan proceeds	(2,717,000)	
Principal payments	3,621,661	
Lease payments	<u>236,512</u>	1,141,173

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	2,896,734	
Seized assets	40,568	
Basis of assets sold	<u>(117,801)</u>	2,819,501

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

Change in net pension obligation	1,434,618	
Change in long-term compensated absences	<u>(756,321)</u>	678,297

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

Internal service funds are used by management to allocate the cost of self insuring to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities .	<u>21,250</u>
---	---------------

Change in net assets of governmental activities, page 22	<u><u>\$ 6,328,721</u></u>
--	----------------------------

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, 2009

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Revenues				
Ad valorem taxes	\$ 9,296,965	\$ 9,296,965	\$ 9,517,348	\$ 220,383
Licenses and permits	4,311,000	4,311,000	3,907,586	(403,414)
Intergovernmental	34,576,795	34,779,663	32,407,272	(2,372,391)
Federal & state grants	4,776,145	6,347,998	7,679,920	1,331,922
Charges for services	1,021,400	1,021,400	1,068,111	46,711
Fines	1,146,000	1,146,000	1,361,195	215,195
Other	5,842,349	5,842,349	3,674,939	(2,167,410)
Total revenues	60,970,654	62,745,375	59,616,371	(3,129,004)
Expenditures				
Administration				
Personnel services	1,824,446	1,822,446	1,769,964	52,482
Supplies	51,502	38,764	27,876	10,888
Other services & charges	1,006,290	1,574,340	1,487,956	86,384
Contractual services	397,873	383,561	339,554	44,007
Capital outlay	130,000	130,000	91,056	38,944
Total	3,410,111	3,949,111	3,716,406	232,705
Executive				
Personnel services	330,063	330,063	305,274	24,789
Supplies	8,000	8,500	6,014	2,486
Other services & charges	70,400	64,600	28,471	36,129
Contractual services	16,300	21,600	12,863	8,737
Capital outlay	20,000	20,000	-	20,000
Total	444,763	444,763	352,622	92,141
Legislative				
Personnel services	522,162	522,162	519,617	2,545
Supplies	36,000	35,875	15,632	20,243
Other services & charges	170,500	162,400	129,990	32,410
Contractual services	17,750	17,875	13,613	4,262
Capital outlay	-	8,100	7,067	1,033
Total	746,412	746,412	685,919	60,493
Judicial				
Personnel services	160,411	160,411	159,434	977
Contractual services	1,200	1,200	359	841
Total	161,611	161,611	159,793	1,818
Legal				
Personnel services	588,431	588,431	575,267	13,164
Supplies	14,600	12,600	5,465	7,135
Other services & charges	11,850	12,600	8,150	4,450
Contractual services	32,200	33,450	20,335	13,115
Capital outlay	7,500	7,500	7,416	84
Total	654,581	654,581	616,633	37,948

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, 2009
(Continued)

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Community development				
Personnel services	2,460,597	2,460,597	2,142,746	317,851
Supplies	127,010	122,370	40,255	82,115
Other services & charges	1,590,650	1,588,790	982,649	606,141
Contractual services	682,137	938,637	372,188	566,449
Capital outlay	131,000	131,000	65,135	65,865
Total	4,991,394	5,241,394	3,602,973	1,638,421
Parks & recreation				
Personnel services	4,194,170	4,134,170	3,881,993	252,177
Supplies	703,390	718,990	403,161	315,829
Other services & charges	617,350	693,050	671,175	21,875
Contractual services	735,318	734,018	310,430	423,588
Capital outlay	642,785	612,785	39,529	573,256
Total	6,893,013	6,893,013	5,306,288	1,586,725
Public safety				
Personnel services	28,012,389	28,036,336	26,022,076	2,014,260
Supplies	2,282,378	2,291,425	1,093,415	1,198,010
Other services & charges	842,910	875,720	715,661	160,059
Contractual services	2,485,245	2,487,059	1,281,503	1,205,556
Capital outlay	2,926,400	4,360,144	2,202,576	2,157,568
Total	36,549,322	38,050,684	31,315,231	6,735,453
Public works				
Personnel services	6,459,014	6,459,014	5,582,527	876,487
Supplies	1,496,400	1,430,700	813,343	617,357
Other services & charges	1,146,575	1,318,219	1,277,734	40,485
Contractual services	4,196,830	4,454,141	3,373,025	1,081,116
Capital outlay	1,303,752	1,303,752	153,940	1,149,812
Total	14,602,571	14,965,826	11,200,569	3,765,257
Nondepartmental				
Other services & charges	2,662,200	2,662,200	2,229,500	432,700
Contractual services	2,180,959	2,247,159	2,118,514	128,645
Total	4,843,159	4,909,359	4,348,014	561,345
Total expenditures	73,296,937	76,016,754	61,304,448	14,712,306
Excess (deficiency) of revenues over expenditures	(12,326,283)	(13,271,379)	(1,688,077)	11,583,302
Other financing sources (uses)				
Transfers in	1,500,000	1,700,262	200,262	(1,500,000)
Transfers out	(12,092,868)	(12,186,649)	(4,780,423)	7,406,226
Total other financing sources (uses)	(10,592,868)	(10,486,387)	(4,580,161)	5,906,226
Net change in fund balances	(22,919,151)	(23,757,766)	(6,268,238)	17,489,528
Fund balances, beginning of year	27,006,290	27,006,290	27,006,290	
Fund balances, end of year	\$ 4,087,139	\$ 3,248,524	\$ 20,738,052	\$ 17,489,528

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

City of Biloxi, Mississippi
Statement of Net Assets
Proprietary Funds
September 30, 2009

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Assets					
Current assets:					
Cash	\$ 1,239,404	\$ 2,141,398	\$ 248,664	\$ 3,629,466	\$ 9,298,094
Restricted cash	1,437,954	45,919	-	1,483,873	-
Investments	-	1,105,935	-	1,105,935	-
Restricted investments	-	-	-	-	1,241,709
Receivables:					
Customer accounts, net	551,283	57,164	-	608,447	-
Customer accounts earned but not billed	355,403	-	-	355,403	-
Grants	764,426	-	-	764,426	-
Other	21,800	-	-	21,800	-
Due from other city funds	-	-	-	-	205,907
Supplies inventory	114,104	-	-	114,104	-
Total current assets	4,484,374	3,350,416	248,664	8,083,454	10,745,710
Noncurrent assets:					
Capital assets, net of accumulated depreciation	49,141,312	15,515,115	116,082	64,772,509	-
Total noncurrent assets	49,141,312	15,515,115	116,082	64,772,509	-
Total assets	53,625,686	18,865,531	364,746	72,855,963	10,745,710
Liabilities					
Current liabilities:					
Accounts payable	569,533	146,255	-	715,788	-
Accrued interest payable	223,958	-	-	223,958	-
Accounts payable from restricted assets	25,622	-	-	25,622	-
Customer deposits payable from restricted assets	944,292	45,919	-	990,211	-
Current portion of bond and notes	174,896	120,000	-	294,896	-
Unearned revenue	-	-	-	-	-
Due to other city funds	8,177,681	5,561,446	-	13,739,127	-
Claims contingency payable from restricted assets	-	-	-	-	7,619,354
Total current liabilities	10,115,982	5,873,620	-	15,989,602	7,619,354
Non-current liabilities:					
Notes payable, non-current	3,908,218	1,640,000	-	5,548,218	-
Total non-current liabilities	3,908,218	1,640,000	-	5,548,218	-
Total liabilities	14,024,200	7,513,620	-	21,537,820	7,619,354
Net assets					
Invested in capital assets, net of related debt	47,845,311	13,755,115	116,082	61,716,508	-
Restricted for capital projects	-	725,544	-	725,544	-
Restricted for debt service	-	380,391	-	380,391	-
Unrestricted	(8,243,825)	(3,509,139)	248,664	(11,504,300)	3,126,356
Total net assets	\$ 39,601,486	\$ 11,351,911	\$ 364,746	\$ 51,318,143	\$ 3,126,356

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, 2009

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Operating Revenues					
Charges for services:					
Water sales, sewer revenues					
penalties & installations, net	\$ 7,076,701	\$ -	\$ -	\$ 7,076,701	\$ -
Keesler Air Force Base, sewer	429,430	-	-	429,430	-
Harbor fees and rents	-	1,017,701	24,836	1,042,537	-
Insurance billings	-	-	-	-	9,976,759
Total charges for service	7,506,131	1,017,701	24,836	8,548,668	9,976,759
Cobra contributions	-	-	-	-	48,905
Other income	13,475	453,293	-	466,768	-
Total operating revenues	7,519,606	1,470,994	24,836	9,015,436	10,025,664
Operating expenses					
Personal services	1,745,706	1,169,463	-	2,915,169	-
Contracted services	7,700,439	43,057	471	7,743,967	10,050,657
Other services and charges	1,240,177	197,431	-	1,437,608	-
Depreciation	2,255,130	76,138	-	2,331,268	-
Total operating expenses	12,941,452	1,486,089	471	14,428,012	10,050,657
Operating income (loss)	(5,421,846)	(15,095)	24,365	(5,412,576)	(24,993)
Non-operating revenues (expenses)					
Interest income	26,098	17,119	3,582	46,799	46,243
Interest expense	(122,305)	(107,923)	-	(230,228)	-
Intergovernmental tax revenues	-	209,134	-	209,134	-
Loss on capital assets	(812)	-	-	(812)	-
Grant revenues	-	-	-	-	-
Total non-operating revenues (expenses)	(97,019)	118,330	3,582	24,893	46,243
Income before contributions and transfers	(5,518,865)	103,235	27,947	(5,387,683)	21,250
Capital contributions	1,379,094	372	-	1,379,466	-
Transfers out	(702,459)	-	-	(702,459)	-
Change in net assets	(4,842,230)	103,607	27,947	(4,710,676)	21,250
Net assets, beginning of year	44,443,716	11,248,304	336,799	56,028,819	3,105,106
Net assets, end of year	\$ 39,601,486	\$ 11,351,911	\$ 364,746	\$ 51,318,143	\$ 3,126,356

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, 2009

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities					
Receipts from customers	\$ 7,644,404	\$ 1,493,508	\$ 24,836	\$ 9,162,748	\$10,025,664
Payments to suppliers	(9,003,921)	(219,981)	(471)	(9,224,373)	(9,619,902)
Payments for services of employees	(1,745,706)	(1,169,463)	-	(2,915,169)	-
Net cash provided by (used in) operating activities	(3,105,223)	104,064	24,365	(2,976,794)	405,762
Cash flows from non-capital financing activities					
Loans (to) from other funds	-	-	-	-	16,780
Net cash provided by (used in) non-capital financing activities	-	-	-	-	16,780
Cash flows from capital and related financing activities					
Intergovernmental tax revenues	-	215,228	-	215,228	-
Grant revenues	278,871	3,507,534	-	3,786,405	-
Transfers (to) from other funds	(702,459)	-	-	(702,459)	-
Loans (to) from other funds	7,549,530	3,630,230	-	11,179,760	-
Acquisition of capital assets	(7,910,833)	(7,356,373)	-	(15,267,206)	-
Retirement of debt	(168,904)	(110,000)	-	(278,904)	-
Interest paid on debt	(47,890)	(107,923)	-	(155,813)	-
Net cash provided by (used in) capital and related financing activities	(1,001,685)	(221,304)	-	(1,222,989)	-
Cash flows from investing activities					
Interest and dividends on investments	26,098	17,119	3,582	46,799	46,243
Proceeds from investments	-	16,228	-	16,228	(1,241,569)
Purchase of investments	-	(1,126)	-	(1,126)	-
Net cash provided by (used in) investing activities	26,098	32,221	3,582	61,901	(1,195,326)
Net increase (decrease) in cash and cash equivalents	(4,080,810)	(85,019)	27,947	(4,137,882)	(772,784)
Cash and cash equivalents, beginning of period	6,758,168	2,272,336	220,717	9,251,221	10,070,878
Cash and cash equivalents, end of period	<u>\$ 2,677,358</u>	<u>\$ 2,187,317</u>	<u>\$ 248,664</u>	<u>\$ 5,113,339</u>	<u>\$ 9,298,094</u>
Classified as:					
Current assets	\$ 1,239,404	\$ 2,141,398	\$ 248,664	\$ 3,629,466	\$ 9,298,094
Restricted assets	1,437,954	45,919	-	1,483,873	-
Totals	<u>\$ 2,677,358</u>	<u>\$ 2,187,317</u>	<u>\$ 248,664</u>	<u>\$ 5,113,339</u>	<u>\$ 9,298,094</u>
Non cash					
Contributions of capital assets	\$ 1,379,094	\$ -	\$ -	\$ 1,379,094	\$ -
Assets transferred to governmental funds	-	-	-	-	-

Continued on next page

City of Biloxi, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2009
(Continued)

	Business-Type Activities-Enterprise Funds				Governmental
	Major Fund		Non-Major Fund		Activities
	Water And Sewer	Biloxi Port Fund	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (5,421,846)	\$ (15,095)	\$ 24,365	\$ (5,412,576)	\$ (24,993)
Adjustments not affecting cash					
Depreciation	2,255,130	76,138	-	2,331,268	-
Changes in assets and liabilities:					
Accounts receivable	125,211	31,632	-	156,843	-
Supplies inventory	(78,925)	-	-	(78,925)	-
Accounts payable and accrued expenses	15,620	20,507	-	36,127	430,755
Unearned revenue	-	(8,443)	-	(8,443)	-
Customer deposits	(413)	(675)	-	(1,088)	-
Net cash provided by (used in) operating activities	<u>\$ (3,105,223)</u>	<u>\$ 104,064</u>	<u>\$ 24,365</u>	<u>\$ (2,976,794)</u>	<u>\$ 405,762</u>

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

City of Biloxi, Mississippi
Notes to Financial Statements
September 30, 2009

Index

	<u>Page</u>
I. Summary of Significant Accounting Policies	
A Reporting Entity	34
B Component Unit Disclosure	34
C Related Organizations	35
D Joint Ventures and Jointly Governed Organizations	35
E Basic Financial Statements - GASB Statement 34	35
Government-wide and Fund Financial Statements	
F Measurement Focus, Basis of Accounting and Financial	36
Statement Presentation	
G Fund Types and Major Funds	37
H Assets, Liabilities and Net Assets or Equity	39
II. Stewardship, Compliance, and Accountability	
A Budgetary Data	41
B Excess of Expenditures Over Appropriations in Individual Funds	42
C Deficit Fund Equity	43
III. Detail Notes - All Funds	
A Property and Gaming Tax Revenues	43
B Deposits and Investments	44
C Receivables	46
D Prepaids	46
E Interfund Receivables and Payables	47
F Capital Assets Activity	49
G Leases	51
H Long-Term Debt	53
I Retirement Plans	56
J Community Development Block Grant Program	59
K Self-Insured Risk, Claims and Other Contingencies	61
L Related Party Commitments	
Joint Ventures	62
M Other Commitments	64

City of Biloxi, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2009

I. Summary of Significant Accounting Policies

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

(A) Reporting Entity

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

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

(B) Component Unit Disclosure

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

(1) Blended Component Unit: Point Cadet Development Corporation

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

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

(2) Biloxi Port Commission / Biloxi Port Fund

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

(C) Related Organizations

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

(D) Joint Ventures and Jointly Governed Organizations

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

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

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

(E) Basic Financial Statements - GASB Statement 34

Government-Wide and Fund Financial Statements

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

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

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 and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

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

(G) Fund Types and Major Funds

Governmental Funds

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

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

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

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

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

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

Special Revenue Funds

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

Capital Projects Funds

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

Proprietary Funds

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

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

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

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

Internal Service Funds

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

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

Non-Current Governmental Assets / Liabilities

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

(H) Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value.

Accounts Receivable

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

Inventories and Prepaids

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

Capital Assets

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

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

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

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

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. Internal service fund charges for services are not netted or eliminated in the consolidation process.

Advances to Other Funds

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

Estimated Insurance Claims Payable

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

Bond Discounts, Bond Premiums, and Issuance Costs

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

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

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

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

Deferred Revenue

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

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

II. Stewardship, Compliance and Accountability:

A. Budgetary Data

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

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

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

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

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.

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

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

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

	<u>General Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	\$(6,268,238)
Adjustments	
To convert receivables	(4,645,305)
To convert prepaids	(506,180)
To convert liabilities	(204,298)
To convert deferred revenue	(_____)
Totals, GAAP basis	\$(<u>11,624,021</u>)

B. Excess Expenditures Over Appropriations in Individual Funds

For the year ended September 30, 2009, expenditures did not exceed appropriations in any department (the legal level of budgetary control) of the general fund. Expenditures did exceed appropriations in the debt service fund by \$132,972, and the employees’ state unemployment fund by \$15,449. These overexpenditures were funded by greater than anticipated revenues of the debt service fund, and reduction of fund balance in the debt service and employees’ state unemployment fund, respectively.

C. Deficit Fund Equity

For the year ended September 30, 2009, the following funds had a deficit balance in fund equity:

Community Development Block Grant Fund	\$ (673,177)
--	--------------

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

III. Detail Notes - All Funds

A. Property and Gaming Tax Revenues

Property Tax

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

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

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

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

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

Gaming Revenue

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

Local option 3.2% tax	\$ 16,258,012
Local share of state tax	1,775,301
Gaming licenses and permits	<u>1,598,121</u>
 Total gaming revenues	 <u><u>\$ 19,631,434</u></u>

B. Deposits and Investments

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

Deposits –

Deposits consist of cash amounts in demand accounts and certificates of deposit. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. By using this multiple financial institution collateral pool, all of the City's deposits at September 30, 2009 fall into the credit risk category of "*Insured or collateralized with securities held by the entity or by its agent in the entity's name*". Deposits are summarized as follows:

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

	<u>Reported Amount</u>	<u>Bank Balance</u>
Cash	\$ 61,241,831	\$ 65,139,190
Certificates of deposit	<u>1,132</u>	<u>1,132</u>
Total deposits	<u>\$ 61,242,963</u>	<u>\$ 65,140,322</u>

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

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

Investments –

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved. At September 30, 2009, investments consisted of the following:

	<u>Reported Amount</u>	<u>Fair Value</u>
Investments held by the City or the City’s safekeeping agent, and registered in the name of the City:		
Investments not categorized:		
Money Market Mutual Funds	\$ <u>4,505,101</u>	\$ <u>4,505,101</u>

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

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

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

C. Receivables

The Statement of Net Assets of the City of Biloxi includes the following receivables at September 30, 2009:

Taxes receivable:	
Utility franchise taxes	\$ 862,456
Sales taxes	1,703,462
Ad valorem taxes	165,143
Gaming taxes and fees	2,749,479
Total taxes receivable	<u>\$ 5,480,540</u>
Customer accounts receivable:	
Garbage fees	\$ 74,248
Water and sewer utility charges (billed)	792,334
Port berth rentals	149,353
Less allowance for doubtful accounts	(333,240)
Customer accounts receivable earned but not billed	355,403
Total customer accounts receivable, net	<u>\$ 1,038,098</u>
Grants receivable:	
Federal and state grants	<u>\$ 2,382,536</u>
Other receivables:	
Special assessments	\$ 12,283
Less allowance for doubtful accounts	-
Liquor privilege tax	58,575
Other	1,844,978
Total other receivables	<u>\$ 1,915,836</u>

D. Prepaids

Prepaids at September 30, 2009 consist of the following:

Prepaid insurance premiums	\$ 1,184,608
Total prepaids	<u>\$ 1,184,608</u>

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

E. Interfund Receivables and Payables

Individual Interfund Balances at September 30, 2009	Due From Other Funds	Due To Other Funds
General Fund		
General Capital Projects to fund project cost	\$ 6,350,086	\$ -
Claims contingency fund for claims and expenses	-	174,462
Total General Fund	<u>6,350,086</u>	<u>174,462</u>
General Capital Projects Fund:		
General Fund	-	6,350,086
GOPI 2002 Bond Fund	113,700	-
Water and Sewer Fund	8,152,525	-
Biloxi Port Fund	5,555,157	-
Total General Capital Projects Fund	<u>13,821,382</u>	<u>6,350,086</u>
Other Nonmajor Governmental Funds		
GOPI 2002 Bond Fund to General Capital Projects	-	113,700
Total other nonmajor governmental funds	<u>-</u>	<u>113,700</u>
Enterprise Fund:		
Water and Sewer Fund for claims and expenses	-	25,156
Water and Sewer Fund to General Capital Projects Fund	-	8,152,525
Biloxi Port Fund for claims and expenses	-	6,289
Biloxi Port Fund to General Capital Projects Fund	-	5,555,157
Total Enterprise Fund	<u>-</u>	<u>13,739,127</u>
Internal Service Self-Insurance:		
Claims Contingency Fund from General		
Fund for claims and expenses	174,462	-
Claims Contingency Fund from Water		
and Sewer Fund for claims and expenses	25,156	-
Claims Contingency Fund from Biloxi		
Port Fund for claims and expenses	6,289	-
Total Internal Service Self-Insurance	<u>205,907</u>	<u>-</u>
Totals	<u><u>\$ 20,377,375</u></u>	<u><u>\$ 20,377,375</u></u>

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

The composition of interfund transfers for the year ended September 30, 2009 was as follows:

Transfers From	Transfers Into			
	General Fund	General Capital Projects Fund	Debt Service Fund	Total
General Fund	\$ -	\$ 2,006,877	\$ 2,773,546	\$ 4,780,423
Nonmajor governmental funds				
CDBG	200,262	-		200,262
GOPI 2003 Bond Fund		75,054	-	75,054
GOPI 2002 Bond Fund		560,709	-	560,709
2002 TIF Capital Projects Bond Fund	357,023		-	357,023
Total nonmajor governmental funds	<u>557,285</u>	<u>635,763</u>	<u>-</u>	<u>1,193,048</u>
Total governmental funds	<u>557,285</u>	<u>2,642,640</u>	<u>2,773,546</u>	<u>5,973,471</u>
Enterprise Funds				
Water and Sewer Fund	<u>-</u>	<u>-</u>	<u>702,459</u>	<u>702,459</u>
Totals	<u>\$ 557,285</u>	<u>\$ 2,642,640</u>	<u>\$ 3,476,005</u>	<u>\$ 6,675,930</u>

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

F. Capital Asset Activity

Capital asset activity for the year ended September 30, 2009 was as follows:

	Balance October 1, 2008	Increases	Decreases	Balance September 30, 2009
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 31,783,792	\$ 480,176	\$ 10	\$ 32,263,958
Construction in progress	43,091,148	14,498,210	10,888,077	46,701,281
Total capital assets not being depreciated	<u>74,874,940</u>	<u>14,978,386</u>	<u>10,888,087</u>	<u>78,965,239</u>
Capital assets being depreciated				
Buildings	28,008,064	-	752,082	27,255,982
Improvements other than buildings	3,684,900	-	-	3,684,900
Machinery and equipment	33,146,994	2,178,579	723,965	34,601,608
Infrastructure - streets and drainage	134,824,316	13,192,730	-	148,017,046
Total capital assets being depreciated	<u>199,664,274</u>	<u>15,371,309</u>	<u>1,476,047</u>	<u>213,559,536</u>
Less accumulated depreciation for:				
Buildings	7,876,793	656,108	642,404	7,890,497
Improvements other than buildings	2,285,138	67,269	-	2,352,407
Machinery and equipment	18,432,490	3,275,727	496,533	21,211,684
Infrastructure - streets and drainage	38,225,801	2,355,172	-	40,580,973
Total accumulated depreciation	<u>66,820,222</u>	<u>6,354,276</u>	<u>1,138,937</u>	<u>72,035,561</u>
Net capital assets being depreciated	<u>132,844,052</u>	<u>9,017,033</u>	<u>337,110</u>	<u>141,523,975</u>
Net governmental activities assets	<u>\$ 207,718,992</u>	<u>\$ 23,995,419</u>	<u>\$ 11,225,197</u>	<u>\$ 220,489,214</u>
Business type activities				
Capital assets, not being depreciated:				
Land	\$ 829,243	\$ -	\$ -	\$ 829,243
Construction in progress	9,168,947	15,243,149	1,664,632	22,747,464
Total capital assets not being depreciated	<u>9,998,190</u>	<u>15,243,149</u>	<u>1,664,632</u>	<u>23,576,707</u>
Capital assets being depreciated:				
Equipment	3,410,709	24,058	2,818	3,431,949
Water and sewer system	71,367,029	1,402,232	17,877	72,751,384
Port buildings & improvements	7,563,157	1,362,622	-	8,925,779
Total capital assets being depreciated	<u>82,340,895</u>	<u>2,788,912</u>	<u>20,695</u>	<u>85,109,112</u>
Less accumulated depreciation for:				
Equipment	1,614,218	434,619	2,818	2,046,019
Water and sewer system	32,942,291	1,842,604	17,064	34,767,831
Port buildings and improvements	7,045,416	54,043	-	7,099,459
Total accumulated depreciation	<u>41,601,925</u>	<u>2,331,266</u>	<u>19,882</u>	<u>43,913,309</u>
Net capital assets being depreciated	<u>40,738,970</u>	<u>457,646</u>	<u>813</u>	<u>41,195,803</u>
Net business type activities assets	<u>\$ 50,737,160</u>	<u>\$ 15,700,795</u>	<u>\$ 1,665,445</u>	<u>\$ 64,772,510</u>

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

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

Governmental activities	
General government	\$ 214,710
Community development	93,234
Cultural affairs	236,238
Parks and recreation	200,349
Public safety	2,707,128
Public works	547,446
Infrastructure	2,355,172
Total depreciation expense - governmental activities	<u><u>\$ 6,354,277</u></u>
Business type activities	
Water and sewer	\$ 2,255,130
Port Fund	76,138
Total depreciation expense - business-type activities	<u><u>\$ 2,331,268</u></u>
Total depreciation expense	<u><u>\$ 8,685,545</u></u>

Leased assets

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

	Governmental Activities	Business- Type Activities	Total
Cost	\$ 2,023,642	\$ 22,752,479	\$ 24,776,121
Accumulated depreciation		(7,237,364)	(7,237,364)
Carrying amount	<u><u>\$ 2,023,642</u></u>	<u><u>\$ 15,515,115</u></u>	<u><u>\$ 17,538,757</u></u>
Depreciation expense	<u><u>\$ -</u></u>	<u><u>\$ 76,138</u></u>	<u><u>\$ 76,138</u></u>

G. Leases

Capital Leases

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

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

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
2010	\$ 245,645	\$ 26,953	\$ 272,598
2011	253,279	16,684	269,963
2012	64,663	7,673	72,336
2013	67,398	4,938	72,336
2014	70,249	2,087	72,336
2015	11,994	62	12,056
Totals	<u>\$ 713,228</u>	<u>\$ 58,397</u>	<u>\$ 771,625</u>

Assets acquired through capital leases are:

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

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

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

<u>Year Ended September 30,</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
2010	\$ 272,597	\$ -
2011	269,964	-
2012	72,336	-
2013	72,336	-
2014	72,336	-
2015	12,056	-
Total minimum lease payments	771,625	-
Less amount representing interest	(58,397)	-
Present value of minimum lease payments	<u>\$ 713,228</u>	<u>\$ -</u>

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, 2009:

	<u>Beginning 10/01/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending 9/30/09</u>	<u>Amounts Due Within One Year</u>
Governmental activities					
General Obligation Bonds and Notes	\$ 30,800,000	\$ -	\$ 2,690,000	\$28,110,000	\$ 2,645,000
Limited Obligation Bonds	38,670,854	2,717,000	931,671	40,456,183	1,022,905
Capital leases	949,730	-	236,502	713,228	245,645
Compensated absences	5,715,990	756,321		6,472,311	1,618,078
Total governmental activities	<u>\$ 76,136,574</u>	<u>\$ 3,473,321</u>	<u>\$ 3,858,173</u>	<u>\$75,751,722</u>	<u>\$ 5,531,628</u>
Business-type activities					
Water and Sewer, pollution control loans	\$ 1,464,905	\$ -	\$ 168,903	\$ 1,296,002	\$ 174,896
Limited tax port bonds	1,870,000	-	110,000	1,760,000	120,000
Special community disaster loan	2,787,113	-	-	2,787,113	-
Compensated absences	181,651	44,036		225,687	56,422
Total business-type activities	<u>\$ 6,303,669</u>	<u>\$ 44,036</u>	<u>\$ 278,903</u>	<u>\$ 6,068,802</u>	<u>\$ 351,318</u>

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

Bonds, notes, and other long-term debt payable at September 30, 2009 are comprised of the following individual issues:

	Original Issue	Range of Interest Rates	Amount Outstanding 9/30/09
Governmental Activities			
General Obligation Bonds and Notes:			
General Obligation Bonds series 1998, due in annual installments of \$750,000 to \$895,000 through 12/1/2013	\$10,000,000	4.20%	\$ 4,105,000
General Obligation Bonds, series 2002, due in annual installments of \$245,000 to \$450,000 through 12/1/2022	6,000,000	3.7%-5.25%	4,760,000
General Obligation Bonds, series 2003, due in annual installments of \$590,000 to \$860,000 through 12/1/18	9,800,000	3.00%-3.75%	7,185,000
Refunding Bond of 2004, due in one annual installment of \$1,060,000 on 2/1/2010	5,530,000	3.00%-3.25%	1,060,000
Special Community Disaster Loan, due in one installment with a five year available extension, due 12/19/2010	11,000,000	2.69%	<u>11,000,000</u>
Total General Obligation Bonds and Notes			<u>28,110,000</u>
Limited Obligation Bonds and Notes:			
Mississippi Development Bank promissory note, due in monthly installments of \$60,693 plus interest through 2/28/2015. Interest is based upon The Bond Market Association (TBMA) index plus 105 basis points	10,000,000	TBMA plus 1.05%	6,086,599
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%	349,584
Tax Increment Limited Obligation Refunding Bonds, series 2006 A, due in annual installments of \$200,000 to \$7,745,000 through 11/1/2027	31,685,000	4.00%-5.00%	31,685,000
Tax Increment Limited Obligation Refunding Bonds, series 2006 B due in annual installments of \$1,100,000 to \$1,235,000 through 11/1/2011	2,335,000	5.22%-5.28%	<u>2,335,000</u>
Total Limited Obligation Bonds and Notes			<u>40,456,183</u>

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

	Original Issue	Range of Interest Rates	Amount Outstanding 9/30/09
Other General Long-Term Debt:			
The Peoples Bank capital lease, amortized in semi-annual installments of \$200,262 through 4/1/2011	897,699	3.75%	377,366
Hancock Bank capital lease, amortized in monthly installments of \$6,028 through 11/29/2014	483,782	4.15%	335,862
Total Other General Long-Term Debt			713,228
Compensated absences			6,472,311
Total governmental long-term debt			\$75,751,722

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%	\$ 1,296,002
--	-----------	-----------	--------------

Biloxi Port Fund

Limited Tax Port Bonds, series 1999 due in annual installments of \$110,000 to \$210,000 through 12/1/19	2,500,000	5.4%-6.00%	1,760,000
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			5,843,115
Compensated absences			225,687
Total business-type activities long-term debt			\$ 6,068,802

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

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

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, 2009 follow and include interest on the variable rate debt.

Year Ended September 30,	Governmental Activities				Business Type Activities	
	General Obligation		Limited Obligation		Port Bonds & Water and Sewer Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 2,645,000	\$ 618,846	\$ 1,022,905	\$ 1,771,984	\$ 294,896	\$ 140,797
2011	12,655,000	1,798,585	2,182,885	1,735,135	3,093,222	445,374
2012	1,735,000	477,440	2,021,791	1,644,800	296,287	114,159
2013	1,805,000	410,703	2,087,519	1,557,994	234,519	101,969
2014	1,890,000	340,043	2,143,270	1,482,699	247,954	90,231
2015-2019	5,685,000	994,308	10,468,225	6,035,422	1,344,812	254,210
2020-2024	1,695,000	170,500	10,424,588	3,777,022	331,425	9,512
2025-2029	-	-	10,105,000	1,197,555	-	-
Totals	<u>\$ 28,110,000</u>	<u>\$ 4,810,425</u>	<u>\$ 40,456,183</u>	<u>\$ 19,202,611</u>	<u>\$ 5,843,115</u>	<u>\$ 1,156,252</u>

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

Assessed valuations 2008 (inside the City):

Real property	\$ 416,010,814
Personal property	99,426,267
Public utility	30,021,990
Autos, estimated	60,482,827
Total assessed valuations	<u>\$ 605,941,898</u>

Fifteen percent (15%) of total assessed valuation	\$ 90,891,285
Less outstanding general issues at 9/30/09	<u>28,110,000</u>
Legal debt margin	<u>\$ 62,781,285</u>

The City Council annually adopts a resolution providing for the amount of property tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City. The millage rate for the year ended September 30, 2009, was 9.20 mills or \$9.20 per \$1,000 of assessed value.

Other general long-term debt of the Enterprise Funds is \$1,296,002 of pollution control/state revolving loans from the State of Mississippi. The State Tax Commission, in accordance with a signed agreement with the City of Biloxi is currently deducting \$18,066 each month from the sales tax remittances to the City to apply as not payments on these loans.

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

The City has authorized the issuance of limited tax port bonds for the purpose of making improvements to property belonging to the Biloxi Port Fund (previously the Biloxi Port Commission). The bonds are secured by an irrevocable pledge of the avails of a direct and continuing one (1) mill ad valorem tax to be levied by Harrison County, Mississippi. The bonds are payable solely from the avails of the Harrison County tax levy. At September 30, 2009, the aggregate, outstanding principal amount of the issues was \$1,760,000.

I. Retirement Plans

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

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

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

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

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

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

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

The Annual Required Contribution (ARC)

(based on the valuation as of September 30, 2009)

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

Additional information as of September 30, 2009 follows.

Valuation date	9/30/09
Actuarial cost method	entry age
Amortization method	level dollar closed
Remaining amortization period	26 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases**	4.50 – 6.00%

* Includes price inflation at 3.75%

** Includes wage inflation at 4.00%

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

During the year ended September 30, 2009, contributions totaling \$2,084,065 (\$2,074,108 employer and \$9,957 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the system as of September 30, 2008. The employer contributions consisted of \$13,446 for normal cost and administrative expenses and \$2,060,662 for amortization of the unfunded actuarial accrued liability.

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

Schedule of employer contributions:

Fiscal Year Ended	Annual Required Contribution	Interest on the NPO	Adjustment to Remove Amortization of Past Under/Over Contribution	Annual Pension Cost	Employer Pension Contribution	Percentage	Change in the NPO	NPO at Year End
9/30/2007	\$ 1,230,451	\$ (567,630)	\$ (636,947)	\$ 1,299,769	\$ 2,029,793	164.96%	\$ (730,024)	\$ (7,825,395)
9/30/2008	1,107,435	(626,032)	(710,616)	1,192,020	2,140,939	193.32%	(948,919)	(8,774,314)
9/30/2009	1,012,412	(701,945)	(806,878)	1,117,345	2,551,964	252.07%	(1,434,618)	(10,208,932)

The City's negative Net Pension Obligation (NPO) as of September 30, 2009 was \$10,208,932.

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

Unfunded Actuarial Accrued Liability \$ 10,952

During the year ended September 30, 2009, the plan experienced a net change of \$(582) thousand in the AAL. Additional information may be found in Required Supplementary Information, page 66.

PERS' Defined Benefit Pension Plan

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

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

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

Funding Policy: PERS' members are required to contribute 7.25% of their annual covered salary and City of Biloxi is required to contribute at an actuarially determined rate. The current rate is 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Biloxi's contributions to PERS for the years ending September 30, 2009, 2008, and 2007 were \$3,581,701, \$3,506,242, and \$2,651,201, 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, 2009, contributions by participants employed by the City totaled \$475,269.

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, 2009:

	Award	Drawn Prior to FYE 9/30/08	Drawn During FYE 9/30/09	Balance
CDBG B-05-MC-28-0001	\$ 565,683	\$ 400,500	\$ 165,183	\$ -
CDBG B-06-MC-28-0001	495,375		495,375	-
CDBG B-07-MC-28-0001	496,637		496,637	-
CDBG B-08-MC-28-0001	565,530		565,530	-
CDBG B-09-MC-28-0001	578,158		425,970	152,188
CDBG B-09-MY-28-0001	153,497			153,497
Totals	<u>\$ 2,854,880</u>	<u>\$ 400,500</u>	<u>\$2,148,695</u>	<u>\$ 305,685</u>

Waterfront Development

Through the use of certain Department of Housing & Urban Development (HUD) grants and loans, the City has acquired and developed property commonly known as the Point Cadet Waterfront Development Project. These federal grants and loans contain restrictions which require that 5.13% of the income (such as rents), generated by these properties, be restricted as to use for CDBG eligible activities only.

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

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

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

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

Mortgage Loans Receivable

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

Mortgage loans receivable at September 30, 2009, consisted of the following:

Nixon Street home acquisition mortgages	\$ 3,659
Revolving Loan Program	<u>75,031</u>
Total deferred mortgage loans receivable	<u>\$ 78,690</u>

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

K. Self-Insured Risk, Claims and Other Contingencies

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

Property damage

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

Workers' compensation

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

General and other liability coverage

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

Annual aggregate coverage to:

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

Health

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

The following is a summary of the City's self-insurance reserves at September 30, 2009:

	Employee Medical Claims	Property, Liability & Workers' Compensation	Total
Total estimated liability and reserves – October 1, 2007	\$ 3,204,459	\$ 4,014,930	\$ 7,219,389
Claims incurred and changes in estimates	5,855,357	393,580	6,248,937
Claims paid	(5,712,842)	(566,886)	(6,279,728)
Total estimated liability and reserves – September 30, 2008	3,346,974	3,841,624	7,188,598
Claims incurred and changes in estimates	6,379,958	607,640	6,987,598
Claims paid	(5,996,646)	(560,196)	(6,556,842)
Total estimated liability and reserves – September 30, 2009	<u>\$ 3,730,286</u>	<u>\$ 3,889,068</u>	<u>\$ 7,619,354</u>

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

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

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

L. Related Party Commitments

Joint Venture

The City of Biloxi is a member of the Harrison County Utility Authority (Authority) which was established by an act of the Mississippi Legislature to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Harrison County, Mississippi. The governing board is comprised of one member from each of the cities and two members from each of the counties who are members of the Authority. Through a fifty-year contract, the City of Biloxi is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the Authority. Additionally, the City is jointly and severally liable for all of the liabilities of the Authority. The Authority is classified as a joint venture between the City of Biloxi and the other members. The following is a synopsis of the Authority's financial statements as of and for the year ended September 30, 2009, 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	\$ 19,229,654
Restricted assets	20,558,389
Property, plant and equipment	134,916,759
Deferred charges	<u>1,741,083</u>
Total assets	\$ <u>176,445,885</u>

Liabilities & Fund Equity

Liabilities

Current, unrestricted	\$ 6,064,345
Current, restricted	18,663,883
Long-term liabilities	<u>125,163,863</u>
Total liabilities	<u>149,892,091</u>

Net assets	<u>26,553,794</u>
-------------------	-------------------

Total liabilities and net assets	\$ <u>176,445,885</u>
----------------------------------	-----------------------

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

Statement of Revenues and Expenses

Operating revenues	\$ 17,910,628
Operating expenses	(18,022,899)
Depreciation and amortization	(4,475,247)
Non-operating revenues (expenses)	<u>51,622,126</u>
Changes in net assets	<u>\$ 47,034,608</u>

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

General Fund

Statement of revenues, expenditures and changes in fund balance:

Public works expenditures:

Other services and charges (solid waste charges) \$ 2,202,615

Water and Sewer Enterprise Fund

Balance sheet:

Accounts Payable \$ 1,273,709

Statement of revenues, expenses and changes in retained earnings:

Operating expenses:

Contracted services (wastewater treatment) \$ 7,900,815

Jointly Governed Organizations

Harrison County Library System – On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Biloxi Public Library, the City of Gulfport, the Board of Supervisors of Harrison County, the Board of Trustees of the Gulfport-Harrison County Library, the City of Pass Christian, and the Board of Trustees of the Pass Christian Public Library to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Harrison County Library System. There are no specific monetary terms in the agreement and the City of Biloxi has no equity interest in the organization. However, a budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources. The City of Biloxi contributed \$675,000 for the year ended September 30, 2009. The amount budgeted for the City of Biloxi for the fiscal year ended September 30, 2010 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

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

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 2009-2010 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, 2009:

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

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

Matching Funds – USM Advanced Education Center

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

Required Supplementary Information

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

Schedule of Funding Progress
(\$ Thousands)

Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry Age	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
9/30/00	\$ 5,207	\$ 21,913	23.8%	\$ 16,706	\$ 615	2,716.4%
9/30/01	6,379	26,092	24.4	19,713	469	4,203.2
9/30/02	7,483	25,960	28.8	18,477	364	5,076.1
9/30/03	8,558	25,021	34.2	16,463	275	5,986.5
9/30/04	8,958	24,765	36.2	15,807	292	5,413.4
9/30/05	9,087	23,874	38.1	14,787	259	5,709.3
9/30/06	9,926	23,485	42.3	13,559	150	9,039.3
9/30/07	10,766	22,899	47.0	12,133	110	11,030.0
9/30/08	11,365	22,317	50.9	10,952	124	8,832.3
9/30/09	11,870	25,916	45.8	14,046	128	10,973.4

Schedule of Employer Contributions

Fiscal Year 10-1 / 9-30	Valuation Date 9-30	Annual Required Contribution	Percentage Contributed
2000-01	2000	\$ 1,480,273	180.4%
2001-02	2001	1,729,519	156.7
2002-03	2002	1,625,642	161.2
2003-04	2003	1,451,050	148.9
2004-05	2004	1,407,163	148.1
2005-06	2005	1,334,850	167.7
2006-07	2006	1,230,451	165.0
2007-08	2007	1,107,435	187.3
2008-09	2008	1,012,412	243.8
2009-10	2009	1,314,910	

Combining Financial Statements

Governmental Funds

City of Biloxi, Mississippi
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2009

Assets	Special Revenue			Capital Projects						
	Community Development Block Grant	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	General Obligation Public Improvement			2002 TIF Capital Projects Bond Fund	Total	
					2003 Bond Fund	2002 Bond Fund	1998 Bond Fund			2000 Bond Fund
Cash	\$ 7,840	\$ -	\$ 547,286	\$ 30,138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 585,264
Investments	-	-	-	-	664,241	464,322	15,584	118,394	893,785	2,156,326
Receivables:										
Taxes	-	23,865	-	-	-	-	-	-	-	23,865
Grants	224,304	-	-	-	-	-	-	-	-	224,304
Mortgage loans receivable	78,690	-	-	-	-	-	-	-	-	78,690
Land inventory	64,917	-	-	-	-	-	-	-	-	64,917
Total assets	\$ 375,751	\$ 23,865	\$ 547,286	\$ 30,138	\$ 664,241	\$ 464,322	\$ 15,584	\$ 118,394	\$ 893,785	\$ 3,133,366
Liabilities & Fund Balance										
Liabilities										
Accounts payable	\$ 1,048,928	\$ 23,865	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,072,793
Due to other funds	-	-	-	-	-	113,700	-	-	-	113,700
Total liabilities	1,048,928	23,865	-	-	-	113,700	-	-	-	1,186,493
Fund balance										
Reserved for:										
Endowment, expendable	-	-	-	30,138	-	-	-	-	-	30,138
Loans receivable	78,690	-	-	-	-	-	-	-	-	78,690
Land inventory	64,917	-	-	-	-	-	-	-	-	64,917
Capital projects	-	-	-	-	664,241	350,622	15,584	118,394	893,785	2,042,626
Unreserved reported in:										
Special revenues	(816,784)	-	547,286	-	-	-	-	-	-	(269,498)
Total fund balances	(673,177)	-	547,286	30,138	664,241	350,622	15,584	118,394	893,785	1,946,873
Total liabilities & fund balance	\$ 375,751	\$ 23,865	\$ 547,286	\$ 30,138	\$ 664,241	\$ 464,322	\$ 15,584	\$ 118,394	\$ 893,785	\$ 3,133,366

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, 2009

	Special Revenue				Capital Projects					
	Community Development Block Grant	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	General Obligation Public Improvement			2002 TIF Capital Projects Bond Fund	Total	
					2003 Bond Fund	2002 Bond Fund	1998 Bond Fund			2000 Bond Fund
Revenues										
Ad valorem taxes	\$ -	\$ 2,575,829	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,575,829
Intergovernmental	1,680,878	-	-	-	-	-	-	-	-	1,680,878
Other income	142,849	-	3,829	205	1,179	1,428	4	189	1,991	151,674
Total revenues	1,823,727	2,575,829	3,829	205	1,179	1,428	4	189	1,991	4,408,381
Expenditures										
Community Development	2,796,595	-	-	-	-	-	-	-	-	2,796,595
Benefit payments	-	2,575,829	24,748	-	-	-	-	-	-	2,600,577
Total expenditures	2,796,595	2,575,829	24,748	-	-	-	-	-	-	5,397,172
Excess of revenues over expenditures	(972,868)	-	(20,919)	205	1,179	1,428	4	189	1,991	(988,791)
Other financing sources (uses)										
Transfers in	357,024	-	-	-	-	-	-	-	-	357,024
Transfers out	(200,262)	-	-	-	(75,054)	(560,709)	-	-	(357,023)	(1,193,048)
Total other financing sources	156,762	-	-	-	(75,054)	(560,709)	-	-	(357,023)	(836,024)
Net change in fund balances	(816,106)	-	(20,919)	205	(73,875)	(559,281)	4	189	(355,032)	(1,824,815)
Fund balance, beginning of year	142,929	-	568,205	29,933	738,116	909,903	15,580	118,205	1,248,817	3,771,688
Fund balance, end of year	\$ (673,177)	\$ -	\$ 547,286	\$ 30,138	\$ 664,241	\$ 350,622	\$ 15,584	\$ 118,394	\$ 893,785	\$ 1,946,873

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, 2009

Assets	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Restricted assets				
Cash	\$ 2,441,452	\$ 3,730,286	\$ 3,126,356	\$ 9,298,094
Investments	1,241,709	-	-	1,241,709
Due from other City funds	205,907	-	-	205,907
Total restricted assets	<u>\$ 3,889,068</u>	<u>\$ 3,730,286</u>	<u>\$ 3,126,356</u>	<u>\$ 10,745,710</u>
Liabilities & Net Assets				
Liabilities payable from restricted assets				
Claims contingency payable	<u>\$ 3,889,068</u>	<u>\$ 3,730,286</u>	<u>\$ -</u>	<u>\$ 7,619,354</u>
Net assets				
Unrestricted	<u>-</u>	<u>-</u>	<u>3,126,356</u>	<u>3,126,356</u>
Total liabilities and net assets	<u>\$ 3,889,068</u>	<u>\$ 3,730,286</u>	<u>\$ 3,126,356</u>	<u>\$ 10,745,710</u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
(for self-insured risks)
For the Year Ended September 30, 2009

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Operating revenues				
Charges for services, insurance billings	\$ 3,249,141	\$ 6,727,618	\$ -	\$ 9,976,759
COBRA contributions	-	48,905	-	48,905
Total operating revenue	<u>3,249,141</u>	<u>6,776,523</u>	<u>-</u>	<u>10,025,664</u>
Operating expenses				
Insurance and reinsurance	2,244,280	361,029	-	2,605,309
Claims expense	<u>1,004,861</u>	<u>6,440,487</u>	<u>-</u>	<u>7,445,348</u>
Total operating expenses	<u>3,249,141</u>	<u>6,801,516</u>	<u>-</u>	<u>10,050,657</u>
Excess (deficiency of revenues over expenditures)	-	(24,993)	-	(24,993)
Other financing sources (uses)				
Interest income	-	24,993	21,250	46,243
Total other financing sources (uses)	<u>-</u>	<u>24,993</u>	<u>21,250</u>	<u>46,243</u>
Net change in fund balances	-	-	21,250	21,250
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>3,105,106</u>	<u>3,105,106</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,126,356</u>	<u>\$ 3,126,356</u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Combining Statement of Cash Flows
Internal Service Funds
(for self-insured risks)
For the Year Ended September 30, 2009

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Cash flows from operating activities				
Receipts from customers	\$ 3,249,141	\$ 6,776,523	\$ -	\$ 10,025,664
Payments to suppliers	(3,201,698)	(6,418,204)	-	(9,619,902)
Net cash provided by (used in) operating activities	47,443	358,319	-	405,762
Cash flows from non-capital financing activities				
Loans (to) other funds	16,780	-	-	16,780
Net cash provided by (used in) non-capital financing activities	16,780	-	-	16,780
Cash flows from investing activities				
Interest and dividends on investments	-	24,993	21,250	46,243
Proceeds from investments	(1,241,569)	-	-	(1,241,569)
Net cash provided by (used in) investing activities	(1,241,569)	24,993	21,250	(1,195,326)
Net increase (decrease) in cash and cash equivalents	(1,177,346)	383,312	21,250	(772,784)
Cash and cash equivalents, beginning of period	3,618,798	3,346,974	3,105,106	10,070,878
Cash and cash equivalents, end of period	<u>\$ 2,441,452</u>	<u>\$ 3,730,286</u>	<u>\$ 3,126,356</u>	<u>\$ 9,298,094</u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget Basis
Debt Service Fund
For the Year Ended September 30, 2009

	Actual	Budget	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 6,008,522	\$ 5,925,622	\$ 82,900
Intergovernmental	433,279	431,455	1,824
Other income	56,219	50,000	6,219
Total revenues	<u>6,498,020</u>	<u>6,407,077</u>	<u>90,943</u>
Expenditures			
Principal retirement	3,621,661	3,440,535	(181,126)
Interest expense	2,422,580	2,477,528	54,948
Paying agents' fees	31,794	25,000	(6,794)
Total expenditures	<u>6,076,035</u>	<u>5,943,063</u>	<u>(132,972)</u>
Excess (deficiency) of revenues over expenditures	<u>421,985</u>	<u>464,014</u>	<u>(42,029)</u>
Other financing sources (uses)			
Transfers in	3,476,005	3,476,005	-
Total other financing sources (uses)	<u>3,476,005</u>	<u>3,476,005</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>3,897,990</u>	<u>3,940,019</u>	<u>(42,029)</u>
Fund balances, beginning of year	<u>6,083,706</u>	<u>6,083,706</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 9,981,696</u></u>	<u><u>\$ 10,023,725</u></u>	<u><u>\$ (42,029)</u></u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budget Basis
Community Development Block Grant
For the Year Ended September 30, 2009

	Actual	Budget	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ 2,148,695	\$ 2,302,815	\$ (154,120)
Other income	151,434	281,176	(129,742)
Total revenues	<u>2,300,129</u>	<u>2,583,991</u>	<u>(283,862)</u>
Expenditures			
Community development	<u>1,910,867</u>	<u>3,017,624</u>	<u>1,106,757</u>
Excess (deficiency) of revenues over expenditures	389,262	(433,633)	822,895
Other financial sources (uses)			
Transfers in	357,024	-	357,024
Transfers out	(200,262)	(200,262)	-
Total other financial sources (uses)	<u>156,762</u>	<u>(200,262)</u>	<u>357,024</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	546,024	(633,895)	1,179,919
Fund balances, beginning of year	<u>(701,383)</u>	<u>(701,383)</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ (155,359)</u></u>	<u><u>\$ (1,335,278)</u></u>	<u><u>\$ 1,179,919</u></u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget Basis
Employees' Disability & Relief Funds
For the Year Ended September 30, 2009

	Fire and Police Disability & Relief Fund	Employees' Disability & Relief Fund	Total	Budget	Variance Positive (Negative)
Revenues					
Ad valorem taxes	\$ 2,041,571	\$ 510,393	\$2,551,964	\$ 2,516,900	\$ 35,064
Expenditures					
Benefit payments	2,041,571	510,393	2,551,964	2,516,899	(35,065)
Excess of revenues over expenditures	-	-	-	1	(1)
Fund balances, beginning of year	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ 1	\$ (1)

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budget Basis
Employees' State Unemployment Fund
For the Year Ended September 30, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
Revenues			
Other income	<u>\$ 3,829</u>	<u>\$ 19,000</u>	<u>\$ (15,171)</u>
Expenditures			
Benefit payments	<u>24,749</u>	<u>9,300</u>	<u>(15,449)</u>
Excess (deficiency) of revenues over expenditures	(20,920)	9,700	(30,620)
Fund balances, beginning of year	<u>568,206</u>	<u>568,206</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 547,286</u></u>	<u><u>\$ 577,906</u></u>	<u><u>\$ (30,620)</u></u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budget Basis
City Bicentennial Trust Fund
For the Year Ended September 30, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
Revenues			
Other income	<u>\$ 205</u>	<u>\$ 900</u>	<u>\$ (695)</u>
Expenditures			
Benefit payments	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	205	900	(695)
Fund balances, beginning of year	<u>29,933</u>	<u>29,933</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 30,138</u></u>	<u><u>\$ 30,833</u></u>	<u><u>\$ (695)</u></u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget Basis
Capital Projects Funds
For the Year Ended September 30, 2009

	General Capital Projects Fund	General Obligation Public Improvement				2002 TIF Capital Projects		Total	Budget	Variance Positive (Negative)
		2003 Bond Fund	2002 Bond Fund	1998 Bond Fund	2000 Bond Fund	2002 TIF Capital Projects Bond Fund				
Revenues										
Intergovernmental	\$ 13,890,682	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,890,682	\$ 437,074,851	\$ (423,184,169)	
Other income	-	1,179	1,428	4	189	1,991	4,791	97,300	(92,509)	
Total revenues	13,890,682	1,179	1,428	4	189	1,991	13,895,473	437,172,151	(423,276,678)	
Expenditures										
Capital projects	27,312,799	-	-	-	-	-	27,312,799	495,281,936	467,969,137	
Excess (deficiency) of revenues over expenditures	(13,422,117)	1,179	1,428	4	189	1,991	(13,417,326)	(58,109,785)	44,692,459	
Other financing sources (uses)										
Loan proceeds	2,717,000	-	-	-	-	-	2,717,000	27,231,581	(24,514,581)	
Transfers in	2,886,865	-	-	-	-	-	2,886,865	12,768,386	(9,881,521)	
Transfers out	-	(75,054)	(560,709)	-	-	(357,024)	(992,787)	(2,708,578)	1,715,791	
Total other financing sources (uses)	5,603,865	(75,054)	(560,709)	-	-	(357,024)	4,611,078	37,291,389	(32,680,311)	
Excess (deficiency) of revenues and other sources over expenditures and other uses	(7,818,252)	(73,875)	(559,281)	4	189	(355,033)	(8,806,248)	(20,818,396)	12,012,148	
Fund balances, beginning of year	15,545,141	681,333	909,903	15,580	118,205	1,248,818	18,518,980	18,518,980		
Fund balances, end of year	\$ 7,726,889	\$ 607,458	\$ 350,622	\$ 15,584	\$ 118,394	\$ 893,785	\$ 9,712,732	\$ (2,299,416)	\$ 12,012,148	

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, 2009

	Actual	Budget	Variance Positive (Negative)
Revenues			
Charges for services:			
Water and sewer charges	\$ 7,013,534	\$ 7,038,000	\$ (24,466)
Keesler Air Force Base, sewer	368,373	540,000	(171,627)
Intergovernmental revenues	278,872	1,699,195	(1,420,323)
Interest income	26,098	266,000	(239,902)
Other income	13,475	-	13,475
Total revenues	<u>7,700,352</u>	<u>9,543,195</u>	<u>(1,842,843)</u>
Expenses			
Personal services	1,723,916	1,980,323	256,407
Contracted services	7,635,396	9,014,753	1,379,357
Other services and charges	1,318,037	2,367,501	1,049,464
Bond principal	168,903	168,903	-
Interest expense	47,891	47,891	-
Capital outlay	20,030	345,450	325,420
Total expenses	<u>10,914,173</u>	<u>13,924,821</u>	<u>3,010,648</u>
Excess (deficiency) of revenues over expenses	(3,213,821)	(4,381,626)	1,167,805
Other financial sources (uses)			
Transfers out	<u>(797,271)</u>	<u>(1,226,579)</u>	<u>429,308</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (4,011,092)</u>	<u>\$ (5,608,205)</u>	<u>\$ 1,597,113</u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues and Expenses Compared to Budget
Biloxi Port Fund
For the Year Ended September 30, 2009

	Actual	Budget	Variance Positive (Negative)
Revenues			
Charges for services:			
Harbor fees and rents	\$ 1,009,258	\$ 1,403,614	\$ (394,356)
Intergovernmental revenues	215,599	1,427,804	(1,212,205)
Other income	470,412	129,000	341,412
Total revenues	<u>1,695,269</u>	<u>2,960,418</u>	<u>(1,265,149)</u>
Expenses			
Personal services	1,143,731	1,190,177	46,446
Contracted services	43,057	1,462,103	1,419,046
Other services and charges	141,031	306,641	165,610
Bond principal	110,000	110,000	-
Interest expense	107,924	110,175	2,251
Capital outlay	8,530	405,724	397,194
Total expenses	<u>1,554,273</u>	<u>3,584,820</u>	<u>2,030,547</u>
Excess (deficiency) of revenues over expenses	<u>140,996</u>	<u>(624,402)</u>	<u>765,398</u>
Other financial sources (uses)			
Transfers out	<u>(149,412)</u>	<u>(122,585)</u>	<u>(26,827)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ (8,416)</u>	<u>\$ (746,987)</u>	<u>\$ 738,571</u>

See Independent Auditors' Report.

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

Internal Service Funds

(for self-insured risks)

For the Year Ended September 30, 2009

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total	Budget	Variance Positive (Negative)
Revenues						
Charges for services, insurance billings	\$ 3,249,141	\$ 6,727,618	\$ -	\$ 9,976,759	\$ 10,092,000	\$ (115,241)
COBRA contributions	-	48,905	-	48,905	75,000	(26,095)
Interest income	-	24,993	21,250	46,243	190,000	(143,757)
Total revenues	<u>3,249,141</u>	<u>6,801,516</u>	<u>21,250</u>	<u>10,071,907</u>	<u>10,357,000</u>	<u>(285,093)</u>
Expenses						
Insurance and reinsurance	2,244,280	361,029	-	2,605,309	2,998,175	392,866
Claims expense	1,004,861	6,440,487	-	7,445,348	7,133,825	(311,523)
Total expenses	<u>3,249,141</u>	<u>6,801,516</u>	<u>-</u>	<u>10,050,657</u>	<u>10,132,000</u>	<u>81,343</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,250</u>	<u>\$ 21,250</u>	<u>\$ 225,000</u>	<u>\$ (203,750)</u>

See Independent Auditors' Report.

Supplemental Information

City of Biloxi, Mississippi
Schedule of Investments – All Funds
September 30, 2009

	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Governmental funds					
Debt Service Funds					
Money Market Fund	1.60%	various	N/A	\$ 1,132	\$ 1,132
Capital projects funds					
2003 GO Bond Fund					
Money Market Mutual Fund	1.40%	various	N/A	664,241	664,241
GOPI 2002 Bond Fund					
Money Market Mutual Fund	1.40%	various	N/A	464,322	464,322
GOPI 1998 Bond Fund					
Money Market Mutual Fund	1.40%	various	N/A	15,584	15,584
GOPI 2000 Bond Fund					
Money Market Mutual Fund	1.40%	various	N/A	118,394	118,394
2002 TIF Capital Projects Bond Fund					
Money Market Mutual Fund	1.40%	various	N/A	<u>893,785</u>	<u>893,785</u>
Total investments, governmental funds				2,157,458	2,157,458
Proprietary funds					
Biloxi Port Fund					
Money Market Mutual Fund	1.40%	various	N/A	725,544	725,544
Money Market Mutual Fund	1.40%	various	N/A	<u>380,391</u>	<u>380,391</u>
Total investments, proprietary funds				1,105,935	1,105,935
Internal service funds					
Money Market Mutual Fund	1.75%	various	N/A	<u>1,241,708</u>	<u>1,241,708</u>
Total investments, internal service funds				1,241,708	1,241,708
Total investments				<u><u>\$ 4,505,101</u></u>	<u><u>\$ 4,505,101</u></u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Long-Term Debt
September 30, 2009

	Date Issued	Original Issue	Balance		New Issues	Retirements	Balance September 30, 2009	Requirements Year Ended September 30, 2010	
			October 1, 2008					Principal	Interest
General Obligation Bonds and Notes									
General Obligation Bonds of 1988 - D	12/01/88	\$ 750,000	\$ 75,000	\$ -	\$ 75,000	\$ -	\$ -	\$ -	-
General Obligation Bonds of 1989 - A	02/15/89	750,000	75,000	-	75,000	-	-	-	-
GOPI 1998	05/01/00	10,000,000	4,820,000	-	715,000	4,105,000	750,000	156,660	156,660
General Obligation Bonds of 2002	12/01/02	6,000,000	5,000,000	-	240,000	4,760,000	245,000	209,811	209,811
General Obligation Bonds of 2003	12/01/03	9,800,000	7,755,000	-	570,000	7,185,000	590,000	235,150	235,150
Refunding Bond of 2004	12/30/04	5,530,000	2,075,000	-	1,015,000	1,060,000	1,060,000	17,225	17,225
Special Community Disaster Loan	12/20/05	7,000,000	11,000,000	-	-	11,000,000	-	-	-
Total General Obligation Bonds and Notes			30,800,000	-	2,690,000	28,110,000	2,645,000	618,846	618,846
Limited Obligation Bonds and Notes									
Mississippi Development Bank promissory note	01/04/01	10,000,000	4,279,051	2,717,000	909,452	6,086,599	1,000,020	169,862	169,862
Mississippi Development Authority Loan	11/01/01	500,000	371,803	-	22,219	349,584	22,885	10,723	10,723
Tax Increment Limited Obligation Refunding Bonds, Series 2006 A	10/31/06	31,685,000	31,685,000	-	-	31,685,000	-	1,468,843	1,468,843
Tax Increment Limited Obligation Refunding Bonds, Series 2006 B	10/31/06	2,335,000	2,335,000	-	-	2,335,000	-	122,547	122,547
Total Limited Obligation Bonds and Notes			38,670,854	2,717,000	931,671	40,456,183	1,022,905	1,771,975	1,771,975
Other General Long-Term Debt									
Lease/Purchase, The Peoples Bank	04/01/06	897,699	556,762	-	179,396	377,366	186,124	14,138	14,138
Lease/Purchase, Hancock Bank	11/29/07	438,782	392,968	-	57,106	335,862	59,521	12,815	12,815
Total Other General Long-Term Debt			949,730	-	236,502	713,228	245,645	26,953	26,953
Total General Long-Term Debt			70,420,584	2,717,000	3,858,173	69,279,411	3,913,550	2,417,774	2,417,774
Proprietary Funds Debt									
Water and sewer pollution control loans	1992-2001	2,497,903	1,464,905	-	168,903	1,296,002	174,896	41,898	41,898
Limited Tax Port Bonds, Series 1999	12/01/99	2,500,000	1,870,000	-	110,000	1,760,000	120,000	98,899	98,899
Special Community Disaster Loan	01/03/06	2,787,113	2,787,113	-	-	2,787,113	-	-	-
Total Proprietary Funds Debt			6,122,018	-	278,903	5,843,115	294,896	140,797	140,797
Totals			\$ 76,542,602	\$ 2,717,000	\$ 4,137,076	\$ 75,122,526	\$ 4,208,446	\$ 2,558,571	\$ 2,558,571

See Independent Auditors' Report.

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

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
A. J. Holloway	Mayor	Fidelity and Deposit Company of Maryland	\$ 100,000
George Lawrence	Councilman	Fidelity and Deposit Company of Maryland	100,000
William Stallworth	Councilman	Fidelity and Deposit Company of Maryland	100,000
Lucy Denton	Councilman	Fidelity and Deposit Company of Maryland	100,000
Clark Griffith	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

III. STATISTICAL SECTION

Schedule

1	Net Assets by Component	85
2	Changes in Net Assets	86-87
3	Fund Balances, Governmental Funds	88
4	Changes in Fund Balance	89
5	Assessed Value and Actual Value of Taxable Property	90
6	Direct and Overlapping Property Tax Rates	90
7	Principal Property Tax Payers	91
8	Property Tax Levies and Collections	92
9	Ratios of Outstanding Debt by Type	93
10	Ratios of General Bonded Debt Outstanding	94
11	Direct and Overlapping Governmental Activities Debt	95
12	Legal Debt Margin Information	96
13	Pledged-Revenue Coverage	97
14	Demographic and Economic Statistics	98
15	Principal Employers	99
16	Full-time Equivalent City Government Employees by Function/Program	100
17	Operating Indicators by Function/Program	101
18	Capital Asset Statistics by Function/Program	102

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

	Fiscal Year	
	2009	2008
Governmental activities		
Invested in capital assets, net of related debt	\$ 162,209,803	\$ 148,298,408
Restricted	35,399,734	30,633,195
Unrestricted	<u>19,660,287</u>	<u>32,009,500</u>
Total governmental activities net assets	<u><u>\$ 217,269,824</u></u>	<u><u>\$ 210,941,103</u></u>
Business-type activities		
Invested in capital assets, net of related debt	\$ 61,716,508	\$ 47,402,255
Restricted	1,105,935	1,121,037
Unrestricted	<u>(11,504,300)</u>	<u>7,505,527</u>
Total business-type activities net assets	<u><u>\$ 51,318,143</u></u>	<u><u>\$ 56,028,819</u></u>
Primary government		
Invested in capital assets, net of related debt	\$ 223,926,311	\$ 195,700,663
Restricted	36,505,669	31,754,232
Unrestricted	<u>8,155,987</u>	<u>39,515,027</u>
Total primary government net assets	<u><u>\$ 268,587,967</u></u>	<u><u>\$ 266,969,922</u></u>

Fiscal Year			
2007	2006	2005	2004
\$ 137,454,714	\$ 122,446,292	\$ 125,208,731	\$ 115,566,223
10,146,382	11,814,028	13,202,408	22,015,077
70,540,236	58,845,246	26,346,700	20,354,065
<u>\$ 218,141,332</u>	<u>\$ 193,105,566</u>	<u>\$ 164,757,839</u>	<u>\$ 157,935,365</u>
\$ 41,667,384	\$ 39,094,116	\$ 39,210,473	\$ 40,657,098
1,726,398	1,684,296	1,897,170	2,127,659
9,620,633	13,393,377	12,549,989	9,922,771
<u>\$ 53,014,415</u>	<u>\$ 54,171,789</u>	<u>\$ 53,657,632</u>	<u>\$ 52,707,528</u>
\$ 179,122,098	\$ 161,540,408	\$ 164,419,204	\$ 156,223,321
11,872,780	13,498,324	15,099,578	24,142,736
80,160,869	72,238,623	38,896,689	30,276,836
<u>\$ 271,155,747</u>	<u>\$ 247,277,355</u>	<u>\$ 218,415,471</u>	<u>\$ 210,642,893</u>

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

	Fiscal Year	
	2009	2008
Expenses		
Governmental activities:		
General government	\$ 6,289,441	\$ 5,545,240
Parks and recreation	5,892,707	5,720,051
Public safety	39,554,918	36,120,835
Public works	12,174,671	18,051,184
Community development	7,633,964	4,332,445
Unallocated depreciation, infrastructure	2,355,172	2,292,270
Interest and other, long-term debt	2,750,274	2,866,857
Total governmental activities expenses	<u>76,651,147</u>	<u>74,928,882</u>
Business-type activities:		
Water & Sewer	13,064,569	11,475,922
Biloxi Port Fund	1,594,012	1,653,803
Point Cadet Development Corporation	471	18,851
Total business-type activities expenses	<u>14,659,052</u>	<u>13,148,576</u>
Total primary government expenses	<u>\$ 91,310,199</u>	<u>\$ 88,077,458</u>
Program Revenues		
Governmental activities:		
Charges for services:		
General government	\$ 1,506	\$ 1,935
Parks and recreation	407,165	398,565
Public safety	1,462,173	1,236,468
Public works	585,385	603,235
Community development	5,115,057	5,204,757
Operating grants and contributions	4,311,030	2,453,282
Capital grants and contributions	9,135,507	2,476,562
Total governmental activities program reviews	<u>21,017,823</u>	<u>12,374,804</u>
Business-type activities:		
Charges for services:		
Water & Sewer	7,519,605	7,738,610
Biloxi Port Fund	1,470,994	1,246,597
Point Cadet Development Corporation	24,837	58,844
Capital grants and contributions	1,379,466	7,222,126
Total business-type activities program revenues	<u>10,394,902</u>	<u>16,266,177</u>
Total primary government program revenues	<u>\$ 31,412,725</u>	<u>\$ 28,640,981</u>

Fiscal Year			
2007	2006	2005	2004
\$ 4,902,940	\$ 4,444,590	\$ 4,505,044	\$ 4,494,668
4,797,664	4,294,691	5,528,890	5,718,522
29,601,484	27,540,929	29,591,921	26,638,158
22,402,881	64,616,111	19,942,138	9,706,107
4,728,570	2,364,826	7,186,148	8,326,850
2,254,458	2,219,360	1,869,584	1,664,522
1,996,618	2,786,442	3,327,475	2,898,309
<u>70,684,615</u>	<u>108,266,949</u>	<u>71,951,200</u>	<u>59,447,136</u>
9,829,590	9,925,601	12,515,510	10,662,616
1,254,929	1,415,121	1,666,327	2,024,677
131	5,730	372,659	22,394
<u>11,084,650</u>	<u>11,346,452</u>	<u>14,554,496</u>	<u>12,709,687</u>
<u>\$ 81,769,265</u>	<u>\$ 119,613,401</u>	<u>\$ 86,505,696</u>	<u>\$ 72,156,823</u>
\$ 1,080	\$ 34,656	\$ 36,776	\$ 37,828
442,126	522,282	596,247	477,684
1,136,610	1,352,917	1,249,630	1,166,560
591,434	544,772	702,655	614,340
5,724,975	5,761,969	4,151,971	4,295,159
13,728,661	56,706,429	1,196,313	1,254,752
2,454,944	1,214,462	17,373,396	1,969,950
<u>24,079,830</u>	<u>66,137,487</u>	<u>25,306,988</u>	<u>9,816,273</u>
7,864,670	6,989,753	8,762,117	9,566,541
1,660,968	1,768,179	1,752,748	1,723,490
27,595	20,874	17,594	21,175
1,801,139	2,269,780	978,930	406,216
<u>11,354,372</u>	<u>11,048,586</u>	<u>11,511,389</u>	<u>11,717,422</u>
<u>\$ 35,434,202</u>	<u>\$ 77,186,073</u>	<u>\$ 36,818,377</u>	<u>\$ 21,533,695</u>

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

	Fiscal Year	
	2009	2008
Net (Expense)/Revenue		
Governmental activities	\$ (55,633,324)	\$ (62,554,078)
Business-type activities	(4,264,150)	3,117,601
Total primary government net expense	<u>\$ (59,897,474)</u>	<u>\$ (59,436,477)</u>
General Revenues and Other		
Changes In Net Assets		
Governmental activities:		
Taxes		
Property taxes	\$ 18,125,894	\$ 14,850,437
Franchise taxes	3,095,826	2,968,811
Sales taxes	10,309,316	11,162,329
Gaming taxes	19,631,434	22,030,475
Other taxes	711,062	1,065,200
Unrestricted grants and contributions	6,018,256	399,672
Unrestricted investment earnings	399,787	2,009,599
Insurance proceeds	-	-
Miscellaneous	251,009	190,307
Transfers	3,419,459	677,019
Total governmental activities	<u>61,962,043</u>	<u>55,353,849</u>
Business-type activities:		
Property taxes	209,134	229,178
Investment earnings	46,799	344,644
Transfers	(702,459)	(677,019)
Total business-type activities	<u>(446,526)</u>	<u>(103,197)</u>
Total primary government	<u>\$ 61,515,517</u>	<u>\$ 55,250,652</u>
Change in Net Assets		
Governmental activities	\$ 6,328,719	\$ (7,200,229)
Business-type activities	<u>(4,710,676)</u>	<u>3,014,404</u>
Total primary government	<u>\$ 1,618,043</u>	<u>\$ (4,185,825)</u>

Fiscal Year			
2007	2006	2005	2004
\$ (46,604,785)	\$ (42,129,462)	\$ (46,644,212)	\$ (49,630,863)
269,722	(297,866)	(3,043,107)	(992,265)
<u>\$ (46,335,063)</u>	<u>\$ (42,427,328)</u>	<u>\$ (49,687,319)</u>	<u>\$ (50,623,128)</u>
\$ 11,884,058	\$ 16,859,108	\$ 15,599,678	\$ 15,621,385
2,742,974	2,360,722	2,653,549	2,555,738
11,355,382	10,159,154	11,944,584	12,294,618
22,518,892	15,187,146	20,968,845	21,441,126
1,684,283	706,999	654,641	722,315
-	527,815	1,200,000	1,200,000
4,217,134	2,298,869	1,136,693	415,483
12,794,680	16,306,863	1,436,097	-
1,444,358	756,751	906,688	1,447,516
2,998,790	(933,637)	(3,034,089)	(2,992,157)
<u>71,640,551</u>	<u>64,229,790</u>	<u>53,466,686</u>	<u>52,706,024</u>
872,186	920,215	657,426	987,051
699,508	389,262	301,696	128,965
(2,998,790)	(497,454)	3,034,089	2,992,157
<u>(1,427,096)</u>	<u>812,023</u>	<u>3,993,211</u>	<u>4,108,173</u>
<u>\$ 70,213,455</u>	<u>\$ 65,041,813</u>	<u>\$ 57,459,897</u>	<u>\$ 56,814,197</u>
\$ 25,035,766	\$ 6,822,474	\$ 3,075,161	\$ 3,650,388
<u>(1,157,374)</u>	<u>950,104</u>	<u>3,115,908</u>	<u>3,154,032</u>
<u>\$ 23,878,392</u>	<u>\$ 7,772,578</u>	<u>\$ 6,191,069</u>	<u>\$ 6,804,420</u>

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

	Fiscal Year			
	2009	2008	2007	2006
General Fund				
Reserved	\$ 3,822,099	\$ 2,345,677	\$ 2,864,621	\$ 2,525,615
Unreserved	23,635,948	36,736,391	55,178,878	52,281,003
Total general fund	<u>\$ 27,458,047</u>	<u>\$ 39,082,068</u>	<u>\$ 58,043,499</u>	<u>\$ 54,806,618</u>
All other governmental funds				
Reserved	\$ 32,905,850	\$ 28,434,989	\$ 7,442,457	\$ 9,453,276
Unreserved, reported in:				
General Capital Projects Fund	-	-	20,133,801	-
2002 TIF Capital Projects Fund	-	-	-	-
Other non-major governmental funds, special revenue	(269,498)	568,205	812,124	695,568
Total all other governmental funds	<u>\$ 32,636,352</u>	<u>\$ 29,003,194</u>	<u>\$ 28,388,382</u>	<u>\$ 10,148,844</u>

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 2,000,359	\$ 49,058	\$ 55,345	\$ 815,112	\$ 571,659	\$ 401,060
26,975,995	21,420,184	28,581,807	34,822,162	37,043,806	29,800,018
<u>\$ 28,976,354</u>	<u>\$ 21,469,242</u>	<u>\$ 28,637,152</u>	<u>\$ 35,637,274</u>	<u>\$ 37,615,465</u>	<u>\$ 30,201,078</u>
\$ 11,420,479	\$ 5,841,560	\$ 5,891,439	\$ 5,043,537	\$ 11,495,624	\$ 17,726,246
-	-	-	-	-	-
-	7,947,935	11,130,049	-	-	-
539,941	8,963,706	5,749,106	4,033	184,912	4,335,854
<u>\$ 11,960,420</u>	<u>\$ 22,753,201</u>	<u>\$ 22,770,594</u>	<u>\$ 5,047,570</u>	<u>\$ 11,680,536</u>	<u>\$ 22,062,100</u>

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

	Fiscal Year			
	2009	2008	2007	2006
Revenues				
Taxes	\$ 18,125,894	\$ 14,850,437	\$ 11,884,058	\$ 16,859,108
Licenses and permits	4,006,293	4,192,441	4,366,535	4,059,907
Intergovernmental	47,334,921	37,283,930	50,509,539	83,596,269
Charges for services	1,035,225	1,198,608	1,000,762	1,124,939
Fines	1,361,195	1,202,481	1,123,537	1,346,888
Other	4,778,893	5,882,659	10,760,698	6,956,788
Total revenues	<u>76,642,421</u>	<u>64,610,556</u>	<u>79,645,129</u>	<u>113,943,899</u>
Expenditures				
General government	5,549,821	5,111,940	4,319,296	4,221,591
Parks and recreation	5,316,864	5,344,806	3,965,717	3,766,106
Public safety	33,953,635	34,791,692	28,417,622	27,139,584
Public works	11,340,820	15,457,386	20,885,545	63,498,853
Community development	6,423,995	3,425,986	2,338,863	2,248,326
Non-departmental	4,826,960	5,003,572	4,031,368	2,919,036
Retirement contribution				
Capital outlay	14,560,072	11,351,010	7,986,131	3,259,444
Debt service:				
Principal	3,621,661	3,278,169	3,590,680	4,787,845
Interest	2,454,374	2,570,957	1,615,844	2,786,442
Bond issue costs	-	-	75,219	-
Total expenditures	<u>88,048,202</u>	<u>86,335,518</u>	<u>77,226,285</u>	<u>114,627,227</u>
Excess of revenues over (under) expenditures	(11,405,781)	(21,724,962)	2,418,844	(683,328)
Other Financing Sources (Uses)				
Insurance proceeds	-	-	12,794,680	16,306,863
Issuance of bonds	-	-	34,020,000	-
Payment to refunded bond escrow agent	-	-	(31,669,936)	
Issuance of notes	2,717,000	2,258,000	4,000,000	7,000,000
Capital lease	-	438,782	-	897,699
Transfers in	6,675,931	9,168,356	28,184,393	3,255,948
Transfers out	(5,973,471)	(8,491,337)	(28,271,562)	(2,758,494)
Total other financing sources (uses)	<u>3,419,460</u>	<u>3,373,801</u>	<u>19,057,575</u>	<u>24,702,016</u>
Net change in fund balances	<u>\$ (7,986,321)</u>	<u>\$ (18,351,161)</u>	<u>\$ 21,476,419</u>	<u>\$ 24,018,688</u>
Debt services as a percentage of noncapital expenditures	8.3%	7.8%	7.6%	6.8%

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 15,599,678	\$ 15,621,385	\$ 16,494,797	\$ 15,788,474	\$ 15,570,922	\$ 15,129,168
3,667,843	3,597,812	3,661,074	3,320,782	3,403,789	3,116,426
53,337,778	38,546,261	37,250,012	36,101,336	37,451,946	35,548,793
1,081,843	982,416	1,129,740	1,213,723	1,174,942	962,833
1,241,663	1,156,867	1,180,109	1,133,113	1,387,709	1,367,677
5,442,861	4,988,822	4,908,527	4,780,681	7,069,911	7,603,962
80,371,666	64,893,563	64,624,259	62,338,109	66,059,219	63,728,859
4,225,009	4,066,268	4,021,258	4,159,184	3,886,516	3,236,454
4,926,209	4,564,356	4,323,630	4,254,332	3,839,485	3,161,109
26,922,427	23,522,963	22,412,569	22,203,686	20,080,649	19,160,996
18,802,996	8,829,393	8,114,028	7,639,287	7,506,841	7,292,767
3,702,265	3,702,108	4,128,317	3,777,394	2,944,613	5,234,303
5,535,248	5,380,002	6,180,177	4,816,858	4,155,396	4,100,494
2,108,989	2,085,382	2,691,822	2,728,111	2,690,011	2,003,334
19,299,416	23,236,972	26,681,858	18,041,127	17,726,160	27,508,751
9,813,918	3,661,674	2,641,116	2,627,508	5,389,627	2,679,648
3,246,883	2,863,804	1,689,836	1,821,497	2,026,245	1,151,844
80,592	120,031	760,890	-	-	-
98,663,952	82,032,953	83,645,501	72,068,984	70,245,543	75,529,700
(18,292,286)	(17,139,390)	(19,021,242)	(9,730,875)	(4,186,324)	(11,800,841)
5,528,315	-	-	-	-	-
5,530,000	9,801,416	29,000,000	500,000	3,025,000	22,454,000
2,000,000	-	-	-	-	-
-	-	-	-	-	-
17,378,176	21,421,773	25,256,872	16,878,390	12,853,018	9,846,456
(15,429,874)	(21,269,102)	(24,846,156)	(16,259,161)	(15,702,744)	(13,238,995)
15,006,617	9,954,087	29,410,716	1,119,229	175,274	19,061,461
\$ (3,285,669)	\$ (7,185,303)	\$ 10,389,474	\$ (8,611,646)	\$ (4,011,050)	\$ 7,260,620
16.6%	11.3%	8.9%	8.2%	14.1%	8.0%

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

Fiscal Year Ended	Real Property (1)		Personal Property	
	Assessed Value	Actual Value	Assessed Value	Actual Value
2009	\$ 416,010,814	\$ 3,041,014,722	\$ 99,426,267	\$ 662,841,780
2008	315,103,936	2,303,391,345	86,235,198	574,901,320
2007	264,457,015	1,933,165,314	42,427,809	282,852,060
2006	367,933,781	2,689,574,423	97,968,890	653,125,933
2005	358,029,587	2,617,175,344	90,986,491	606,576,607
2004	349,059,331	2,551,603,297	87,534,512	583,563,413
2003	363,850,114	2,659,723,056	89,559,850	597,065,667
2002	364,674,681	2,665,750,592	86,133,392	574,222,613
2001	357,382,870	2,612,447,880	84,626,942	564,179,613
2000	171,458,879	1,253,354,379	70,078,864	467,192,427

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

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

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

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

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

Fiscal Year Ended	Tax Year	City of Biloxi		
		Operating Millage	Debt Service	Total
2009	2008	20.90	9.20	30.10
2008	2007	20.90	9.20	30.10
2007	2006	20.90	9.20	30.10
2006	2005	20.90	9.20	30.10
2005	2004	22.40	7.70	30.10
2004	2003	22.40	7.70	30.10
2003	2002	23.40	6.70	30.10
2002	2001	23.40	6.70	30.10
2001	2000	23.40	6.70	30.10
2000	1999	37.61	8.60	46.21

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

Utility		Automobile & Mobile Home		Total		Ratio of Assessed to Actual
Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	
\$ 30,021,990	\$ 200,146,600	\$ 60,482,827	\$ 201,609,423	\$ 605,941,898	\$ 4,105,612,526	14.76%
28,489,554	189,930,360	65,897,368	219,657,893	495,726,056	3,287,880,918	15.08%
20,810,411	138,736,073	61,828,287	206,094,290	389,523,522	2,560,847,738	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	3,537,265,944	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	3,569,916,249	14.69%
23,614,559	157,430,393	46,417,107	154,723,690	520,839,739	3,552,127,289	14.66%
21,071,009	140,473,393	47,431,840	158,106,133	510,512,661	3,475,207,020	14.69%
18,344,995	122,299,967	43,529,432	145,098,107	303,412,170	1,987,944,879	15.26%

Harrison County			Biloxi School District			Total Millage	Total City and School
Operating Millage	Debt Service	Total	Operating Millage	Debt Service	Total		
32.58	3.37	35.95	30.64	7.39	38.03	104.08	68.13
34.24	2.37	36.61	30.44	7.59	38.03	104.74	68.13
34.35	2.14	36.49	30.44	7.59	38.03	104.62	68.13
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

Schedule 7
City of Biloxi
Principal Property Tax Payers
Current Year and 8 Years Prior

	2009			2001*		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Taxpayer						
Beau Rivage	\$ 80,067,155	1	14.28%	\$ 85,635,311	1	16.77%
Imperial Palace	36,638,587	2	6.53%	27,266,772	3	5.34%
Isle of Capri Casino	22,996,329	3	4.10%	16,469,936	5	3.23%
Mississippi Power	20,886,693	4	3.72%	8,078,906	8	1.58%
Grand Casino	19,555,779	5	3.49%	29,467,464	2	5.77%
Hard Rock Casino	10,978,394	6	1.96%			
Palace Casino	7,788,177	7	1.39%			
Bell South	6,914,658	8	1.23%	9,049,262	7	1.77%
Boomtown Casino	5,918,349	9	1.06%			
Biloxi Regional Hospital	5,854,402	10	1.04%			
Casino Magic				24,047,730	4	4.71%
Mastar				14,330,480	6	2.81%
President Casino				7,191,228	9	1.41%
American National				6,061,838	10	1.19%
Total	\$ 217,598,523		38.80%	\$ 227,598,927		39.17%

* The City did not prepare this schedule or accumulate this data prior to 2001.

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 37,966,436	\$ 37,478,389	98.71%	\$ 683,980	38,162,369	100.52%
2008	30,784,713	29,715,851	96.53%	739,625	30,455,476	98.93%
2007	23,611,125	23,088,759	97.79%	1,176,800	24,265,559	102.77%
2006	33,817,049	33,670,317	99.57%	1,094,228	34,764,545	102.80%
2005	32,839,579	32,332,482	98.46%	415,459	32,747,941	99.72%
2004	31,900,734	31,894,516	99.98%	434,597	32,329,113	101.34%
2003	32,263,406	32,095,387	99.48%	1,043,193	33,138,580	102.71%
2002	30,269,675	29,505,708	97.48%	446,975	29,952,683	98.95%
2001	29,595,998	28,845,271	97.46%	522,664	29,367,935	99.23%
2000	25,214,333	25,192,231	99.91%	221,892	25,414,123	100.79%

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

Fiscal Year	Governmental Activities				Business-Type Activities	
	General Obligation Bonds	Limited Obligation Bonds	Capital Leases	Other General Long-Term Debt	Water/ Sewer Revenue Bonds	SRF Loans
2009	\$ 17,110,000	\$ 34,020,000	\$ 713,228	\$ 17,436,183	\$ -	\$ 1,296,002
2008	19,800,000	34,020,000	949,731	15,650,854	-	1,464,905
2007	22,460,000	34,020,000	729,324	14,011,023	-	1,628,026
2006	24,995,000	30,405,000	897,699	10,542,312	-	1,628,026
2005	28,040,000	31,625,000	-	4,065,157	-	1,628,026
2004	26,946,849	32,785,000	-	6,282,226	-	1,746,170
2003	23,160,000	33,890,000	-	2,825,749	-	1,860,468
2002	19,090,000	11,280,000	-	3,146,865	-	1,970,978
2001	21,045,000	11,650,000	-	2,949,373	-	2,069,085
2000	26,009,000	12,000,000	-	-	160,000	1,158,604

Business-Type Activities

Port Bonds	Other Loans	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 1,760,000	\$ 2,787,113	\$ 75,122,526	Not Available	1,645
1,870,000	2,787,113	76,542,603	Not Available	1,676
1,975,000	2,787,113	77,610,486	4.68%	1,677
2,680,000	1,000,000	72,148,037	4.84%	1,553
3,370,000	-	68,728,183	5.27%	1,359
4,050,000	-	71,810,245	5.36%	1,414
-	-	61,736,217	4.71%	1,234
-	-	35,487,843	2.82%	711
-	-	37,713,458	3.08%	754
-	-	39,327,604	3.18%	776

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

Fiscal Year Ended 9/30	Estimated Population (1)	Actual Value of Property (2)	Gross General Obligation Debt (3)	Less Debt Service Fund	Net Bonded Debt	Percentage of Actual Taxable Value of Property	Net Bonded Debt Per Capita
2009	45,670	\$ 4,100,471,549	\$34,196,599	\$ 10,826,183	\$ 23,370,416	0.57%	512
2008	45,670	3,287,880,918	35,079,051	6,524,693	28,554,358	0.87%	625
2007	46,287	2,560,847,738	36,077,648	3,716,525	32,361,123	1.26%	783
2006	46,450	3,669,091,583	35,115,160	3,651,761	31,463,399	0.86%	710
2005	50,562	3,537,265,944	31,662,672	4,421,727	27,240,945	0.77%	546
2004	50,801	3,459,519,243	32,766,849	5,549,995	27,216,854	0.79%	542
2003	50,049	3,569,916,249	25,504,357	5,588,664	19,915,693	0.56%	401
2002	49,881	3,552,127,289	21,736,865	3,926,622	17,810,243	0.50%	359
2001	49,988	3,475,207,020	23,994,373	3,920,177	20,074,196	0.58%	403
2000	50,692	1,987,944,879	26,169,000	3,817,572	22,351,428	1.12%	441

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

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

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

Schedule 11
City of Biloxi
Direct and Overlapping
General Obligation Debt
As of September 30, 2009

	Net General Obligation Bonded Debt Outstanding	Applicable Percentage	Amount Applicable to City of Biloxi
Jurisdiction			
Direct:			
City of Biloxi	\$ 23,370,416	100.00%	\$ 23,370,416
Overlapping:			
Biloxi School District	20,740,000	100.00%	20,740,000
Harrison County	134,866,499	31.00%	41,808,615
City of Biloxi Limited Tax Port Bonds (2)	1,760,000	31.00%	545,600
Total overlapping	<u>157,366,499</u>		<u>63,094,215</u>
Totals	<u>\$ 180,736,915</u>		<u>\$ 86,464,631</u>

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

Includes Port Fund (enterprise) general obligation debt.

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

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

	Fiscal Year			
	2009	2008	2007	2006
Debt Limit	\$ 90,891,285	\$ 74,358,908	\$ 58,428,528	\$ 81,279,530
Total net debt applicable to limit	<u>28,110,000</u>	<u>30,800,000</u>	<u>33,460,000</u>	<u>31,995,000</u>
Legal debt margin	<u>\$ 62,781,285</u>	<u>\$ 43,558,908</u>	<u>\$ 24,968,528</u>	<u>\$ 49,284,530</u>
Total net debt applicable to the limit as a percentage of the debt limit	30.93%	41.42%	57.27%	39.36%

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 77,922,131	\$ 78,301,512	\$ 76,764,019	\$ 79,622,455	\$ 78,393,382	\$ 79,954,366
31,662,672	32,766,849	25,504,357	21,736,865	23,994,373	26,009,000
<u>\$ 46,259,459</u>	<u>\$ 45,534,663</u>	<u>\$ 51,259,662</u>	<u>\$ 57,885,590</u>	<u>\$ 54,399,009</u>	<u>\$ 53,945,366</u>
40.63%	41.85%	33.22%	27.30%	30.61%	32.53%

Legal Debt Margin Calculated

for Fiscal Year 2009

Assessed Value	\$ 605,941,898
Debt Limit (15% of assessed value)	90,891,285
Debt applicable to limit:	
General obligation bonds	<u>28,110,000</u>
Total debt applicable to limit	<u>28,110,000</u>
Legal debt margin	<u>\$ 62,781,285</u>

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

Fiscal Year Ended 9/30	Gross Revenues	Operating Expenses	Net Revenues Available for Debt Service	Debt Service Requirements (1)			
				Principal	Interest	Total	Coverage
2009	\$ 7,399,448	\$ 12,941,452	\$ (5,542,004)	\$ 168,903	\$ 47,891	\$ 216,794	-2556.35%
2008	7,964,405	11,346,358	(3,381,953)	163,121	53,673	216,794	-1559.98%
2007	8,264,274	9,730,830	(1,466,556)	-	-	-	N/A
2006	7,212,180	9,925,146	(2,712,966)	-	-	-	N/A
2005	9,002,050	12,450,570	(3,448,520)	118,210	58,531	176,741	-1951.17%
2004	9,672,172	10,600,079	(927,907)	114,298	62,537	176,835	-524.73%
2003	9,545,558	10,158,286	(612,728)	110,510	66,335	176,845	-346.48%
2002	9,484,598	9,986,717	(502,119)	98,108	62,742	160,850	-312.17%
2001	8,857,508	9,630,775	(773,267)	235,698	55,346	291,044	-265.69%
2000	8,925,287	9,579,252	(653,965)	218,282	68,492	286,774	-228.04%

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

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

Year	Estimated Population (1)	Per Capita Personal Income (2)	Personal Income (3)	School Enrollment (4)	Unemployment Rate (5)
2009	45,670	Not available	Not available	4,686	8.5
2008	45,670	Not available	Not available	4,780	6.3
2007	46,287	35,856	1,659,666,672	4,816	6.2
2006	46,450	32,063	1,489,326,350	4,711	11.8
2005	50,562	25,785	1,303,741,170	6,051	12.5
2004	50,801	26,380	1,340,130,380	6,132	5.9
2003	50,049	26,172	1,309,882,428	6,009	5.4
2002	49,881	25,211	1,257,549,891	5,854	6.3
2001	49,988	24,493	1,224,356,084	5,791	4.9
2000	50,692	24,396	1,236,682,032	5,895	5.1

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

Schedule 15
City of Biloxi
Principal Employers
Current & Prior Year

	<u>2009</u>		<u>2008</u>	
<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Keesler Air Force Base	10,896	1	10,848	1
Beau Rivage Casino & Resort	2,889	2	2,866	2
Imperial Palace Casino Resort Spa	1,989	3	2,248	3
Biloxi Veterans Admin Hospital	1,780	4	1,780	4
Grand Casino Biloxi	876	5	903	5
Biloxi Public School District	850	6	850	7
Hard Rock Hotel & Casino Biloxi	845	7	886	6
Isle of Capri Casino	695	8	726	8
City of Biloxi	655	9	661	9
Biloxi Regional Medical Center	653	10	653	10
Total	<u>22,128</u>		<u>22,421</u>	

The City did not prepare this schedule or accumulate this data prior to 2006.
Source: Harrison County Development Commission.

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

Function/Program	Full-Time Equivalent Employees as of September 30			
	2009	2008	2007	2006
General Government				
Management services	1	1	1	1
Finance	5	7	7	8
Planning	7	7	7	6
Building	17	15	13	11
Other	39	41	36	28
Police				
Officers	134	135	121	131
Civilians	47	46	41	44
Fire				
Firefighters and officers	177	175	174	163
Civilians	4	4	4	6
Refuse collection	0	0	0	0
Other public works				
Engineering	12	12	12	13
Other	97	100	81	68
Redevelopment	0	0	0	0
Parks and recreation	63	62	57	61
Library	0	0	0	0
Water	28	31	31	18
Wastewater	0	0	0	0
Port	24	25	26	21
Total	655	661	611	579

The City did not prepare this schedule or accumulate this data prior to 2006.
Source: City of Biloxi Human Resources Section.

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

Function/Program	Fiscal Year			
	2009	2008	2007	2006
Police				
Physical arrests	9,108	9,953	8,421	10,171
Parking violations	232	103	98	245
Traffic violations	19,490	13,278	3,197	5,622
Fire				
Emergency responses	6,500	6,338	5,873	5,729
Inspections	3,856	4,491	4,076	4,056
Water				
Average daily consumption (thousands of gallons)	5,380	5,559	5,414	5,910
Wastewater				
Average daily sewage treatment (thousands of gallons)	9,779	8,927	7,909	7,398

Sources: Various departments of City of Biloxi.

Fiscal Year					
2005	2004	2003	2002	2001	2000
16,351	10,772	10,087	10,120	9,151	11,533
441	308	269	351	687	507
7,838	10,274	15,729	12,319	19,682	19,997
5,117	3,939	3,427	3,427	3,093	2,821
3,270	3,500	3,106	3,106	986	2,125
5,739	7,713	8,002	8,002	8,242	8,333
10,859	11,111	11,870	11,485	12,651	9,806

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

Function/Program	Fiscal Year			
	2009	2008	2007	2006
Police				
Stations	1	1	1	1
Patrol units	135	144	144	135
Fire Stations	9	9	9	9
Other public works				
Streets (miles)	220	217	217	215
Traffic signals	40	40	40	40
Parks and recreation				
Acreage	258	258	258	258
Playgrounds	20	20	20	20
Ballfields	30	30	30	30
Community centers	2	2	2	2
Water				
Water mains	234	234	234	234
Fire hydrants	1,820	1,786	1,729	1,729
Storage capacity (thousands of gallons)	14,793	14,793	14,793	14,793
Wastewater				
Sanitary sewers	235	235	235	235
Treatment capacity (thousands of gallons)	21,582	21,582	21,582	21,582

Sources: Various departments of City of Biloxi.

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

SECTION IV
COMPLIANCE SECTION

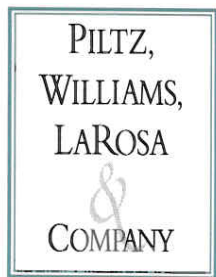
Schedule of Expenditures of Federal Awards

City of Biloxi
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2009

Grantor Federal Agency / Pass-Through Agency / Program Title	CFDA Number	Pass-Through Grantor No.	Federal Expenditures
Department of Justice			
Office of Justice Programs			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0253	\$ 65,110
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-0619	12,089
Community Capacity Development Office	16.595	2007-WS-Q7-0026	12,338
Community Capacity Development Office	16.595	2008-WS-QX-0217	20,955
Total			<u>110,492</u>
Department of Housing & Urban Development			
Community Planning & Development			
Community Development Block Grants/Entitlement Grants	14.218	B-05-MC-28-001	165,183
Community Development Block Grants/Entitlement Grants	14.218	B-06-MC-28-001	495,375
Community Development Block Grants/Entitlement Grants	14.218	B-07-MC-28-001	496,637
Community Development Block Grants/Entitlement Grants	14.218	B-08-MC-28-001	565,530
Community Development Block Grants/Entitlement Grants	14.218	B-09-MC-28-001	425,970
Pass through MS Development Authority			
Community Development Block Grants/Small Cities Program	14.219	R101-06-002-1	163,387
Community Development Block Grants/Small Cities Program	14.219	R-103-122-01-KP	354,400
Community Development Block Grants/Small Cities Program	14.219	R-103-122-01-KCR	151,786
Community Development Block Grants/Small Cities Program	14.219	R-103-122-02-KCR	16,775
Community Development Block Grants/Small Cities Program	14.219	R-103-122-02-KP	145,875
Community Development Block Grants/Small Cities Program	14.219	R-109-122-04-KCR	303,314
Total			<u>3,284,232</u>
Department of Transportation			
Pass through Mississippi Department of Transportation			
Highway Planning and Construction	20.205	104360-801000	2,042,500
Highway Planning and Construction	20.205	104384-811000	302,540
Highway Planning and Construction	20.205	104636-702000	56,836
Highway Planning and Construction	20.205	104636-703000	1,546
Highway Planning and Construction	20.205	104636-704000	57,273
Highway Planning and Construction	20.205	104636-705000	35,045
Highway Planning and Construction	20.205	104913-711000	50,663
Highway Planning and Construction	20.205	105172-701000	2,347,279
Total			<u>4,893,682</u>
Dept of Homeland Security			
Federal Emergency Management Assistance			
Pass through MS Dept of Public Safety			
Homeland Security Grant Program	97.067	06LE122	70,495
Pass through MEMA			
Disaster Grants-Public Assistance (Presidentially Declared)	97.036	FEMA 1604	13,180,574
Hazard Mitigation Grant	97.039	HMGP 1604-0008	3,700
Total			<u>13,254,769</u>
Total expenditures of federal awards			<u><u>\$ 21,543,175</u></u>

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***



CERTIFIED PUBLIC ACCOUNTANTS
A Professional Association

MEMBERS
American Institute of CPAs
AICPA Division of CPA firms
Private Companies Practice Section
Mississippi Society of CPAs

Stephen P. Theobald, CPA, CVA
Margaret D. Closson, CPA
Darrell L. Galey, CPA
Michael D. O'Neill, CPA
John D. Prentiss, CPA
Eric B. Bland, CPA

Gerald Piltz, CPA (Retired)
Stanford A. Williams, Jr., CPA (Retired)
Sam J. LaRosa, Jr., CPA (Retired)
William S. Thompson, CPA (Retired)
Gene M. Clark, Jr., CPA (Retired)

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, 2009, which collectively comprise the City of Biloxi, Mississippi's basic financial statements and have issued our report thereon dated May 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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


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

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

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*.

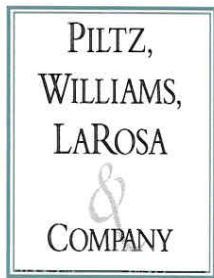
This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution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

A handwritten signature in black ink, appearing to read "R. Williams, L. L. L. & C.", with a stylized flourish at the end.

Certified Public Accountants

Biloxi, Mississippi
May 13, 2010

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



CERTIFIED PUBLIC ACCOUNTANTS
A Professional Association

MEMBERS
American Institute of CPAs
AICPA Division of CPA firms
Private Companies Practice Section
Mississippi Society of CPAs

Stephen P. Theobald, CPA, CVA
Margaret D. Closson, CPA
Darrell L. Galey, CPA
Michael D. O'Neill, CPA
John D. Prentiss, CPA
Eric B. Bland, CPA

Gerald Piltz, CPA (Retired)
Stanford A. Williams, Jr., CPA (Retired)
Sam J. LaRosa, Jr., CPA (Retired)
William S. Thompson, CPA (Retired)
Gene M. Clark, Jr., CPA (Retired)

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, 2009. 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, 2009.

Internal Control Over Compliance

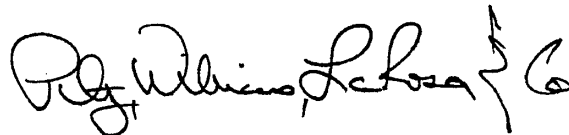
The management of the City of Biloxi, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of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

A handwritten signature in black ink, appearing to read "P. J. Williams & Co.", with a stylized flourish at the end.

Certified Public Accountants

Biloxi, Mississippi
May 13, 2010

The City of Biloxi, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

Section 1 – Summary of Auditors’ Results

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

Community Development Block Grants/Entitlement Grants	14.218
Community Development Block Grants/Small Cities Program	14.219
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036
Department of Transportation – Highway Planning and Construction	20.205

8. The dollar threshold used to distinguish between Type A and Type B Programs was \$646,295.
9. The auditee did qualify as a low-risk auditee.

Section 2 – Finding Relating to the Financial Statements

None

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

None.

The City of Biloxi, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

There were no prior audit findings relative to federal awards.